



State Mining Corporation Limited

Annual Report 2023

Habrang Coal Mine



Khothagpa Gypsum Mine

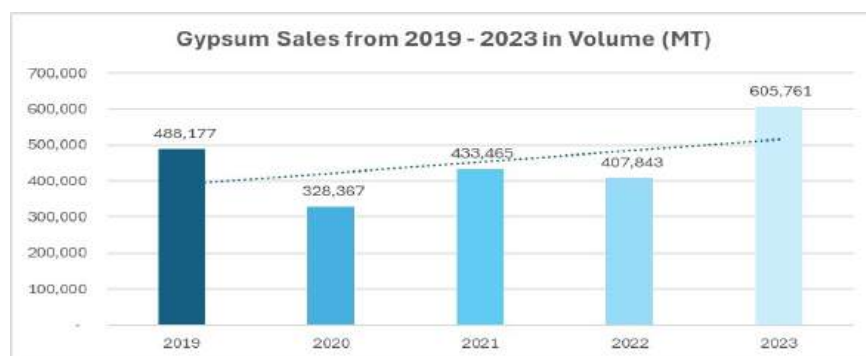


THE YEAR UNDER REVIEW

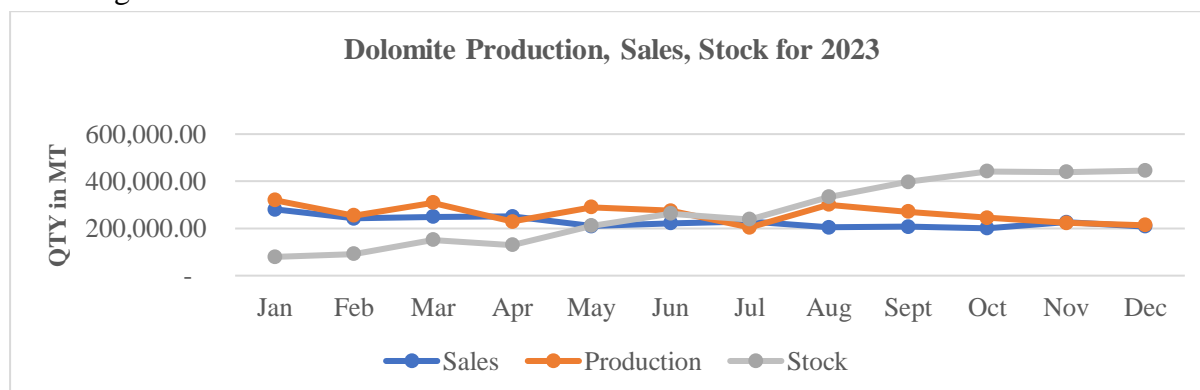
It is with great pleasure I report once again that SMCL’s growth trend continued in 2023. The Company surpassed its past figures, both in the top and bottom lines. The continued progress in the last decade may slow down in coming years unless we are able to open up new markets in the region. In order to keep up the growth trend, we have to meet the challenges of markets penetration. This is going to put our intellect and resilience to test.

The outstanding financial growth continued with revenue of Nu. 6,467.79 M, a significant increase of 20.55% over 2022. Dolomite sales contributed the largest share, accounting for 61.02%, despite the shortfall due to static markets. Revenue from coal saw an increase of 19.55%, while gypsum was our savior with a phenomenal surge of 57.10%, when compared to 2022. Quartzite came out of the successive red zone with a small accounting profit this year. The result was the bottom line crossed the two billion milestone at Nu. 2.274 B.

The star performer this year was gypsum. Production touched an impressive 571,383.55 MT, exceeding the compact target and sale crossed 600,000 MT, generating a record-high revenue of Nu 1.56 billion, due to sustained markets demand in 2023.



Dolomite production and sale targets were set high, at 3,500,000 MT and 3,000,000 MT, respectively, expecting upsurge in demand post COVID. The sale declined starting from May 2023 and could achieve only 2,732,165.38 MT as the steel price saw a steady slump. Dolomite demand is linked to steel price. For the first time, SMCL was forced to calibrate production to sale and did not attempt to meet target.



After experiencing a two-year delay due to COVID, the coal washing plant was constructed and commissioned in April 2023. After testing and commissioning, operation had to be postponed due to shortage of raw coal. With Reshor Coal Mine coming on steam, which can supply coal to cement plants, we expect to operate the plant with poor quality coal from Bhangtar.

Managing overburden (OB) is becoming increasingly challenging as mines are located in hilly terrain and nearby available spaces are filled up. Risk from mismanagement can lead to disasters and the need to construct mitigating structures, like gabion and RCC walls to retain OB escalates mining costs. Access to Railway Siding is the main bottleneck in dolomite markets expansion in the region. The traffic congestion at the railway-road crossing at Birpara is a grave risk with local populace threatening stoppage of dolomite export. The market expansion and penetration into the regional markets will be the biggest challenge to sustain the business growth. Market is a dynamic and a fiercely competitive environment; the journey ahead requires real-time market intelligence and robust competitors' analyses.

May we have the fortitude and intellect to forge ahead!

Tashi Delek

A handwritten signature in blue ink, appearing to read 'Kezang Jamtsho', with a horizontal line underneath.

Kezang Jamtsho
Chief Executive Officer

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COMPANY PROFILE

The Royal Government of Bhutan 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, the State Mining Corporation Limited (SMCL), a state-owned mining company was formed on 31st December 2014 as a 100% Druk Holding and Investment Limited owned Company.

As on 31st December 2023, the Company has four 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 2.274 B.

MISSION

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

VISION

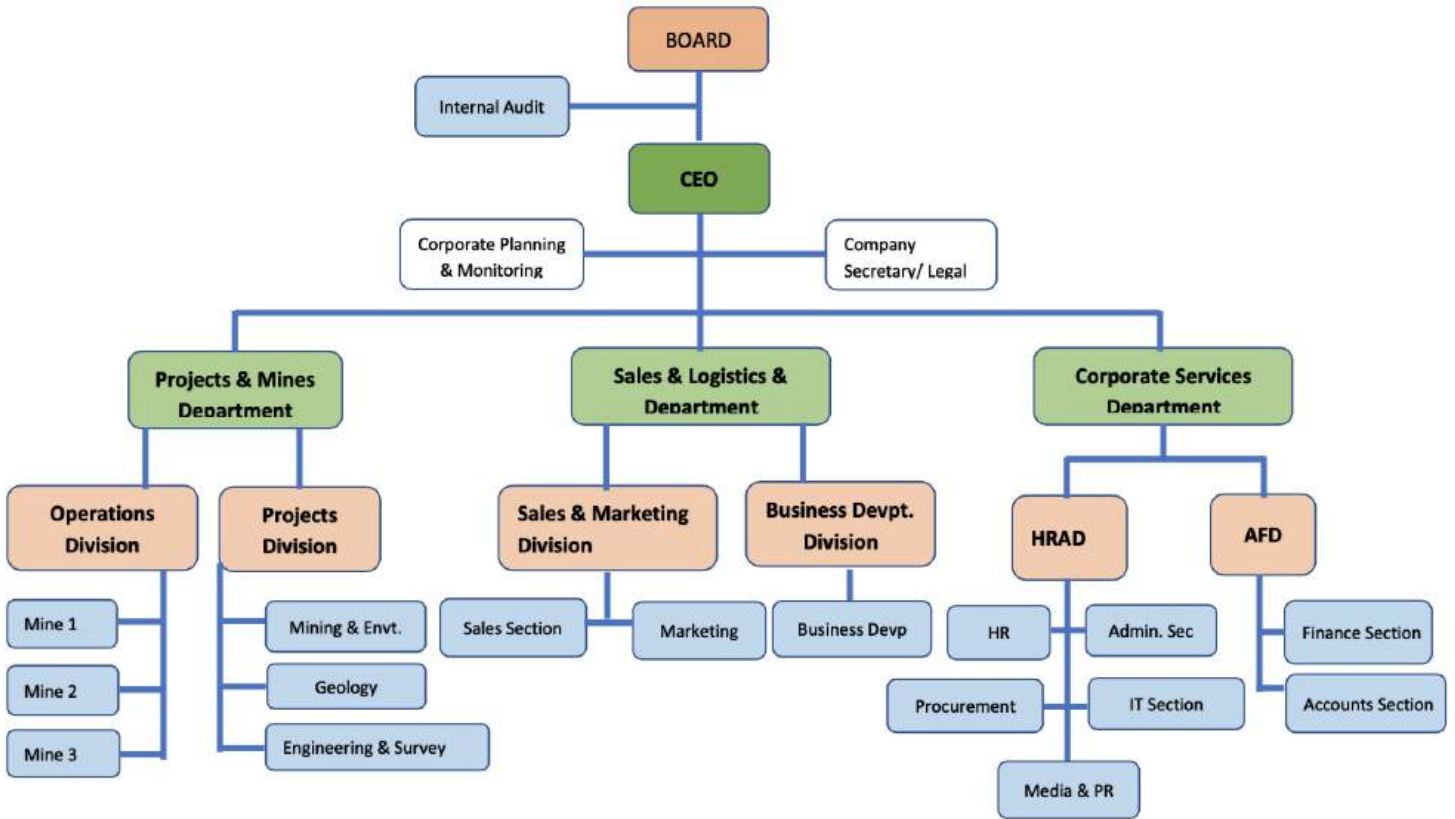
Be the leading company in sustainable mineral resources management to distribute the national wealth to the people of Bhutan.

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.
Teamwork	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.

ORGANOGRAM

SMCL ORGANOGRAM



BOARD OF DIRECTORS

Dasho Karma Yezer Raydi – Chairman, DHI



Dasho Karma Yezer Raydi serves as the Chairman of DHI. Dasho has Master's 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 Eminent Member of National Council. Dasho served as Chief Executive Officer, DHI.

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's in Public Administration from the Lee Kuan Yew School of Public Policy, National University of Singapore.

Passang Dorji- Dzongdag, Samtse Dzongkhag



Mr. Passang Dorji is the serving Dzongdag of Samtse Dzongkhag. Prior to appointment as Dzongdag, he served as Executive Secretary under Thimphu Thromde. He graduated with Bachelor of Arts (Economics)

from Sherubtse College, and Master's 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.

[Geley Norbu- Director, National Land Commission, Thimphu](#)



He is the Director in National Land Commission, Bhutan. He has 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. He joined civil service as Urban Planner and served under Ministry of Works and Human Settlement and Thimphu Thromde. He has wide experience in urban planning, implementation of projects, land and property related disputes resolutions, resettlement programs. 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.

[Kesang Dema- Press Secretary, Office of the Prime Minister](#)

Mrs. Kesang Dema is currently serving as the Press Secretary to the Prime Minister of the third democratically elected government. She is a media consultant and comes with journalism background. She has carried out wide range of media and communication related projects for government agencies, companies, and political parties. She is certified media trainer and has worked with local media house and

newsroom. She has obtained Master of Arts in Journalism from University of Technology, Australia and Master's in Marketing and Business.

[Kezang Jamtsho](#)

Chief Executive Officer - SMCL



He is the Chief Executive Officer of State Mining Corporation Limited (SMCL) and holds 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. He served as the Commissioner for Anti-Corruption Commission of Bhutan and completed his tenure.

MANAGEMENT TEAM

Kezang Jamtsho
Chief Executive Officer



Sangay Rinzin
Director, Sales & Logistics Department



He pursued Master's in accounting from Curtin University of Technology, Western Australia in 2005. He served as the Dean, Research, and Industrial Linkages in Gedu College of Business Studies and as Research Consultant for Institute of Management Studies in Marketing and Management. He has experience in financial management and accounting, business research, marketing, and development of project proposals.

Chhimi Rinzin
General Manager, Corporate Services Department



He pursued Master's in Human Resource Management at the Curtin University of Technology, Western Australia in 2006. He started his career as Trainee Officer in erstwhile Ministry of Health and Education, as HR profession in Ministry of Health, and National Environment Commission. Prior to the current position, he served as the Head, Human Resource Management Division, Royal Civil Service Commission.

Sangay Tshering
General Manager, Projects and Mines Department



He did Bachelor of Engineering in Mining from Nagpur University, Maharashtra, India, and Master's 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. He has knowledge and experience in mine planning, scheduling, and management of the operational activities, mine restoration and rehabilitation, and mine environmental assessment, management and monitoring.

Karma Chophel
General Manager, Projects Division



He joined SMCL after serving Department of Geology and Mines for more than a decade. He received a Master's in Professional Engineering from the University of Western Australia and Bachelor in Engineering in Mining from Indian Institute of Engineering Science and Technology, India.

Kelden Jatsho
General Manager, Accounts and Finance Division



He obtained his Bachelor of Commerce from Kurseong College, North Bengal University, India. He started his career as a contract teacher in 2010 and later from 2012 he worked at Nubri Capital Private Ltd. as an Accounts & Finance Officer. He then served as an Assistant Manager (Accounts) at the Army Welfare Project Limited (AWPL). Before taking up the position of General Manager, AFD, he served as Head of Accounts & Finance at SMCL.

Habrang Coal Mine



DIRECTORS' REPORT

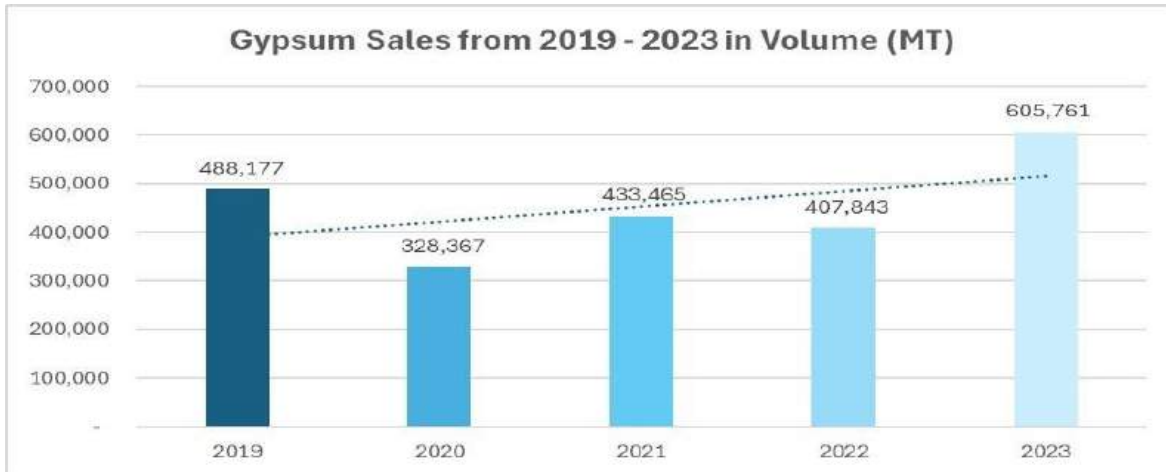
To the Shareholders

It is my pleasure, as the Chairman of the Board of SMCL, to present the Directors' Report for the year 2023. I take pride in putting on record that the Company has surpassed its past figures, both in the top and bottom lines. In fact, the bottom line has crossed the two billion milestone at Nu. 2,274 B against target of 2,018 B. This outstanding trend in our performance is due to the dedication and resilience of our field staff, operating under difficult working conditions. A note of caution, as the dolomite market has not picked up in the last few years, plateauing is foreseen in years ahead, unless we are able to open up new markets.

OPERATIONAL HIGHLIGHTS

GYPSUM

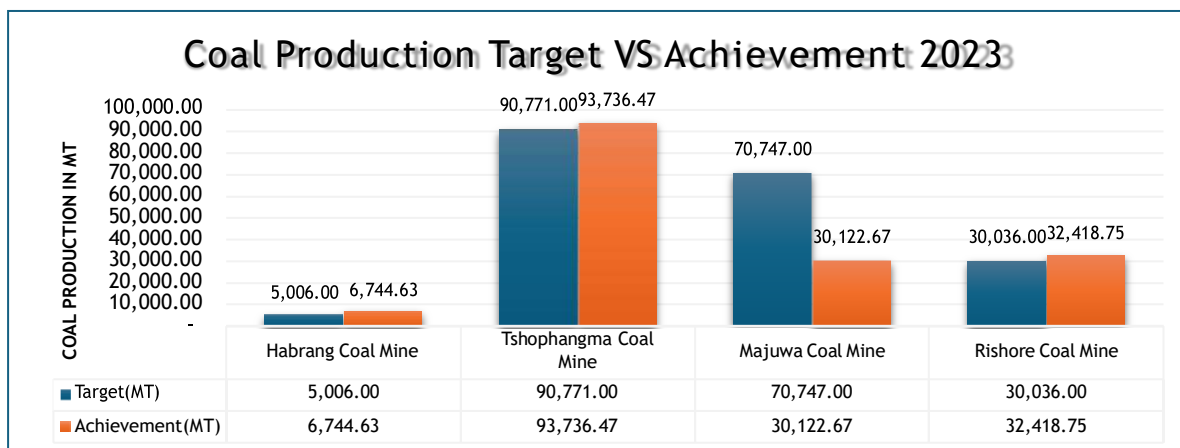
The star performer this year was gypsum segment. Production touched an impressive 571,383.55 MT, exceeding the compact target, and the sale crossed 600,000 MT, generating a record-high revenue of Nu 1.56 billion, compensating the revenue deficit from coal.



During the MTR, sale target was increased by 30% (450,000 to 600,000 MT) to make up the revenue deficit from coal. As we had foreseen and planned, the achievement makes us proud.

COAL

The target for coal production from the four coalmines was set at 196,500 MT. However, during the MTR, it was foreseen and submitted that Majuwa Coal Mine (MCM) would face challenges to meet its production goal.



The three other coal mines fulfilled their targets and production deficit is totally from Majuwa Coal Mine. Majuwa team worked seven days a week foregoing their Sundays and Government holidays from November and could achieve only 30,122.67 MT, taking the total production to 163,022.52 MT. MCM has faced challenges in meeting production targets due to the unexpected depletion of coal deposits and the non-occurrence of seams as indicated in its geological report. Such uncertainty is normal as coal reserve is highly erratic in occurrence.

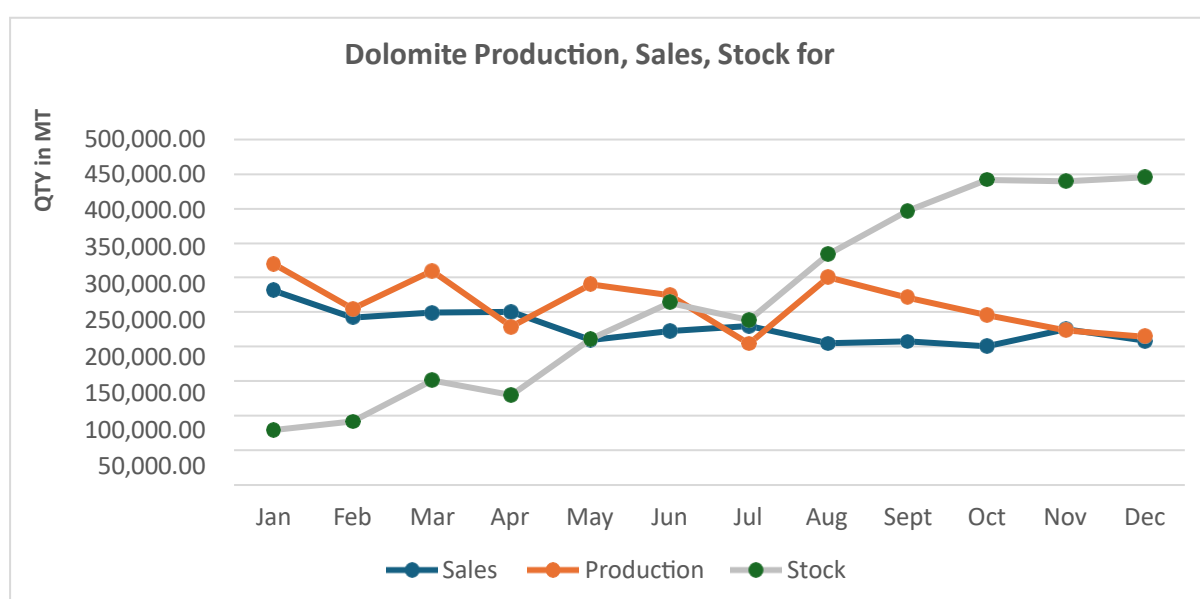
The daily sale depends on availability of high-quality coal, which has been proving a great challenge due to inherent poor quality of our reserves. The monthly coal production report for 2023 revealed an average ash content of 41%, exceeding the acceptable limit of 37% set by cement plants. This poor-quality hampered

coal sales. As of December 31, 2023, the Company held poor quality coal stock at 48,506 MT. Consequently, coal sales for 2023 amounted to Nu923 M.

DOLOMITE

Dolomite production and sale targets were set at 3,500,000 MT and 3,000,000 MT, respectively. The sale trend did not pick up, instead declined starting from May 2023 and reached only 2,732,165.38 MT as the steel price saw a steady slump. Dolomite demand is linked to steel price. As demand was not picking up, SMCL was forced to calibrate production to avoid excessive stock. Hence production reached 3,099,703 MT as on 31 December 2023, and the stock stood at 441,178 MT. Normally stock for one- two months is maintained to absorb production shocks.

The graph below shows monthly production, sale, and accumulated stock.



STONE BOULDERS AND AGGREGATES

As the project activities of Kholongchu Hydro Electric Ltd. did not commence, boulder extraction and aggregate production was done for local markets. The focus was on meeting the local demand and to keep the plant in operation. The table below provides the detail of production and sale.

KPI	Target (MT)	Achievement
Boulder	50,000.00	50,142.25
Aggregate	35,000	35,652.44
Sale of aggregate	29,054	31,037.01

COAL WASHERY

After experiencing a two-year delay due to COVID-19, the coal washing plant was established and commissioned in April 2023. Despite successful testing and commissioning, operation had to be postponed

due to shortage of raw coal. The plant was designed to beneficiate coal with ash content of 30-35%. When the plant was designed, DCCL needed coal with ash content of 20-25%, but at present they accept coal with ash content within 37%. Hence all coal within this ash content is taken by DCCL on a daily basis, leaving us with no coal to wash. On the other hand, Majuwa is yielding coal with ash content more than 40%, aggravating the situation with poor quality stock of more than 48,000 MT. To wash coal with higher ash content than design, the recovery rate is very low at 6%.

When Reshore Coal Mine will be in full operation, we expect either to mix with good coal, or supply will be done from Reshore to cement plants. And coal with 30-35% ash from coal mines in Bhangtar will be beneficiated. The progress on acquisition of Reshore Coal Mine is painfully slow.

FINANCIAL PERFORMANCE HIGHLIGHTS

The Company's financial performance for the year 2023 has exceeded all past achievements.

Revenue

The total income for the year was Nu. 6,467.79 M, marking a significant increase of 20.55% over 2022 figure of 5,365.29 M. Dolomite sales contributed the largest share, accounting for 61.02%, despite the shortfall in revenue due to static markets, with a modest increase by 10.65% from 2022. Revenue from coal saw an increase of 19.55%, while gypsum was our savior with a phenomenal surge of 57.10%, which compensated revenue shortage to a great extent. Quartzite came out of the successive red zone with a small accounting profit this year.

Expenditure

The total expenditure for the year 2023 was Nu. 3,057.21 M, an increase of 21.64% from the previous year's expenditure of 2,513.36 M. The increase in expenditure primarily came from the growth in business volume across all minerals, both in terms of quantity produced and sold. Some impact was made by the mining lease fee of Nu. 325 M, since we had to bear the whole amount in 2023 while in 2022, the lease fee was effective only from May.

Profitability

Profit After Tax (PAT) rose to Nu. 2,274.78 million from Nu. 1,920.73 M, marking an impressive increase of 18.43% compared to 2022. The initial target for PAT was set at Nu. 2,081.91 million. Despite increase in PAT, the profit margin experienced a slight decrease, slipping to 38.08% from 41.41% in 2022. This decline is due to payment of a mining lease fee of Nu. 325 M, which is not tax deductible and dented profitability by Nu. 97.50 M.

Cash Flow

The cash generated from the operation increased to Nu. 1,960.18 M in 2023 from Nu. 1,439.31M in 2022. However, the cash and cash equivalent at the end of year reduced to Nu. 360.49 M from Nu. 440.07 M in

2022. Company invested Nu. 400 M in fixed deposit and Nu. 200 M in inter-corporate loan as on December 31, 2023.

Return on Equity

The return on equity stands at 94.71%, an increase of 0.91% compared to 2022 which was 93.80%.

AUDIT ISSUES

The Company was audited by M/s Dechok & Associates Pvt. Ltd Chartered Accounts, based in Thimphu, Bhutan.

The Management Audit Report consisted of the following:

1. Irregularities noted in the Revaluation of Fixed Asset carried out by SMCL.
 - a. Approval for major change in Accounting Policy from Cost Model to Revaluation Model was not sought from DHI.
 - b. Wasteful Expenditure of over Nu. 909,030.00 and its accountability.
2. Advance Payments to Khandum Transport & Hiring, Phuentsholing not covered by agreement.
3. Undue delay in settlement of Construction Works in Progress (CWIP)- Nu.95,017,329.63.
4. Non conducting of physical verification of stock balances at the year-end.

The comments given by the Auditor have been well noted by the Company which will be addressed in 2024.

BOARD'S RECOMMENDATION OF DIVIDEND

The shareholder shared its dividend expectation of Nu.2,310 M, based on a provisional account, which is 785.74% of the share capital. The profit was finalized at 2,274.78 M.

The detail is shown below:

Particulars	Nu/(M)	%
Dividend Amount	2,310.000	
Share Capital	293.990	785.74%
Total Comprehensive Income/(Loss)	2,275.742	101.51%
Profit/(Loss) After Income Tax (PAT)	2,274.78 M	101.55%

The modality of tranche disbursement will be discussed with Department of Finance, DHI.

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 conducted Five Board Meetings, a Mid Term Review Meeting, an Annual General Meeting,

one Board Tender Committee Meeting and eight Board Audit and Budget Committee Meetings during the Fiscal Year 2023.

CORPORATE SOCIAL RESPONSIBILITY

As part of corporate social responsibility, the Company made contributions of Nu. 2,613,353.50 to following activities as detailed below:

SN	Beneficiaries	Amount (Nu.)
1	Culture & religious events (Construction/renovation/preservation of lhakhangs, chortens and other monuments) & Community Development	1,759,036.50
2	Schools, Institution/Colleges, Hospital	854,317.00
	Total	2,613,353.50

BEYOND CSR: SHARING BENEFITS WITH THE COMMUNITIES

As a responsible mining Company, we engage the communities in the mining operation there by boosting the local economy and its specific details are as follows:

Particulars	Details	Amount (Nu)	No.	Remarks
EME & Tippers	EME hired	245,221,337.31	45	32 excavators, 3 rock breakers and 10-wheel loaders.
	Tippers hired	241,925,072.82	218	218 nos of tippers in the mines and stockyards.
	Individual tippers, transportation of minerals from mines/primary stockyard to secondary stockyards and or consumers	731,233,366.74	490	1. Gypsum transportation from Pema Gatshel to S/Jongkhar. 2. Coal transportation from Habrang to DCCL. 3. Coal transportation from Habrang to Motanga. 4. Dolomite transportation from stockyard to buyers (Only Bhutanese Truckers Included) 5. Coal transportation from Reshore to Motanga.
Construction works	Contract works (labor contract to locals)	4,924,846.48		Awarded to local people
Manpower	Coal raisers	14,373,709.17	42	Awarded based on Output per Manshift and per MT.
	Operators		45	
	Drivers		708	
	Daily Wage earners	3,867,815.7	69	Recruited and engaged from local community.
Grand total		1,241,546,148		

The Company Pumped more than 1.2 B to the local economy to boost rural livelihoods.

KEY CHALLENGES


1. Managing overburden (OB) has become increasingly challenging as mines are located in hilly terrain and nearby available spaces are filled up. Risk from mismanagement can lead to disasters and need to construct remedial and mitigating structures, like gabion and RCC walls to retain OB escalates mining costs.
2. The inherent poor coal, both in terms of quality and quantity has been a persistent challenge to meet the domestic demand. The challenge comes from scattered and erratic nature of our coal deposit with high ash content.
3. Access to railway siding is the main bottleneck in dolomite markets expansion. The traffic congestion at the railway-road crossing is a timebomb with local populace threatening stoppage of dolomite export. The existing siding at Dalgoan can handle on average two rakes loading a day, which will dispatch about 7000-8000 MT, at the highest. Road transport involves more cost and can ferry about 1000 MT a day.
4. Minerals, by their bulky nature, incur substantial transport costs in marketing and distribution. It has become a great challenge to increase business through market penetration, vis-à-vis competitors and transport cost.
5. Recruiting experienced and qualified personnel for specific positions, such as geologists and mining engineers, poses a significant challenge. Even to get general cadre staff with good aptitude is difficult.

ACKNOWLEDGEMENTS

I sincerely thank the Royal Government of Bhutan, Druk Holding and Investment Limited, all regulatory agencies like Department of Geology and Mines, Department of Environment and Climate Change, National Land Commission, their subsidiary offices, Dzongkhags and Communities for their continued support.

As we reflect on the accomplishments of the past years, we remain steadfast in our commitment to excel and look forward to seizing new opportunities for growth and development in the coming years. Thank you to our shareholders for their unwavering support and trust in SMCL.

For and on behalf of the Board



(Dasho Karma Yezer Raydi)
Chairman

Khothagpa Gypsum Mine



CORPORATE GOVERNANCE REPORT 2023

A. THE BOARD

i. Board Directors

The Board serves as the most significant decision-making authority within the Company. It formulates the company's holistic strategy, oversees its execution, monitors performance, ensures effective management and organization, and thus plays a vital role in advancing the company's growth and meeting shareholder expectations.

ii. Board Composition

The Board consists of seven directors; the appointment of new member and reappointment is solely done by the shareholder of the Company during the Annual General Meeting.

As per the section 134, Companies Act of Bhutan 2016, SMCL's Board has members from diverse professions with varied skills, age and gender that empowers the board to make well-informed and impartial decisions prioritizing the interests of shareholders, the company, employees, and other stakeholders. Of the seven members, four are independent and three non-independent.

Table 1: Board Members in 2023

SN	Name of Director	Designation & Address	Description	Date of Appointment	Remarks
1	Dasho Karma Yezer Raydi	Chairman, DHI	Chairman	18/04/2022	Non-Independent
2	Mr. Pem Tshering	Sr. Analyst, DHI	Member	30/03/2021	Non-Independent
3	Mr. Kezang Jamtsho	CEO, SMCL	Member	1/07/2016	Non-Independent
4	Mr. Chewang Rinzin	Director, RIGSS	Member	18/04/2022	Independent
5	Mr. Geley Norbu	Director, NLC	Member	30/03/2024	Independent
6	Mr. Passang Dorji	Director General, MoHA	Member	30/03/2021	Independent

iii. Board's Responsibilities

- i. Provide entrepreneurial leadership by encouraging new ideas and initiatives, and to guide the company's strategic direction;
- ii. Set company's values, standards (including governance and ethical standards) and policies, and ensure that obligations to shareholders and other stakeholders are understood and met;
- iii. Oversee accountability and the process of disclosures to shareholders and stakeholders in ensuring the integrity of the company's accounting, financial reporting and internal control systems and independent audit;
- iv. Monitor and evaluate the implementation of strategies, policies and business plans;
- v. Ensure a transparent and effective selection process for the CEO and senior managers of the company; and
- vi. Monitor the effectiveness of governance practices under which the company operates, including managing conflicts of interests.

iv. Chairman's Responsibilities

The primary role of the chairman is to provide leadership to the board and to guide the work of the board.

The chairman's role shall include, but not be limited to the following:

- i. Lead the board to promote high standards of governance and to ensure board effectiveness and smooth functioning on all aspects of its role in a firm and objective manner;
- ii. Ensure effective accountability and governance of the company, consistent with relevant legislation;
- iii. Set the agenda and preside over Board meetings to ensure that adequate time is available for discussion of all agenda items, in particular, on the strategic issues;

- iv. Conduct effective board meetings and encourage a culture of openness, active participation and constructive debate;
- v. Ensure accurate records of board meetings are taken and verifying that decisions are implemented;
- vi. Ensure that the directors receive complete, adequate and timely information to enable quality and informed decision-making;
- vii. Encourage constructive relations within the board and between the board and management to ensure the company is managed effectively;
- viii. Participate in the selection and appointment of new board directors and the CEO in close collaboration with the shareholder(s);
- ix. Approve leave, ex-country travel and training of the CEO;
- x. Meet shareholder expectations by leading and ensuring effective annual board and CEO evaluation processes; and
- xi. Develop and maintain sound relations and communications with shareholders and stakeholders. This may include representing the company interests in meetings with ministries, foreign company representatives and with other organizations within the country.

iv. Chief Executive Officer's Responsibilities

The CEO is subordinate to the board of directors and responsible to the board for the overall day-to-day operation, management, and performance of the company.

Following are the key responsibilities of the CEO:

- i. Managing the company in accordance with the strategy and performance targets, policies and directives approved by the board.
- ii. Recommending long-term vision and strategy for the company to the board.
- iii. Leading the management team in managing the day-to-day operations of the organization, its people and resource.
- iv. Implementing all board approved plans, policies, and performance targets.
- v. Ensuring the authorities delegated from the board are exercised in a competent manner and within the intent of such delegation and referring all matters outside his delegation to the board for approval.
- vi. Acting as the company's interface with its operating environment and the business community.
- vii. Protecting and enhancing the image and reputation of the company
- viii. Ensuring compliance with legal and regulatory obligations.
- ix. Promoting leadership development and proper succession planning for key positions in the company.
- x. Ensuring ethical standards as established by board are complied with Keeping the board apprised of all matters of significance.
- xi. Keeping the board chairman apprised of all matters of significance that occur the board meetings.
- xii. Providing the board with accurate, relevant, timely and complete information, and
- xiii. Other responsibilities as designated by the board from time to time.

v. Board Meetings held in 2023

No. of Board Meeting	Date	Venue
50 th	2/02/2023	DHI Board Room/virtual
51 st	8/03/2023	DHI Board Room/virtual
52 nd	28/04/2023	DHI Board Room/virtual
53 rd	31/07/2023	DHI Board Room/virtual
54 th	6/12/2023	DHI Board Room/virtual

vi. Board Directors' Attendance in 2023

Name	Designation	Attendance	Remarks
Dasho Karma Yezer Raydi	Chairman, DHI	5/5	
Mr. Pem Tshering	Sr. Analyst, DHI	5/5	
Mr. Kezang Jamtsho	CEO, SMCL	5/5	
Mr. Chewang Rinzin	Director, RIGSS	4/5	
Mr. Pasang Dorji	Director General, MoHA	2/5	
Mr. Geley Norbu	Director, NLC	3/5	

B. 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.

- i. Board Audit and Budget Committee
- ii. Board Tender Committee
- iii. 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.

i. 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 2023

No. of Meeting	Date	Venue/Mode	Remarks
32 nd	25/01/2023	Virtual	
33 rd	6/03/2023	Virtual	
34 th	17/03/2023	Virtual	
35 th	25/04/2023	Virtual	
36 th	29/6/2023	Virtual	
37 th	12/07/2023	Virtual	
38 th	4/12/2023	Virtual	
39 th	26/12/2023	Virtual	

ii. Board HR Committee

The Board HR Committee of the company comprises three members, 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 approved 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.

iii. 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 2023

No. of Meeting	Date	Venue/Mode	Remarks
16 th	26/04/2023	Virtual	

C. ANNUAL GENERAL MEETING

The Company held its 9th Annual General Meeting on 29th March 2024. The meeting was attended by the representatives from DHI (shareholder) and SMCL Board members virtually. The agenda included the

review of audited accounts for the financial year ended December 31st, 2023, along with the auditors' report and the declaration of dividends.

During the meeting, two new directors were appointed, due to the retirement of two directors. The remaining five board members were reappointed for another term.

D. BOARD REMUNERATION

i. Board Directors' remuneration

Based on the remuneration fixed by DHI, the Company paid total of Nu. 364000 during 2023 for five Board Committee meetings and 10 Board Subcommittee Meetings.

Particulars	2023 (Nu)	2022 (Nu)
Board Sitting fees	192,000	340,000
Sub-committee fees	172,000	124,000
Grand Total (Nu.)	364,000	464,000

ii. Remuneration of CEO

The CEO's remuneration for the 2023 has been presented in the table below:

Particulars	2023	2022
Basic Pay	1,398,515	1,311,000
Allowances	1,529,325	1,348,950
PVBA and Bonus	546,250	345,000
GPF Contribution (Employer)	210,767	207,000
Travelling expense of CEO	207,880	266,982
Sitting fees	60,000	68,000
Leave Encashment	257,426	115,000
Leave Travel Concession	15,000	15,000
Grand Total	4,225,163	3,676,932

E. RISK MANAGEMENT

According to the Risk Management Policy of the Company, the risks are compiled at the start of the year, identifying potential risks, and devising appropriate mitigation strategies. Following the DHI risk management framework, the Company categorized its risks into five main areas: Strategic, Financial, Operational, Compliance, and Control.

As per the revised risk management framework issued by DHI in September 2023, SMCL reconstituted the Risk Management Committee members and conducted risk workshop as per the risk framework with the individual Cost Center risk management team.

Company mines the minerals following open cast methods using earth moving equipment and explosives. Most of the mines operated by the company are located closer to the settlements or protected areas. Blasting may affect/damage the structures near mines if appropriate measures are not taken. Therefore, detailed assessments were carried out and changed the explosives and methods of blasting that have minimal impact/disturbance to the settlements.

Mining by nature is exposed to multiple risks associated to operation of plants and equipment. Hence, SOPs and checklists are developed for every operational activity and followed diligently. Introduced morning drill, and toolbox meeting to create awareness on the need for assessment of potential risks at work sites.

Mine workers are exposed to risks of accidents at worksites due to narrow work areas, steep terrain and deployment of heavy earth moving equipment. Therefore, utmost care and precautions are taken. As a strategy to mitigate mishaps, the company instituted mandatory, random and pre-employment drug test in accordance with the SOP for Drug Abuse Test approved by Bhutan Food and Drug Authority. OHS committees instituted in all mines and focal persons were trained and made aware of the importance of OHS with the experts from erstwhile Department of Labour, Ministry of Labour and Human Resources.

The Company needs to keep pace with the changing technologies and volatile business environment to remain competitive in the market. The systems and processes are reviewed periodically and kept dynamic. The business processes are digitized and integrated in the eMines System to ensure efficiency, transparency and prevent fraudulent practices/misappropriation.

F. CEO EVALUATION

The Board assesses the performance of CEO annually. The assessment is carried out in two areas: Annual Compact 80% and Leadership 20% weightage.

Performance Based Variable Pay (PBVP) for the CEO is linked to overall performance of the company.

G. BOARD EVALUATION

The evaluation of the performance of the Board and its committees is undertaken annually. The members are assessed for their dedication, preparedness for the meetings, professional and ethical attributes, teamwork, and contributions in the meeting.

Habrang Coal Mine



Rishore Coal Mine



Majuwa Coal Mine



INDEPENDENT AUDITORS' REPORT



AUDIT REPORT ON THE FINANCIAL STATEMENTS OF STATE MINING
CORPORATION LIMITED

PERIOD: 01/01/2023 - 31/12/2023

APRIL 2024

Dechok & Associates Pvt. Ltd.

Mobile: +975-17606922

Email: yeshi.jamtsho939@gmail.com

Facebook: Dechok and Associates Pvt. Ltd.

TITLE SHEET

Title:	Financial Audit Report of State Mining Corporation Limited, Samtse
AIN	
Head of the Agency:	Kezang Jamtsho, CEO CID No. 10905006022
Drawing & Disbursing Officer:	Chhimi Rinzin, General Manager CID No. 10716000103
Finance Personnel:	Kelden Jatsho, General Manager CID No. 0104000536
Period Audited:	1 Jan. 2023 to 31 Dec. 2023
Schedule of Audit:	Planning: 21 Jan. to 30 Jan 2024 Field Audit: 22 Jan. to 25 Feb 2024
Composition of Audit Team:	<ol style="list-style-type: none"> 1. Yeshi Jamtsho FCCA, Partner CID No. 10711001985 2. Dawa Tamang, Audit Manager CID No. 11303002896 3. Jamyang Tshering, Auditor CID No. 11312003189 4. Phub Zam, Auditor CID # 11410001428 5. Chencho Lham, Auditor CID # 11410001427
Supervising Officer:	Yeshi Jamtsho FCCA, CID No. 10711001985
Engagement Letter:	RAA(SA-34)COAD/2023/798 dated 06.11.2023
Focal Person:	Yeshi Jamtsho, Managing Partner
Date of Audit Exit Conference:	26 March 2024

ACRONYMS AND ABBREVIATIONS

AASBB:	Accounting and Auditing Standard Board of Bhutan
BAS:	Bhutanese Accounting Standards
CEO:	Chief Executive Officer
CID:	Citizenship Identity Card
CWIP:	Capital Work-In-Progress
DBO:	Defined Benefit Obligation
EIR:	Effective Interest Rate
F&A:	Finance & Administration
FCCA:	Fellow Chartered Certified Accountants
FVTOCI:	Fair Value Through Other Comprehensive Income
FVTPL:	Fair Value Through Profit & Loss
IASB:	International Accounting Standard Board
IFRS:	International Financial Reporting Standards
ISA:	International Standards on Auditing
NPPF:	National Pension & Provident Fund
Nu.:	Ngultrum
OCI:	Other Comprehensive Income
P&L:	Profit & Loss
PO:	Purchase Order
PPE:	Property, Plant and Equipment
PUC:	Projected Unit Method
RAA:	Royal Audit Authority
R&D:	Research & Development
RGoB:	Royal Government of Bhutan
RoC:	Registrar of Companies
ROCE:	Return on Capital Employed
SME:	Small and Medium-sized Entities
SPPI:	Solely Payments of Principal and Interest
SMCL	State Mining Corporation Limited
TDS:	Tax Deducted at Source.

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INDEPENDENT AUDITOR 'S REPORT



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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of State Mining Corporation Limited (SMCL)

Opinion

We have audited the financials statements of State Mining Corporation Limited ('the Company'), which comprises the Statement of Financial Position as at 31 December 2023, and the Statement of Comprehensive Income, Statement of Cash Flows and the Statement of Changes in Equity 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 2023, and its financial performance and cash flows for the year then ended in accordance with Bhutanese Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with the 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 this report. We are independent of the Company 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 requirements 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.

Emphasis of Matter

The SMCL had revalued its fixed assets during the financial year 2023 and incorporated the revaluation results into the accounting system, e-mines. This exercise required re-configuration of the accounting system for Property, Plant and Equipment which eventually had retrospective impact on the carrying amount and the accumulated depreciation of the PPE. As the basis of revaluation of PPE was not as per the BAS, we requested SMCL to obtain the opinion of the DHI as to how SMCL should present its financial statements for the year ie whether on the revaluation model or on the cost



model. The DHI informed that the revaluation report was not acceptable as it was not correct and required SMCL to prepare the financial statements without incorporating the revaluation amounts. This entailed another round of configuration of the accounting system to bring it back to the cost model. The impact of various configuration of accounting system to incorporate the revaluation of PPE and to again put it back to the old system on the opening balances were not verifiable as there was a tremendous delay in the preparation and submission of the financial statements. Therefore, any misstatement of the financial statements as a result of the misstatement of opening balances due to the revaluation exercise is the responsibility of the management.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year under audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For the year under audit, we have not come across any issue, except our observations mentioned under Management Report section of the Report, which in our opinion requires mention under this section.

Other Information

The management and the Board of the Company is responsible for the other information. The other information comprises the information included in the Director's Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this audit report.

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

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

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

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



The Management is responsible for the preparation and fair presentation of the financial statements in accordance with Bhutanese Accounting Standard, 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 these 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 audit report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of audit in accordance with ISAs, we have exercised professional judgment and maintained professional scepticism throughout the audit. We also:

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
- ii. 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 entity's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;



- iv. 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 entity's ability to continue as a going concern; and
- v. 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 the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

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

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

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as *Appendix I* with statements on the matters specified therein to the extent applicable.

Further, as required under Section 265 of the Companies Act of Bhutan 2016, we report that:

- i. We have obtained all the information and explanations to the best of our knowledge and belief were necessary for the purpose of the audit;
- ii. In our opinion, proper books of accounts have been kept by the Company insofar as it appears from our examination of those books;



- iii. The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows dealt with in this Report have been prepared in accordance with Bhutanese Accounting Standards (BAS); and
- iv. Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements.



Yeshe Jamtsho, FCCA
Managing
Partner



REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

General:

- a) To the extent applicable, the company adheres to the Corporate Governance Guidelines issued by Druk Holding and Investments Limited (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 2023 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.

For Mining Companies

1. The Company has maintained proper records showing full particulars including quantitative details of fixed assets. The management had conducted physical verification of fixed assets for the period under audit and no material discrepancies were reported to the audit team on such verification.
2. Fixed assets have been re-valued during the year. The revaluation report was not acceptable to the auditors as well as to the holding/parent company DHI as the revaluation process were incorrect.
3. Physical verification of finished goods, stores, spares and raw materials were conducted at the end of the financial year, and the closing stock of Nu. 712,402,576.54 was reported as at the year-end.
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. 7,888,097.24 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/weighted 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. ^[11]_{SEP}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 it's 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 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:

1	Tax Deducted at Source	2,742,560
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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 adequate as no excessive amounts 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 introverts 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. During the year 2023, accounting data was migrated from old e-mines system to updated version of e-mines.

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.



Yeshe Jamtsho

Managing Partner



FINANCIAL STATEMENTS

STATE MINING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION AS ON
31-Dec-23

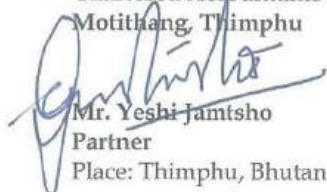
Particulars	Notes	31-Dec-23	31-12-22
ASSETS			
Non-Current Assets-			
Property, plant and equipment	2A	517,715,370	600,005,705
Intangible asset	2B	428,272	428,272
ROU Building	2C	518,094	799,861
Capital work-in-progress	2D	95,017,330	50,930,779
Exploration & evaluation cost	2E	5,120,881	5,278,231
Mines Development	2F	6,888,469	11,428,567
Trade & other receivable	3	73,959,204	41,627,020
Other non - current assets	4	4,328,458	4,328,458
Total non-current asset		703,976,078	714,826,894
Current Assets-			
Inventories	6	712,402,577	385,855,566
Trade & other receivable	7	1,183,356,286	688,217,618
Cash and short - term Deposits	8	360,493,789	440,068,735
Other current assets	9	1,030,859,390	994,232,453
Total current asset		3,287,112,042	2,508,374,372
Total Asset		3,991,088,120	3,223,201,266
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	293,990,000	293,990,000
Reserves & Surplus		2,107,737,265	1,753,674,241
Total Equity		2,401,727,265	2,047,664,241
Non-current liabilities			
Deferred tax liability	11	5,216,689	9,140,021
Employee benefit obligations	12	11,180,466	15,558,408
Long-term Borrowing	13	18,543,796	32,223,174
Lease Liability	14	903,197	1,460,378
Total non-current liabilities		35,844,148	58,381,980
Current liabilities			
Trade and other payables	15	340,841,517	83,706,347
Short term employee benefit	16	6,639,066	4,665,560
Other current liabilities	17	1,206,036,124	1,028,012,736
Short-term Borrowing	18	-	770,400
Total current liabilities		1,553,516,708	1,117,155,044
Total of equity and liabilities		3,991,088,120	3,223,201,266

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

Significant Accounting Policy and Notes of Financial Statement 1- 42

As per our report of even date


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


Mr. Yeshe Jamtsho
Partner
Place: Thimphu, Bhutan

Date:



For State Mining Corporation Limited


Dasho Karma Yezer Raydi
Chairman

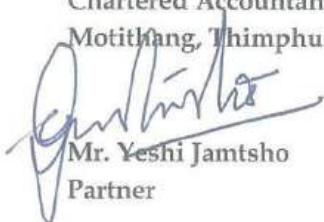
Place:
Date:


Kezang Jamtsho
CEO
Chief Executive Officer:
State Mining Corporation Ltd.
Samtse : BHUTAN

STATE MINING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD
31-Dec-23

Particulars	Notes	31-Dec-23	31-Dec-22
Income-			
Revenue from sale of products	19	5,974,131,178	4,638,082,165
Other income	20	493,662,449	727,204,025
Total Income		6,467,793,627	5,365,286,190
Expenditure-			
Changes in Inventories of finished goods	21	(144,299,696)	(35,751,653)
Mining Cost	22	1,831,018,202	1,381,251,602
Operation & Maintenance Expenses	23	381,272,263	267,978,666
Depreciation and Amortization	2A-2E	133,553,462	79,962,581
Employee Benefit Expenses	24	208,787,913	172,678,484
Finance Cost	25	4,306,011	10,247,284
ECL Cost	26	13,553,601	7,910,128
Other Expenses	27	64,028,850	67,528,589
Selling & Distribution	28	564,992,568	561,549,888
Total Expenditure		3,057,213,174	2,513,355,569
Profit/(Loss) Before Income Tax		3,410,580,454	2,851,930,621
Income Tax Expenses			
Current tax		1,132,249,864	926,111,374
Deferred tax		3,550,893	5,092,900
Profit/(Loss) After Income Tax		2,274,779,697	1,920,726,347
Other Comprehensive (income)/Loss			
Actuarial Gain/(Loss) on post-employment benefit obligations		(910,525)	2,550,592
Deferred Expenses - SMCL		(51,448)	
Net Other Comprehensive (Income)/Loss		(961,974)	2,550,592
Total Comprehensive Income/(Loss)		2,273,817,723	1,918,175,755
Basic and Diluted Earnings per Share	29	774	653

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


Mr. Yeshe Jamtsho
Partner



Place: Thimphu, Bhutan
Date:

For State Mining Corporation Limited


Dasho Karma Yezer Raydi
Chairman

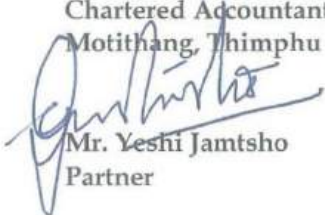
Place:
Date:


Kezang Jamtsho
CEO
Chief Executive Officer
State Mining Corporation Limited
Samtse : BHUTAN

STATE MINING CORPORATION LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED
31-Dec-23


Particulars	31-Dec-2023	31-Dec-2022
Net Profit Before Tax	3,410,580,454	2,851,930,621
Adjustment for		
Depreciation and amortization	133,553,462	79,962,581
Add Back Provisions	13,553,601	1,460,378
Asset Write-off & Depreciation Adjustments	(1,889,318)	
Changes in Working Capital:		
Adjustment for:		
Increase in Environmental Bond	(32,332,185)	(20,283,816)
Employee Benefit Long Term	(4,377,942)	7,352,979
Lease Liability	(557,181)	
Deferred tax Liability	(3,923,331)	
(Increase)/Decrease in Inventory	(326,547,010)	(71,169,468)
(Increase)/Decrease in Trade & Other Receivables	(495,138,668)	(93,737,476)
(Increase)/Decrease in Other Current Assets	426,422,542	(229,177,126)
(Increase)/Decrease in Trade & Other Payables	257,135,170	8,982,077
(Increase)/Decrease in Short - Term Employee Benefits	984,198	1,998,112
(Increase)/Decrease in Other Current Liabilities	(954,238,891)	(681,807,281)
Cash Generated from Operations	2,423,224,900	1,852,168,187
Less: Tax Paid	(463,049,479)	(412,855,874)
Net Cash used in Operating activities (A)	1,960,175,421	1,439,312,313
Cash Flow from Investing Activities		
Purchase of Fixed Assets and Capital Work in Progress	(105,545,889)	(226,056,379)
Net Cash used in Investing Activities (B)	(105,545,889)	(226,056,379)
Cash Flow from Financing Activities		
Proceed from long term Borrowing	(13,679,378)	(18,110,869)
Proceed from short Term Borrowing	(770,400)	(714,199)
Dividend Paid	(1,919,754,700)	(1,793,339,000)
Cash flow from Financing Activities (C)	(1,934,204,478)	(1,812,164,068)
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	(79,574,946)	(598,908,133)
Cash & Cash Equivalents at the beginning of the year	440,068,735	1,038,976,868
Cash & Cash equivalents at end of period	360,493,789	440,068,735

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


Mr. Yeshi Jamtsho
Partner



Place: Thimphu, Bhutan
Date:


Dasho Karma Yezer Raydi
Chairman

Place:
Date:



Kezang Jamtsho
CEO

Chief Executive Office:
State Mining Corporation Ltd
Samtse : BHUTAN

STATE MINING CORPORATION LIMITED
Statement of Changes in Equity as on
31-Dec-23
Amount in Nu

Description	No. of Equity Shares	Equity Share Capital	Retained earnings	Total
Balance at 31 December 2022	2,939,900	293,990,000	1,753,674,241	2,061,042,657
Change in Equity for the year				
Issue of share capital				
Profit for the year		-	2,274,779,697	2,274,779,697
Other comprehensive income		-	- 961,974	-961,974
Total comprehensive income for the year		-	2,273,817,723	2,273,817,723
Dividend payment		-	-1,919,754,700	- 1,919,754,700
Retain Earning				
Balance at 31 December 2023	2,939,900	293,990,000	2,107,737,265	2,401,727,264.58
Increase/Decrease in Equity				16.53%

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

M/s.Dechok & associates Pvt. Ltd

Chartered Accountants
Motithang, Thimphu



Mr. Yeshe Jamtsho
Partner



For State Mining Corporation
Limited



Dasho Karma Yezer Raydi
Chairman



Kezang Jamtsho
CEO

Chief Executive Officer:
State Mining Corporation Ltd.
Samtse : BHUTAN

Place: Thimphu, Bhutan
Date:

Place:
Date:

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

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.
- Functional and Presentation Currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the Company operates. The functional currency of SMCL is Bhutanese Ngultrum (Nu), which is also the presentation currency.

- Foreign Currency

Transactions in foreign currency are initially recognized in the financial statements in functional currency using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses are generally recognised as profit or loss in the Statement of Income. Foreign exchange gains and losses are presented in the Statement of Comprehensive Income on a net basis within other income or other expenses.

- Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are



immaterial as permitted by BAS 1 Presentation of Financial Statements. Notes to Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statement of the company. Materiality assessment also involves making sure that information that is important to the users is not obscured by immaterial information, or by aggregating material items that have different natures or function.

The materiality threshold benchmarks, specific level of materiality for individual balances, class of transaction or disclosures are guided by DHI's guidelines on Materiality.

- Historical cost convention

Financial statements have been prepared on a historical cost basis, except for following:

- Financial Instrument- Measured at fair value
- Assets held for sale, if any, which are measured at fair value less cost of disposal.
- Defined benefit plans- Measured at fair value
- 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,
- 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.



ii. 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.

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
<u>Property, Plant and Equipment</u>	
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	3 to 40 Years
Lab Equipment	4 to 7 Years
Office Equipment	3 to 10 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 that 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.



- iii. 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
E-mine 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.

- iv. 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.

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



Expenditure on material, labour, contract expenses and directly attributable cost such as employee costs and overheads, project management expenses incurred during construction period for executing the particular project are included in CWIP till these are capitalized.

Indirect expenditure and overheads incurred is expensed off and are not capitalized.

vi. Financial Assets:

Initial measurement

At initial recognition, the Company measures a financial asset at its fair value and in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets of the Company are classified in the following categories:

- At amortized cost;
- At fair value through other comprehensive income (FVTOCI); and
- At fair value through profit and loss (FVTPL)

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Financial assets measured at amortized cost

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized under profit and loss account. This category generally applies to other receivables, security deposits, cash and cash equivalents, etc.

The Company's financial assets includes loans and trade receivables.

Financial instruments measured at fair value through other comprehensive income

A financial instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:



- a. the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- b. the asset's contractual cash flow represents SPPI.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in other comprehensive income (OCI).

Currently, the Company does not have any asset classified under this category.

Financial instruments measured at fair value through profit and loss

Fair value through profit and loss is the residual category. Any financial instrument which does not meet the criteria for categorization as at amortized cost or FVTOCI is classified at FVTPL. Financial instruments included within FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements are recorded in statement of profit and loss.

Impairment of financial assets

The company recognizes an allowance for expected credit losses (ECLs) for all financial instruments except for financial assets classified at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows in accordance with the contract and all the cash flows that the company expect to receive, discounted at an approximation of the original effective interest rate. The ECL is recognized for 12 months and lifetime. The ECL is determined based on the significant increase in credit risk 'SICR' and objective evidence of the impairment over the life of the financial assets. For computation of ECL, the standard prescribes a rebuttable presumption of 30 days past due as approach for ECL and 90 days past due as default. As a practical expedient, the standard allows simplified approach for ECL computation of trade receivables, contract assets and lease receivable.

The company has trade receivable only and applies DHI's group accounting as follows:

- 30 days past due trigger point for SICR
- 90 days past due as default point.
- Simplified Approach for computation of ECL for trade receivable.

It is also further guided by guideline on ECL issued by DHI.

vii. Financial Liabilities

All the financial liabilities are recognized initially at fair value and, in case of loans, borrowings and payables, net of directly attributable transaction costs.

The Financial liabilities are subsequently measured at:

- Amortized cost



- Fair value through profit and loss

The company's financial liabilities are measured at cost.

viii. Offsetting

Financial assets and financial liabilities or income and expenses are offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when, and only when the entity has a legal right and is allowed by the Standard to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously. 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.

ix. 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).

Obsolete and defective items of inventory are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same.

Stock of salvaged and scrapped materials has been stated at nil value. The amount realized on disposal of such stock is accounted for under Other Income.

x. 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. The cash flow for the period shall be classified as operating, investing and financing.

The standard provides option for preparing the cash flows from operations either by *direct method* or *the indirect method*. The Group Accounting Policy prescribes the indirect method of presentation of the cash flow statement.

xi. Current and deferred income tax:



Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

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.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (Tax Base).

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable entity, further they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

xii. 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.



xiii. Employee benefits:

a. Retirement Benefits:

Under defined contribution scheme:

As required by National Pension & Provident Fund (NPPF), both the employee and employer make monthly contributions to the provident fund, which is a Defined Contribution Plan, equal to a specified percentage of employee's basic salary. The company has no further obligations under the plan beyond its monthly contributions. The company does not have any legal or constructive obligation to pay further contributions if the NPPF does not have sufficient assets to pay all of the employee's entitlements. Obligation for contributions to the plan is recognized as an employee benefit expense in profit or loss when the contribution to NPPF becomes due.

Under Defined Benefit Scheme: Post Employment Benefit (Gratuity)

In accordance with the SMCL Service Rule, the company provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering all employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and number of years of employment with the company. The company's net obligation in respect of the gratuity plan is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method and amount of obligation is provided in profit or loss and invested in the form of deposits with financial institutions of Bhutan. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and presented within equity.

Under Defined Benefit Scheme: Other Long-term Employee Benefit (Accumulated Leave Liability) has been reversed and paid to the employee as per the salary revision guideline. No leave liability is reflected in the books of accounts.

b. Other Short- Term benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.



c. Other Long-Term Benefits

As per company's Service Rules, the employee who have rendered minimum five years of service are entitled to one month basic pay as repatriation allowance and one month basic pay as transfer grant at the time of leaving the service. One month basic pay for this purpose is the pay at the time of leaving the service. The company's net obligation in respect of this terminal benefit is calculated by estimating the amount of benefits that the employees have earned in return for their service in the current and prior periods, and that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided for in profit or loss. The plan is unfunded

xiv. Provisions and Contingent Liabilities:

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. A provision for onerous contracts is recognized when the expected benefits to be derived by the entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Contingent liabilities are not recognized but disclosed for all possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

xv. 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 company'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.

xvi. 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.

xvii. Leases (BFRS 16)

The company assesses all the lease contract at inception as to whether it contains a lease. If the contract conveys the right to control the use of an identified assets for the period of time in exchange for consideration, then a right-to-use asset is recognized, and lease liability is recognized for all future lease payments.

The lease contracts for periods less than 12 months and low value leases are directly recognized to profit and loss accounts.

i. Right-of-Use Assets

The standard provides the option to present right-of-use assets as separate item on the balance sheet or as a part of PPE or Investment property. For subsequent measurement of right-of -use, the standard provides choice to adopt cost model or revaluation model, or fair value model.

The company follows the DHI group account policies as follows:

- Apply exemption on short term and low value leases as defined in the guideline for materiality.
- Present the right-to-use asset as a separate item on balance sheet.
- Subsequent measurement based on cost model for leases recognized.

ii. Lease Liability



The company recognizes lease liabilities measured at present value of lease payments to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payment that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The company has adopted BFRS 16 from 1st January 2022 and has opted to apply modified approach option on transition as permitted by the standard.

xviii. 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.

xix. 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/Amortisation						Net Block	Net Block
	GrossBlock	Additions	Adjustments	GrossBlock	Opening Bal.	Dep During the Year	Adj. in trial		Actual Charge	Closing Bal.	Net Block	Net Block
	1/1/23			12/31/23	1/1/23			System Adjustment	12/31/23	12/31/23	12/31/23	1/1/23
2A. Property, Plant and Equipment												
Plant & Machinery	475,989,355	38,172,093	1,804,029	512,357,419	120,946,136	80,088,655	36,817.86	1,046,234	79,005,603	199,988,556	312,368,863	355,043,219
Furniture & Fixture	5,047,146	543,699	24,427	5,566,419	1,499,786	540,642	245	16,786	523,611	2,023,643	3,542,776	3,547,360
Safety Equipment	-	2,017	2,017	-	-	-	-	-	-	-	-	-
Survey Equipment	-	37,628	37,628	-	-	-	-	-	-	-	-	-
Motor Vehicle	212,105,208	2,406,126	-	214,511,334	38,177,022	30,311,802	-	-	30,311,802	68,488,824	146,022,510	173,928,186
Building & Civil Structure	76,817,306	3,685,898	437,098	80,066,106	46,784,620	8,288,795	-	-	8,288,795	55,073,415	24,992,691	30,032,686
Lab Equipment	-	14,680	14,680	-	-	-	-	-	-	-	-	-
Office Equipment	45,926,182	2,717,549	551,963	48,091,768	13,195,957	7,913,685	6,454	402,616	7,504,615	20,707,026	27,384,742	32,730,225
Data Processing Equipment	12,141,348	201,255	426,676	11,915,927	7,417,320	1,474,584	400.48	379,764	1,094,419	8,512,139	3,403,787	4,724,028
Total Property, Plant and Equipment	828,026,544	47,780,945	3,298,517	872,508,972	228,020,839	128,618,163	43,918	1,845,401	126,728,845	354,793,602	517,715,370	600,005,705
2B. Intangible Assets												
Software	970,843	801,040	801,040	970,843	542,571	-	-	-	-	542,571	428,272	428,272
Total Intangible Assets	970,843	801,040	801,040	970,843	542,571	-	-	-	-	542,571	428,272	428,272
2C. ROU Building												
Hire of Corporate Office	3,328,094	-	-	3,328,094	2,528,232	281,768.34	-	-	281,768	2,810,000	518,094	3,328,094
Total ROU Building	3,328,094	-	-	3,328,094	2,528,232	281,768	-	-	281,768	2,810,000	518,094	3,328,094
2D. Capital Work in Progress												
For Different Mines	50,930,779	47,211,333	3,124,782	95,017,330	-	-	-	-	-	-	95,017,330	50,930,779
Total Capital Work in Progress	50,930,779	47,211,333	3,124,782	95,017,330	-	-	-	-	-	-	95,017,330	50,930,779
2E. Exploration & Evaluation Cost												
For Different Mines	35,304,346	-	-	35,304,346	30,036,840	146,625	-	-	146,624.58	30,183,465	5,120,881	5,267,505
Total Exploration & Evaluation Cost	35,304,346	-	-	35,304,346	30,036,840	146,625	-	-	146,625	30,183,465	5,120,881	5,267,505
2F. Mines Development												
For Different Mines	17,191,991	-	-	17,191,991	5,752,697	4,550,824	-	-	4,550,823.73	10,303,521	6,888,469	11,439,293
Total Mines Development	17,191,991	-	-	17,191,991	5,752,697	4,550,824	-	-	4,550,823.73	10,303,521	6,888,469	11,439,293
Balance to Accounts	935,752,597	95,793,317	7,224,339	1,024,321,575	266,881,180	133,597,380	43,918	1,845,401	131,708,062	398,633,159	625,688,416	671,399,649



STATE MINING CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS ON
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Note 3: Trade & Other receivable(Non-Current)

Particulars	31-Dec-23	31-Dec-22
Environment Restoration Bond	73,959,204	41,627,020
Total	73,959,204	41,627,020

Note 4: Other non current assets

Particulars	31-Dec-23	31-Dec-22
Unamortised mining cost	4,328,458	4,328,458
Total	4,328,458	4,328,458

Note 6: Inventories

Particulars	31-Dec-23	31-Dec-22
Inventory (Valued at cost MAP, Moving Average Price)		
Stock of Finished Goods	287,832,343	124,792,273
Stock of Work in Progress	63,793,632	82,668,389
Consumable & Spares	360,776,602	178,394,904
Total	712,402,577	385,855,566

Note 7: Trade & Other receivable(Current)

Particulars	31-Dec-23	31-Dec-22
Receivables from Customers	802,231,027	487,593,644
ECL Loss Allowance - SMCL	(21,463,729)	(7,910,128)
Other Receivables	(0.00)	6,106,926
Investment	400,000,000	200,000,000
Security Deposit Placed	2,588,989	2,427,176
Total	1,183,356,286	688,217,618

Note 8: Cash and Cash Equivalents

Particulars	31-Dec-23	31-Dec-22
Cash-in-hand	628,485	420,363
Bank Balance		
Bank of Bhutan Ltd A/c No- 100891887	19,902,381	2,327,359
Bank of Bhutan Ltd A/c No- 200194054	91,600,426	107,946,198
Bank of Bhutan Ltd-201550717 - SMCL	17,845,693	13,750,390
Bank of Bhutan Ltd-201766760 - SMCL	153,467,213	72,806,565
Bank of Bhutan Ltd - 203084061 - SMCL	50,142,892	173,888,741
Bank of Bhutan Ltd - 203125974 - SMCL	15,685,905	40,789,564
Bank of Bhutan Ltd - 203833862 - SMCL	5,716,427	18,367,529
Bhutan National Bank Ltd - 0100149610001 - SMCL	2,730,183	6,981,671
Gratuity Bank - SMCL - SMCL	2,774,184	2,790,354
Total	360,493,789	440,068,735



Note 9: Other Current Assets

Particulars	31-Dec-23	31-Dec-22
TDS	16,132,712	68,596
Advance Tax	463,049,479	412,940,146
Advance to Employee	917,071	415,095
Advance to Vendor	323,767,678	125,317,171
Prepaid Expenses	26,957,688	25,456,684
Loans & advance to Intra Company	200,034,761	430,034,761
Total	1,030,859,390	994,232,453

Note 10: Capital

Particulars	31-Dec-23	31-Dec-22
Authorised Share Capital		
10000000 Equity Shares of Nu.100 each		
Issued, Subscribed and Paid-up		
2939900 Equity shares @ Nu. 100 each fully paid up	293,990,000	293,990,000
	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-23	31-Dec-22
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	5,216,689	9,140,021
Total	5,216,689	9,140,021

Note 12: Employee benefit obligations

Particulars	31-Dec-23	31-Dec-22
Post Employment Benefit (Gratuity)	7,083,414	4,931,942
Long-term Employee Benefit (Leave Encashment)	-	5,538,408
Gratuity Bank Account - SMCL	2,774,184	2,790,354
Post Employee Benefits (Others)	1,322,868	2,297,704
Total	11,180,466	15,558,408

Note 13: Long term Borrowing

Particulars	31-Dec-23	31-Dec-22
Term Loans	18,543,796	32,223,174
Total	18,543,796	32,223,174

Note 14: Lease Liability

Particulars	31-Dec-23	31-Dec-22
Lease of Corporate Head Office	903,197	1,460,378
Total	903,197	1,460,378



The company has lease agreement for corporate head office entered into on 1st April 2015 with Department of Geology and Mines (DGM). The initial term for lease is 10 years i.e from 1st April 2015 to 1st March 2025. The company has recognized the lease of building as Right-of-Use Assets separately in the balance sheet and Lease Liability under non-current liabilities.

Set out below are the carrying amount of Right-of-Use Assets recognized and movement during the year:

Particulars	FY 2023	FY 2022
Amount restated through opening balance		3,328,094.11
Depreciation restated through retained earning		2,246,464.52
Opening Balance	799,861.25	1,081,629.59
Addition During the Year	-	-
Depreciation Expenses	281,768.34	281,768.34
Closing Balance	518,092.91	799,861.25

Set out below are the carrying amount of lease liability recognized and movement during the year:

Particulars	FY 2023	FY 2022
Amount restated through opening balance		
Accretion of Interest restated through retained earning		1,874,433.77
Restated payment adjustment through Retained earning		-
Opening Balance	1,460,377.85	-
Payment	557,181.25	414,055.92
Closing Balance	903,196.60	1,460,377.85

Note: The maturity analysis of lease liability is disclosed under Note 31 (B)- Maturity of financial liabilities

Following are the amount recognized in profit and loss:

Particulars	FY 2023	FY 2022
Depreciation Expenses for Right-of-Use Asset	281,768.34	281,768.34
Interest on Financial liability	170,532.22	172,183.98
Total amount recognized in Profit/Loss	452,300.56	453,952.32

Note 15: Trade and Other Payables

Particulars	31-Dec-23	31-Dec-22
Employee Payables	394,658	532,989
Sundry Creditors - Domestic	78,639,011	54,725,544
Sundry Creditors - International	46,228,994	23,343,247
Clearing Charges Payable - SMCL	4,293,515	(100)
Advance from customer	204,715,150	1,790,626
Stock Received but not Billed	6,570,189	3,314,041
Total	340,841,517	83,706,347



Note 16: Short term employee benefit

Particulars	31-Dec-23	31-Dec-22
Post Employment Benefit (Gratuity)	3,650,921	1,623,935
Short-term Employee Benefit (Leave Encashment)	-	644,005
O/S Liability for Other Payable - SMCL	2,988,145	2,397,621
Total	6,639,066	4,665,560

Note 17: Other current liabilities

Particulars	31-Dec-23	31-Dec-22
TDS Payable	2,742,560	2,458,713
Other Liabilities	42,898,369	74,431,236
Provision for Income Tax	1,132,262,279	926,111,374
Security Deposits	27,319,758	24,535,946
Retention Money	813,157	475,468
Total	1,206,036,124	1,028,012,736

Note 18: Short-term Borrowing

Particulars	31-Dec-23	31-Dec-22
Loan Payable within 12 months - SMCL	-	770,400
Total	-	770,400



State Mining Corporation Limited
Notes forming part of Statement of Comprehensive Income As On
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Note 19 : Revenue from sale of products

Particulars	31-Dec-23	31-Dec-22
Sale of Coal	918,374,634	769,079,302
Sale of Quartzite	25,950,608	32,121,013
Sale of Gypsum	1,533,876,003	976,736,460
Sale of Dolomite	3,495,929,933	2,860,145,390
Total	5,974,131,178	4,638,082,165

Note 20 : Other Income

Particulars	31-Dec-23	31-Dec-22
Sale of reject stone	122,961	477,411
Gain or (Loss) from Sales Transactions	(205,709)	(971,477)
Liquidated Damages	13,153,340	5,969,012
Interest from short term deposit	3,129,353	6,476,712
Miscellaneous Income	17,028,117	3,510,648
Guest House Charges	950,949	931,189
Income from Weigh bridge	14,706,222	11,779,926
Sales - Loading Charges	12,921,259	8,115,341
Sales - Transportation Charges	394,008,981	425,880,375
Sales - Local Transportation Charges	37,846,977	265,034,888
Total	493,662,449	727,204,025



Note 21 : Changes in Inventory of Finished Goods

Particulars	31-Dec-23	31-Dec-22
Cost of Good Manufacture	(144,299,696)	(35,751,653)
Total	(144,299,696)	(35,751,653)

Note 22 : Mining Cost

Particulars	31-Dec-23	31-Dec-22
Drilling & Blasting Cost	77,442,536	55,597,806
Mineral Extraction costs	397,211,541	306,089,210
Environment Management Cost - SMCL	3,522,352	2,450,219
Environment Restoration Expenses - SMCL	-	5,121,331
Mineral Raising Cost	14,373,709	8,523,808
Mineral Transportation Cost	598,263,881	467,492,294
Royalty	359,750,674	264,416,083
Mineral rent - SMCL	48,162,538	35,953,607
Surface Rent - SMCL	1,073,492	731,675
Wages	5,705,473	3,741,258
Project Affected Family-Compensation -CWIP - SMCL	-	255,796
License fee - SMCL	325,000,000	230,738,748
Environmental Assessment Fees - SMCL	512,006	139,766
Total	1,831,018,202	1,381,251,602

Note 23 :Operation & Maintenance Expenses

Particulars	31-Dec-23	31-Dec-22
R & M - Building - SMCL	8,352,432	2,344,883
R & M - Furniture, Fixtures and Equipments	927,009	606,813
R & M - Vehicles - SMCL	37,913,466	20,398,032
Vehicle Running Expenses (POL) - SMCL	88,005,975	55,232,125
R & M - Plant & Machinery - SMCL	112,817,960	54,993,885
POL Plant & Machinery	117,912,986	119,748,438
Power consumption for crushing plant - SMCL	5,222,963	2,735,420
Road Maintenance - SMCL	5,644,420	-
Insurance - SMCL	2,308,452	2,433,017
Annual Maintenance-ERP	2,166,599	1,856,525
Hire of Screen Plant - SMCL	-	7,629,526
Total	381,272,263	267,978,666



Note 24: Employee Benefits Expenses

Particulars	31-Dec-23	31-Dec-22
Payroll & Related Expenses		
Salaries ,wages and allowances	82,895,493	74,086,444
Allowances	39,481,787	30,188,896
Fixed Allowance - SMCL	8,231,735	-
Leave Travel Concession - SMCL	5,555,380	4,873,346
Overtime Payment	12,788,297	10,402,477
Performance Based Variable Pay - SMCL	27,635,140	11,336,030
Uniform expenses	4,465,987	4,220,068
Staff training and development expenses	1,487,612	266,708
Post Employment Benefits		
GPF Contribution (Employer) - SMCL	12,406,196	11,122,434
Gratuity Contribution - SMCL	4,309,933	3,265,686
Repatriation Allowances - SMCL	503,658	374,776
Bonus	-	13,598,096
Carriage Charges - SMCL	793,673	1,500,474
Other Employee Benefits		
Leave Encashment - SMCL	6,966,804	5,918,020
Transfer Grant - SMCL	631,455	911,265
GPA	634,763	613,763
Total	208,787,913	172,678,484

Note 25: Finance Cost

Particulars	31-Dec-23	31-Dec-22
Interest on Secured Loan	3,170,276	8,906,760
Loan processing fees	299,448	-
Interest (RoU Building) - SMCL	170,532	172,184
Loss on Foreign Exchange	665,755	1,168,340
Total	4,306,011	10,247,284

Note 26: ECL Cost

Particulars	31-Dec-23	31-Dec-22
Loss on impairment of Trade receivable	13,553,601	7,910,128
Total	13,553,601	7,910,128



Note 27: Other Expenses

Particulars	31-Dec-23	31-Dec-22
a) Administrative & Other Expenses		
Advertisement - SMCL	578,074	169,439
Audit Fees & Expenses	320,750	420,000
Bank Charges and fees for services paid to BoBL	1,836,102	1,516,636
Board meeting expenses and sitting fees	220,866	244,994
Books and Periodicals	9,760	28,780
Communication, internet and telephone charges	1,653,418	1,748,688
Consulting Fees	50,000	12,000
Corporate Social Responsibility	2,613,354	13,297,729
Donation	161,507	165,000
Electricity Charges	521,065	397,828
Fees & Subscription	30,063,596	23,579,088
General & Administrative Expenses	3,021,516	2,415,064
Hire/Other Service Charges	348,787	914,511
Hospitality & Entertainment Expenses	1,371,145	1,000,016
Lease & Rental Charges	1,689,109	2,200,314
Loss on disposal or retirement of PPE	661,752	-
Meeting & Retreat Expenses	19,108	357,109
Office Supplies, Printing & Stationeries	3,097,183	4,321,912
Registration & Renewal Fees	66,110	88,540
Staff Welfare and Engagement Expenses	1,849,623	1,577,471
Working lunch	6,212,317	6,511,170
Sub-Committee meeting expenses and sitting fees	210,800	297,344
Tax & Levey	-	60,000
Travel-Foreign	1,863,555	106,399
Travel-Local	5,589,353	6,098,556
Total (a+b) -	64,028,850	67,528,589

Note 28: Selling & Distribution

Particulars	31-Dec-23	31-Dec-22
Freight Outwards - SMCL	525,229,848	519,262,542
Loading & Unloading Charges - SMCL	31,956,388	29,804,418
Marketing & Selling Expenses - SMCL	4,577,301	1,202,652
Transportation from Mines to Motanga - SMCL	2,818,315	10,939,270
Foreign Bank Charges - SMCL	410,715	341,006
Total	564,992,568	561,549,888

Note 29: Earnings Per Share

Particulars	31-Dec-23	31-Dec-22
Net profit attributable to equity shareholders	2,274,779,697	1,920,726,347
Issued and outstanding ordinary shares at the beginning of the year	2,939,900	2,939,900
Effect of ordinary shares issued during the year	-	-
Weighted average number of ordinary shares	2,939,900	2,939,900
Number of shares at the end of the year		
Weighted average number of ordinary shares in issue		
Basic and Diluted Earnings per Share	774	653



(All amounts in Nu , unless otherwise stated)

Note 30: 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 31: Financial Risk Management

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

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

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised	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.

Reconciliation

Credit loss provisions calculated earlier	7,910,128
ECL calculated in 2023	13,553,601
Total ECL Loss Allowance	21,463,729

Buckets	ECL 2023	ECL 2022
1-30	204,065.01	692,934
31-60	478,836.73	225,209
61-90	949,421.44	130,316
Above 90	11,921,278.16	6,861,670
Total	13,553,601	7,910,128

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 no significant credit risk.



(B) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally performed in accordance with practice and limits set by the 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 31 December 2023	Less than 1 year	More than 1 years	Total
Trade and Other Payables	340,841,517	-	340,841,517
Total financial liabilities	340,841,517	-	340,841,517

Contractual maturities of financial liabilities 31 December 2022	Less than 1 year	More than 1 years	Total
Trade and Other Payables	83,706,347	-	83,706,347
Total financial liabilities	83,706,347	-	83,706,347

(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 Rs & 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.



32. 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.

33. Term loan of Nu.80 million was availed from National Pension and Provident Fund (NPPF) by pledging DHI guarantee in 2018 and there is no such loan availed from any financial institutions in financial year 2023.

34. 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.

35a. There are no contingent liabilities for the Company as on 31st December 2023.

35b. Capital Commitment

Particulars	2023	2022
2A. Property, Plant and Equipment		
Plant & Machinery	109,350,000	82,264,250
Furniture & Fixture	1,848,540	2,767,909
Safety Equipment	569,000	1,019,000
Survey Equipment	1,700,000	11,693,898
Motor Vehicle	7,150,000	11,825,000
Building & Civil Structure	185,822,792	569,997,172
Lab Equipment	1,850,000	3,230,000
Office Equipment	7,186,485	8,832,475
Data Processing Equipment	16,220,515	7,934,257
Total Property, Plant and Equipment	331,697,333	699,563,960
2B. Intangible Assets		
Software	-	10,000,000
Total Intangible Assets	-	10,000,000
Balance to Accounts	331,697,333	709,563,960



36. 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.

37.1 Name of the related parties and Relation

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

37.2 Name of the fellow Subsidiaries

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

37.3 Transactions with fellow subsidiaries:

Name of related party	Description	2023	2022
Druk Holdings & Investment (DHI)-Holding Company	1.Gurantee fees	110,619	210,105
	2. Dividend Paid	1,919,754,700	1,793,339,000
	3. Brand Management	29,421,405	23,325,910
	4.Shares held by DHI	293,990,000	293,990,000
	5. Interest on borrowings-Intergroup	455,151	
	6.Trade Payables	343,673	
Bank of Bhutan Ltd.(BoBL)	1. Bank Charges & Fees paid to BoBL	47,849	1,516,636
	2. Bank Balance with BOBL	354,360,938	429,876,347
Bhutan Telecom Ltd.(BTL)	1. Internet & Telephone Charged	1,599,854	1,669,085
	2. Intragroup Trade Payables	221,359	38,534
State Trading Corporation of Bhutan Ltd.(STCBL)	1.ICL with STCBL	100,000,000	-
	2. Running & Maintenance Of Vehicle-Intergroup	28,356,329	
	3. Interest Income on Intragroup Borrowings	314,521	
	4. Intergroup Accrued Income	314,521	
Dungsam Cement Corporation Limited	1. Sale of Coal	690,231,628	598,729,538
	2. Sale of Gypsum	50,209,227	38,584,010
	3.Receivable from sale of coal/ gypsum	592,608,178	454,634,455
Bhutan Power Corporation Ltd.(BPCL)	1. Electricity Charges-Paid to DHI Companies	5,744,028	3,133,248
	2. Intergroup advances	4,515,820	
	3. Intragroup Trade Payables	565,112	2,210,571
Natural Resources Development Corporation Limited	1.Procurement of sand and wood	510,799	-
	2. Intergroup advances	771,540	
Penden Cement Authority Limited	1.Sale of Coal	105,218,472	77,165,504
	2. Sale of Gypsum	28,503,794	6,835,739
	3. Intergroup Advances	979,661	
	4. Inter-company trade receivable	13,301,218	13,680,738
Construction Development Corporation Ltd.(CDCL)	1.ICL with CDCL	100,000,000	-
	2. Interest Income on Intragroup Borrowings	508,219	
	3. Accrued Interest CDCL	508,219	
Thimphu Tech Park Ltd.(TTPL)	1. Inter company Trade Receivable	7,441	7,441
	2. Yearly AMC for ERP and Others	1,666,099	1,856,525



37.4. List of Key Managerial Personnel

1. Mr Dasho Karma Yezer Raydi, Chairman
2. Mr. Geley Norbu, Director
3. Mr. Kezang Jamtsho, Director
4. Dasho Chewng Rinzin, Director
5. Mr. Pasang Dorji, Director
6. Mr. Pem Tshering, Director

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

Board Directors -:

Name	Sitting Fees (2023)	Sitting Fees (2022)
1. Mr Dasho Karma Yezer Raydi, Chairman	60,000	56,000
2. Mr. Geley Norbu, Director	72,000	68,000
3. Mr. Kezang Jamtsho, Director	60,000	68,000
4. Dasho Chewng Rinzin, Director	72,000	80,000
5. Mr. Pasang Dorji, Director	28,000	48,000
6. Mr. Pem Tshering, Director	84,000	96,000
Total	376,000	416,000

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

37.7 Transactions during the year.

38. Managerial Remuneration

	2023	2022
Basic Pay	1,398,515	1,311,000
Allowances	1,529,325	1,348,950
PVBA and Bonus	546,250	345,000
GPF Contribution (Employer)	210,767	207,000
Travelling expense of CEO	207,880	266,982
Sitting fees to Board of Directors of the company	60,000	68,000
Leave Encashment	257,426	115,000
Leave Travel Concession	15,000	15,000
Grand Total	4,225,163	3,676,932

39. Auditors remuneration

Particulars	2023	2022
Auditors Fees	1 05,000	1 05,000
Auditors Expenses*	1 38,900	3 15,000
Total	2 43,900	4 20,000

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



Note 41 : Fair value measurements

(All amounts in Nu , unless otherwise stated)

Financial instruments by category

Particulars	31-Dec-23			31-Dec-22			1-Jan-22		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets									
Environment Restoration Bond	-	-	73,959,204	-	-	41,543,970	-	-	21,260,154
Sundry Debtor Domestic	-	-	802,231,027	-	-	487,593,644	-	-	292,708,531
Sundry Debtors International	-	-	-	-	-	-	-	-	-
Security Deposit Placed	-	-	2,588,989	-	-	2,427,176	-	-	1,771,612
Other Receivable	-	-	(0)	-	-	6,106,926	-	-	-
Deposit due for refund	-	-	600,034,761	-	-	200,000,000	-	-	-
Cash and Cash Equivalents	-	-	360,493,789	-	-	440,068,735	-	-	1,338,976,868
Total financial assets	-	-	1,839,307,770	-	-	1,177,740,451	-	-	1,654,717,164
Financial liabilities									
Security Deposits	-	-	27,319,758	-	-	24,535,946	-	-	24,537,573
Employee Payables	-	-	394,658	-	-	532,989	-	-	1,346,851
Retention Money	-	-	813,157	-	-	475,468	-	-	152,415
Sundry Creditors - Domestic	-	-	78,639,011	-	-	54,725,544	-	-	57,339,393
Term Loan from Financil Institutions	-	-	18,543,796	-	-	32,223,174	-	-	50,334,043
Inter Company Borrowing - SMCL	-	-	-	-	-	-	-	-	-
Stale Cheque	-	-	-	-	-	-	-	-	-
Other payable	-	-	-	-	-	-	-	-	-
Total financial liabilities	-	-	125,710,382	-	-	112,493,121	-	-	133,710,275

(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 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-23		31-Dec-22	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets				
Environment Restoration Bond	73,959,204	73,959,204	41,543,970	41,543,970
Total financial assets	73,959,204	73,959,204	41,543,970	41,543,970

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 42: Exploration and evaluation

Intangible Assets

Particulars	Gross Block				Amortization				Net carrying amount
	Opening as on 1-1-2023	Addition	Deletion/Adj	Closing balance as on 31-12-2023	Opening as on 1-1-2023	Amortization for the year	Deletion	Closing balance as on 31-12-2023	
Capitalized exploration and evaluation expenditure	35,304,346	-	-	35,304,346	30,036,840	146,625		30,183,465	5,120,881
Total	35,304,346	-	-	35,304,346	30,036,840	146,625	-	30,183,465	5,120,881

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


Mr. Yesni Jamtsho
Partner



Place: Thimphu, Bhutan
Date:

For State Mining Corporation Limited


Dasho Karma Yezer Raytshi
Chairman

Place:
Date:


Kezang Jamtsho
CEO

Chief Executive Officer
State Mining Corporation Limited
Samtse : BHUTAN

Note 33 : 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 decision about resources to be allocated to the segment and assess its performance as defined in Point 5 (b) of BFRS - 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 31/12/2023

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

The reporting segment consist of Coal, Gypsum, Aggregates and Dolomite

Particulars	Coal		Gypsum		Dolomite		Quartzite		Others	Overall	
	31-Dec-2023	31-Dec-2022	31-Dec-2023	31-Dec-2022	31-Dec-2023	31-Dec-2022	31-Dec-2023	31-Dec-2022	31-Dec-2023	31-Dec-2023	31-Dec-2022
Revenues	923,818,741.63	772,759,243.53	1,559,506,418.15	992,686,933.78	3,946,868,226.00	3,567,122,713.92	26,326,645.62	32,717,298.49	11,273,595.77	6,467,793,627.17	5,365,286,189.72
Expenses	617,280,565.64	550,003,692.31	964,167,546.30	626,435,830.00	1,367,505,148.68	1,283,563,188.14	8,548,106.46	53,352,858.41	99,711,806.57	3,057,213,173.65	2,513,355,568.86
Earnings Before Income Tax	306,538,175.99	222,755,551.22	595,338,871.85	366,251,103.78	2,579,363,077.32	2,283,559,525.78	17,778,539.16	(20,635,559.92)	(88,438,210.80)	3,410,580,453.52	2,851,930,620.86
Tax	109,037,640.56	80,992,052.12	204,587,739.52	126,432,657.57	842,576,572.55	729,894,619.29	5,391,745.01	(6,115,055.19)	(25,792,941.15)	1,135,800,756.48	931,204,273.80
Net Profit After Tax	197,500,535.43	141,763,499.10	390,751,132.33	239,818,446.21	1,736,786,504.77	1,553,664,906.49	12,386,794.15	(14,520,504.72)	(62,645,269.64)	2,274,779,697.04	1,920,726,347.07



Gratuity Valuation Report

DETAILED FINANCIAL EXHIBITS

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Present value of define benefit obligation	13,508,518.26	9,346,230.56
Fair value of plan assets	2,774,183.68	2,790,353.8
Funded status - surplus/(deficit)	(10,734,334.58)	(6,555,876.76)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(10,734,334.58)	(6,555,876.76)

B. COMPOSITION OF DEFINED BENEFIT COST

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Expense recognized in profit or loss	4,309,933.39	3,265,686.29
Expense recognized in other comprehensive income	1,001,865.36	401,084.8
Defined benefit cost	5,311,798.75	3,666,771.09

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Current service cost	3,830,796.88	3,018,675.24
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	694,146.17	491,184.85
Less: Expected interest on plan asset	215,009.66	(244,173.8)
Expenses recognized in profit or loss	4,309,933.39	3,265,686.29

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Actuarial (gain) or loss due to experience adjustments	976,151.58	357,417.36
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	25,713.78	43,667.44
Expenses recognized as OCI	1,001,865.36	401,084.8



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

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
DBO at the beginning of period	9,346,230.56	6,800,668.11
Add: Current service cost	3,830,796.88	3,018,675.24
Add: Past service cost	-	-
Add: Interest cost	694,146.17	491,184.85
Less: Benefits paid by the plan	(205,466.00)	(924,650.00)
Less: Benefits paid by the employer	(1,133,340.93)	(397,065)
Actuarial (gain) or losses due to experience adjustment	976,151.58	357,417.36
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	13,508,518.26	9,346,230.56

F. COMPOSITION OF PLAN ASSET

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Bonds (Government/corporate)	-	-
Gratuity savings/deposit in banks/insurance companies	2,774,183.68	2,790,353.80
Equities	-	-
Total	2,774,183.68	2,790,353.80

G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Fair value at the beginning of period	2,790,353.8	3,514,497.44
Contribution paid into the plan	-	-
Expected return on plan assets	215,009.66	244,173.80
Benefits paid from the plan	(205,466.00)	(924,650.00)
Return on plan assets greater or (less) than discount rate	(25,713.78)	(43,667.44)
Fair value at the end of period	2,774,183.68	2,790,353.80

H. BIFURCATION BETWEEN CURRENT & NON-CURRENT LIABILITY

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Current liability	3,650,920.88	1,623,935.10
Non-current liability	7,083,413.70	4,931,941.66
Net Liability	10,734,334.58	6,555,876.76



I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

<i>In.</i>	<i>Nu.</i>
December 31, 2024	3,942,994.55
December 31, 2025	3,022,211.23
December 31, 2026	1,952,399.28
December 31, 2027	3,990,625.08
December 31, 2028	3,552,341.68
December 2029 to December 2033	22,607,981.20
December 2034 to December 2043	83,862,315.09

J. ESTIMATED TERM OF LIABILITY (IN YEARS) : 12.45

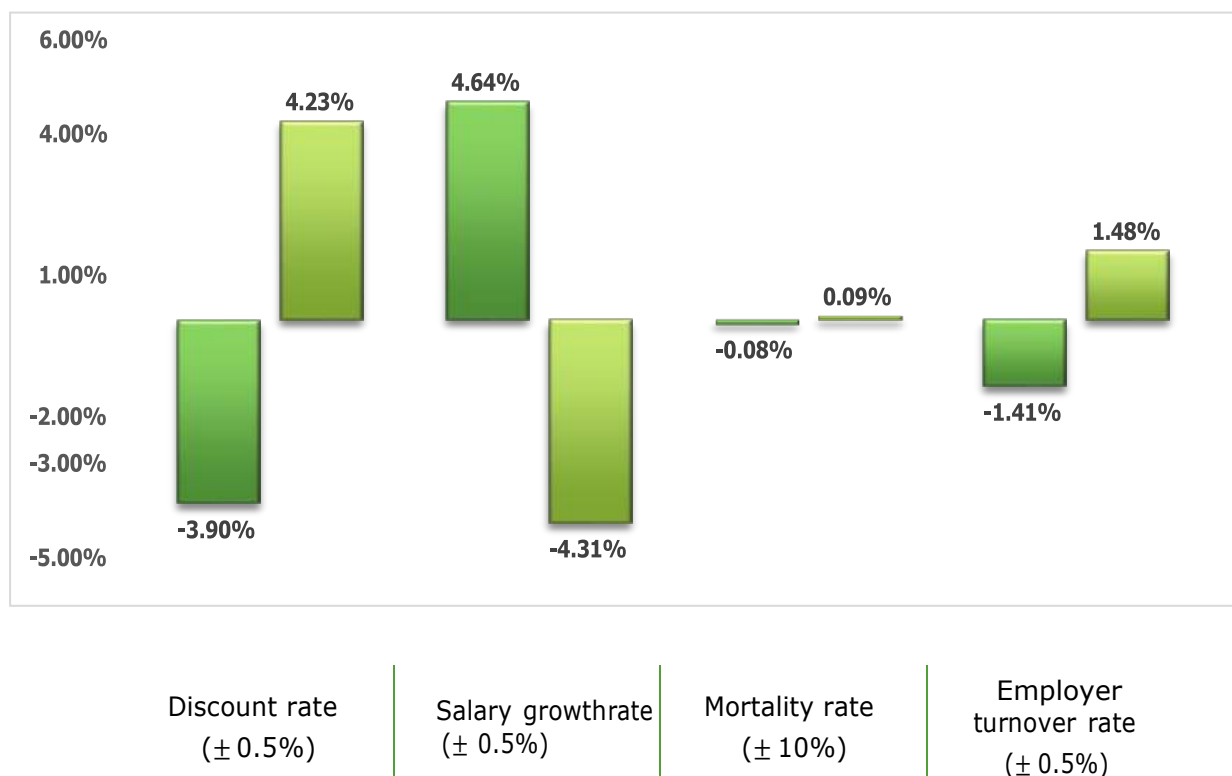
SENSITIVITY ANALYSES

The following table summarizes 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%	12,981,218.82	(527,299.44)	-3.90%
	Base rate	13,508,518.26	-	0.00%
	- 0.5%	14,079,799.16	571,280.9	4.23%
Salary growth rate	+ 0.5%	14,134,959.31	626,441.05	4.64%
	Base rate	13,508,518.26	-	0.00%
	- 0.5%	12,925,848.74	(582,669.52)	-4.31%
Mortality rate	+ 10%	13,497,062.32	(11,455.94)	-0.08%
	Base rate	13,508,518.26	-	0.00%
	- 10%	13,520,024.09	11,505.83	0.09%
Employer turnover rate	+ 0.5%	13,318,131.19	(190,387.07)	-1.41%
	Base rate	13,508,518.26	-	0.00%
	- 0.5%	13,707,855.24	199,336.98	1.48%



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 regarding the materials contained in this report. Dated 08 February 2024, this version of the report nullifies all other versions, whether signed or not, preceding this date.

Tandin Dorji



Tandin Dorji
Actuarial Consultant



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Carriage Charge Valuation Report

5. FINANCIAL EXHIBITS

5.1 DETAILED FINANCIAL EXHIBITS

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Present value of define benefit obligation	1,574,400.88	2,843,840.07
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(1,574,400.88)	(2,843,840.07)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(1,574,400.88)	(2,843,840.07)

B. COMPOSITION OF DEFINED BENEFIT COST

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Expense recognized in profit or loss	773,672.91	1,056,973.88
Expense recognized in other comprehensive income	(1,368,112.10)	1,430,385.35
Defined benefit cost	(594,439.19)	2,487,359.23

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Current service cost	573,165.70	1,012,855.41
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	200,507.21	44,118.47
Less: Expected interest on plan asset	-	-
Expenses recognized in profit or loss	773,672.91	1,056,973.88



D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Actuarial (gain) or loss due to experience adjustments	(1,368,112.10)	1,430,385.35
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognized as OCI	(1,368,112.10)	1,430,385.35

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

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
DBO at the beginning of period	2,843,840.07	746,480.84
Add: Current service cost	573,165.70	1,012,855.41
Add: Past service cost	-	-
Add: Interest cost	200,507.21	44,118.47
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(675,000.00)	(390,000.00)
Actuarial (gain) or losses due to experience adjustment	(1,368,112.10)	1,430,385.35
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	1,574,400.88	2,843,840.07

F. COMPOSITION OF PLAN ASSET

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
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-2023	31-Dec-2022
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-2023	31-Dec-2022
Current liability	940,745.94	1,464,156.98
Non-current liability	633,654.94	1,379,683.09
Net Liability	1,574,400.88	2,843,840.07

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

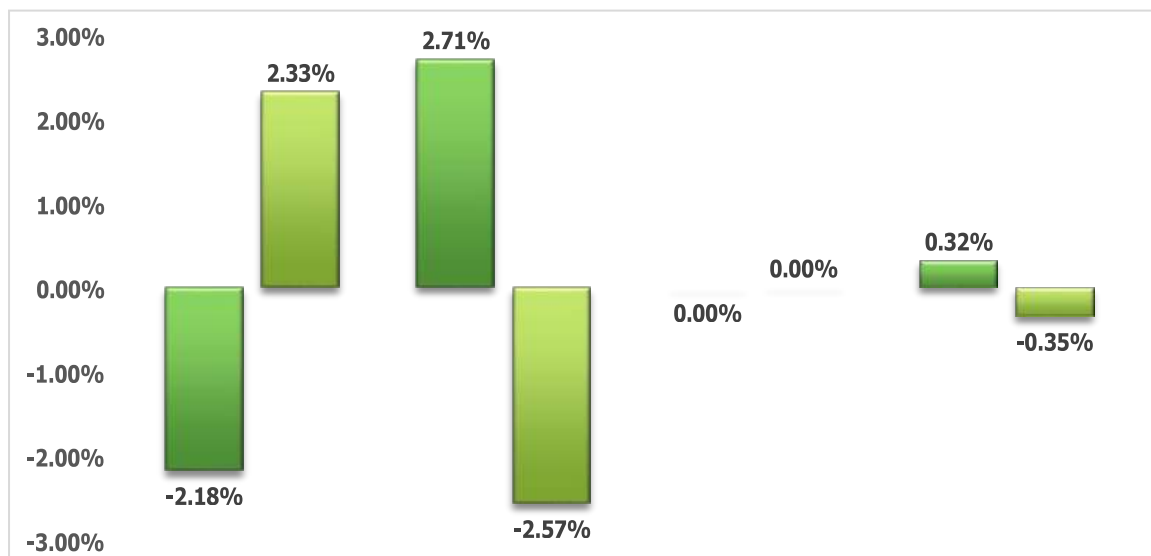
<i>In.</i>	<i>Nu.</i>
December 31, 2024	1,016,005.62
December 31, 2025	924,937.23
December 31, 2026	422,885.07
December 31, 2027	609,774.98
December 31, 2028	515,428.64
December 2029 to December 2033	2,387,835.74
December 2034 to December 2043	5,238,769.86

J. ESTIMATED TERM OF LIABILITY (IN YEARS) : 8.94

5.2 SENSITIVITY ANALYSES

The following table summarizes 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%	1,540,114.85	(34,286.03)	-2.18%
	Base rate	1,574,400.88	-	0.00%
	- 0.5%	1,611,034.08	36,633.2	2.33%
Increase in cost of transportation	+ 0.5%	1,617,138.76	42,737.88	2.71%
	Base rate	1,574,400.88	-	0.00%
	- 0.5%	1,533,966.4	(40,434.48)	-2.57%
Mortality rate	+ 10%	1,574,361.24	(39.64)	-0.00%
	Base rate	1,574,400.88	-	0.00%
	- 10%	1,574,441.51	40.63	0.00%
Employer turnover rate	+ 0.5%	1,579,494.55	5,093.67	0.32%
	Base rate	1,574,400.88	-	0.00%
	- 0.5%	1,568,938.25	(5,462.63)	-0.35%



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

Discount rate (± 0.5%)	Increase in cost of transportation (± 0.5%)	Mortality rate (± 10%)	Employer turnover rate (± 0.5%)
---------------------------	---	---------------------------	---------------------------------------



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 regarding the materials contained in this report. Dated 27 January 2024, 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>Nu.</i>	31-Dec-2023	31-Dec-2022
Present value of define benefit obligation	1,368,306.23	924,177.06
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(1,368,306.23)	(924,177.06)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(1,368,306.23)	(924,177.06)

B. COMPOSITION OF DEFINED BENEFIT COST

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Expense recognized in profit or loss	503,658.31	359,011.33
Expense recognized in other comprehensive income	629,970.86	302,883.09
Defined benefit cost	1,133,629.17	661,894.42

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Current service cost	457,304.15	319,653.52
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	46,354.16	39,357.81
Less: Expected interest on plan asset	-	-
Expenses recognized in profit or loss	503,658.31	359,011.33



D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Actuarial (gain) or loss due to experience adjustments	629,970.86	302,883.09
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognized as OCI	629,970.86	302,883.09

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

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
DBO at the beginning of period	924,177.06	721,662.64
Add: Current service cost	457,304.15	319,653.52
Add: Past service cost	-	-
Add: Interest cost	46,354.16	39,357.81
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(689,500)	(459,380)
Actuarial (gain) or losses due to experience adjustment	629,970.86	302,883.09
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	1,368,306.23	924,177.06

F. COMPOSITION OF PLAN ASSET

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
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-2023	31-Dec-2022
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-2023	31-Dec-2022
Current liability	803,979.87	466,731.92
Non-current liability	564,326.36	457,445.14
Net Liability	1,368,306.23	924,177.06

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

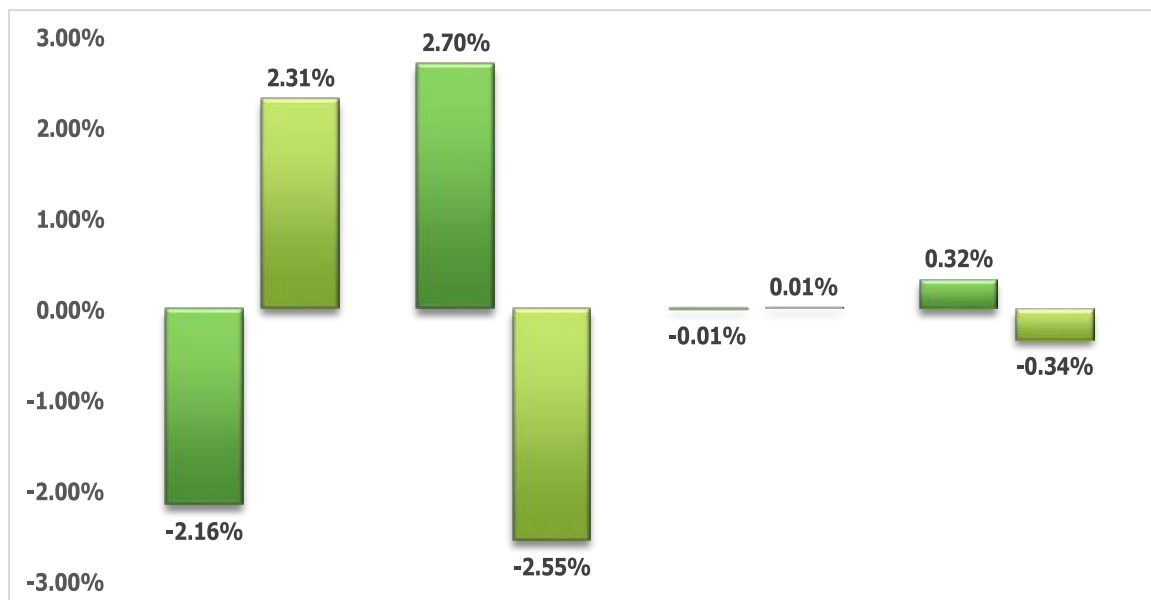
<i>In.</i>	<i>Nu.</i>
December 31, 2024	868,298.26
December 31, 2025	742,635.29
December 31, 2026	356,776.76
December 31, 2027	597,262.25
December 31, 2028	433,479.57
December 2029 to December 2033	1,990,473.09
December 2034 to December 2043	4,421,609.98

J. ESTIMATED TERM OF LIABILITY (IN YEARS) : 8.94

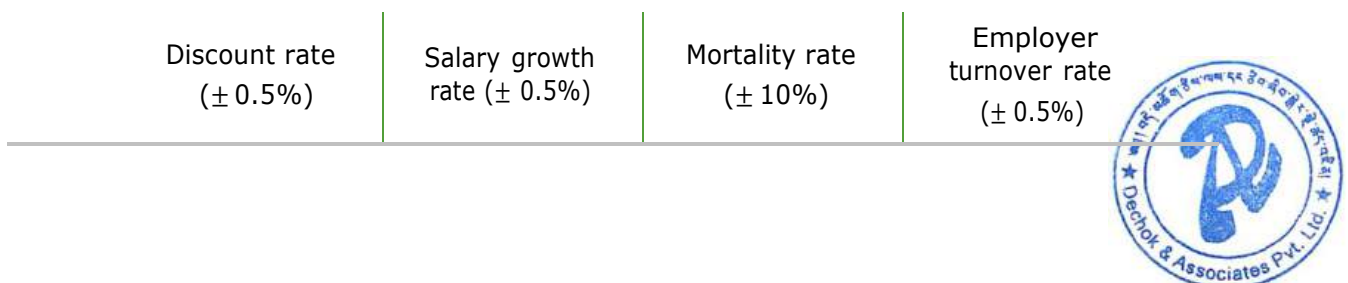
5.2 SENSITIVITY ANALYSES

The following table summarizes 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%	1,338,708.93	(29,597.3)	-2.16%
	Base rate	1,368,306.23	-	0.00%
	- 0.5%	1,399,933.17	31,626.94	2.31%
Salary growth rate	+ 0.5%	1,405,237.52	36,931.29	2.70%
	Base rate	1,368,306.23	-	0.00%
	- 0.5%	1,333,366.97	(34,939.26)	-2.55%
Mortality rate	+ 10%	1,368,182.9	(123.33)	-0.01%
	Base rate	1,368,306.23	-	0.00%
	- 10%	1,368,430.43	124.2	0.01%
Employer turnover rate	+ 0.5%	1,372,670.55	4,364.32	0.32%
	Base rate	1,368,306.23	-	0.00%
	- 0.5%	1,363,619.08	(4,687.15)	-0.34%



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 regarding the materials contained in this report. Dated 27 January 2024, this version of the report nullifies all other versions, whether signed or not, preceding this date.



Tandin Dorji

Actuarial Consultant

Email: tandin@drukinfinity.com

Contact: (975) 1785 8494 || (61) 414 784 944



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5. FINANCIAL EXHIBITS

5.1 DETAILED FINANCIAL EXHIBITS

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Present value of define benefit obligation	1,368,306.23	924,177.06
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(1,368,306.23)	(924,177.06)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(1,368,306.23)	(924,177.06)

B. COMPOSITION OF DEFINED BENEFIT COST

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Expense recognized in profit or loss	503,658.31	359,011.29
Expense recognized in other comprehensive income	629,970.86	302,884.13
Defined benefit cost	1,133,629.17	661,895.42

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Current service cost	457,304.15	319,653.52
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	46,354.16	39,357.77
Less: Expected interest on plan asset	-	-
Expenses recognized in profit or loss	503,658.31	359,011.29



D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
Actuarial (gain) or loss due to experience adjustments	629,970.86	302,884.13
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognized as OCI	629,970.86	302,884.13

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

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
DBO at the beginning of period	924,177.06	721,662.64
Add: Current service cost	457,304.15	319,653.52
Add: Past service cost	-	-
Add: Interest cost	46,354.16	39,357.77
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(689,500.00)	(459,381)
Actuarial (gain) or losses due to experience adjustment	629,970.86	302,884.13
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	1,368,306.23	924,177.06

F. COMPOSITION OF PLAN ASSET

<i>Nu.</i>	31-Dec-2023	31-Dec-2022
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-2023	31-Dec-2022
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-2023	31-Dec-2022
Current liability	803,979.87	466,731.92
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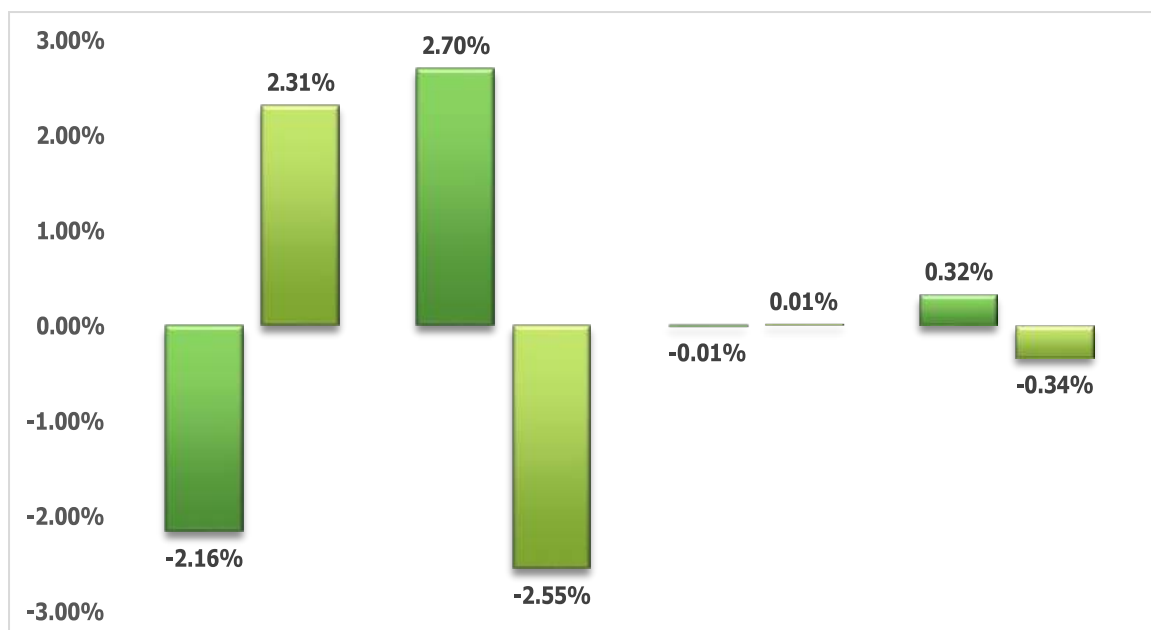
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The following table summarizes the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 4.4 was employed for this exercise.

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	Base rate	1,368,306.23	-	0.00%
	- 0.5%	1,363,619.08	(4,687.15)	-0.34%



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

Discount rate (± 0.5%)	Salary growthrate (± 0.5%)	Mortality rate (± 10%)	Employer turnover rate (± 0.5%)



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 regarding the materials contained in this report. Dated 27 January 2024, this version of the report nullifies all other versions, whether signed or not, preceding this date.



Tandin Dorji

Actuarial Consultant

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RATIO ANALYSIS

State Mining Corporation Limited

RATIO ANALYSIS

Exhibit - 1

#	Particulars	Derivation of Ratios	31-Dec-23	31-Dec-22
1	Earning Per Share	Profit After Tax/No. of Shares Issued	773.76	653.33
2	Net Profit Ratio	Net Profit/Turnover*100	38.08	41.41
3	Return on Asset	Net Profit/Total Asset*100	57.00	59.59
4	Return on Equity (ROE)	Net Profit/Owners Equity*100	94.71	93.80
5	Debtors Turnover Ratio	Sales/ Average Debtors	9.86	9.51
6	Current Ratio	Current Assets/ Current Liabilities	2.12	2.25
7	Quick Ratio	(Current Asset-Inventory)/Current Liabilities	1.66	1.90
8	Debtors Collection Period Ratio	(Sundry debtors*366)/Sales	37	38



COMPLIANCE CALENDAR & CHECK LIST

COMPLIANCE CALENDAR

Sl. No	Activity	Section		Remarks
1	33.1. <i>Submission of Annual Return</i> a) Companies listed with Royal Securities Exchange of Bhutan Limited b) All unlisted companies includes: i) Duly filled form as per Annual Return Form ii) Balance sheet iii) Profit & Loss Account iv) Cash flow statement v) Auditor's report vi) Directors' report	267	On or before 31 May On or before 31 July	-Annual return filed on May 31, 2023 - Tax filed in the RAMIS system on March 29, 2023
2	33.2. Annual General Meeting a) Listed Companies b) Unlisted Companies c) Government Companies	177	On or before 30 April On or before 30 June Same timing	AGM was held on March 30, 2023
3	Notice Calling General Meetings	185	21 days before the AGM	Notice for AGM was provided on March 7, 2023
4	Payment of Dividend	204	Within 30 days of declaration in AGM	<i>Not Applicable</i>
5	Presentation of B/S, P&L A/c and Cash Flow Statement at every AGM	244		Audited accounts for 2022 submitted to the AGM on March 15, 2023 and approved on March 30, 2023.
6	Filing of Documents with Registrar	267		<i>See Sl. No. 1 above</i>
7	33.3 Appointment of auditor GCC and GC Reappointment	251	AGM Notify the Registrar within 15 days from	In accordance with Section 255 of the Companies Act of Bhutan 2016, Royal



	Removal Resignation		passing the resolution. Convene the EGM within 14 days to discuss resignation.	Audit Authority has appointed the incumbent auditor Dechok and Associates Pvt. Ltd. as the statutory auditor for Financial Year ended 31 December 2023 vide Audit Appointment Letter RAA(SA-28)/COAD/2023/798 dated 6 November 2023.
8	Consent to act as directors	140		No new Board Directors was appointed.
9	Board Meetings 1 st BM 2 nd BM 3 rd BM 4 th BM 5 th BM	146 & 149	3 months after last BM 1 months after last BM 1 months after last BM 3 months after last BM 5 months after last BM	50 th BM held on 2/2/2023, 51 st BM held on 8/3/2023, 52 nd BM held on 28/4/2023, 53 rd BM held on 31/7/2023. and 54 th BM held on 6/12/2023
10	Appointment of CEO	210	Every 3 years	Continuation to Second term, appointed for additional 2 years on June 7, 2022
11	Power of Regulatory Authority to accord approval	412	Approval of Regulatory Authority	Approvals from the Regulatory Authority were obtained as and when required.
12	Appointment of Company Secretary	213	As per prescribed by MTI	
13	Statutory Record and Inspection	228	All times	Records and Registers are updated yearly.



14	18 5	Notice for calling general meeting	✓			Notice for AGM was provided on March 7, 2023
15	18 7	Listed Co. - written as well as in media Public Co/Private Co. - Written Notice			✓	Not applicable as the company is a DHI Company with only two shareholders.
16	19 0	Chairman of meeting (CEO cannot chair)		✓		CEO is not the Chair
17	19 2	Representation of corporations at meetings (Appointed by Board Directors)	✓			CEO - through appropriate Office Orders
18	19 3	Ordinary and special resolutions (Minutes)			✓	
19	19 5	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	✓			
20	19 9	Declaration and payment of dividend (199-209)	✓			
21	23 2	Books of account to be kept by company (Location & time period)	✓			Gurung Busty, Samtse Dzongkhag, Bhutan
22	25 0	Board's report (signed by Chairman)	✓			
23	25 2	Appointment and removal of Auditors Re-appoint annually (251-259)	✓			Audit Appointment Letter RAA(SA-28)/COAD/2022/2054 dated 6 November 2023.
24	26 0	Resignation of Auditors from office (Annual Resignation)			✓	No Resignation
25	26 6	Auditing standards (Audit using Auditing Standards issued by AASBB)	✓			BAS and ISA followed
26	13 3	Number of directors	✓			6 BD during FY 2023
27	13 4	One third of all Public Companies shall be independent			NA	
28	13 8	(Minimum No. & retirement on rotation)	YES			
29	13	Additional directors	✓			No New Directors



	9						
30	14 0	Consent to act as directors	✓				
31	14 1	Certain persons not to be appointed as Directors	✓			Complied with.	
32	14 2	Resignation by a director	✓			Complied with.	
33	14 3	Removal of directors / Change of Directors.	✓			No New Directors.	
34	14 6	Board meetings (Four Meetings for Public Companies and two Meetings for Private Companies)	✓			Complied with	
35	15 2	General powers of the board	✓			Complied with.	
36	15 6	Restriction on powers of Board		✓		Complied with.	
37	21 0	Appointment of Chief Executive Officer (Max. 5 years terms & 2 consecutive terms only)	✓			Continuation to Second term, appointed for additional 2 years on June 7, 2022	
38	21 3	Company Secretary required in all Public Companies		✓			
39	41 4	Appointment of selling or buying agents (Government Approval obtained or not)			✓		
40	15 7	No loans to directors (only for Public Co.)		✓		No loans to directors were given.	
41	53	Inter-corporate investments (Investments to be disclosed) apply old rule		✓		Inter-corporate loan provided to CDCL & STCBL.	
42	15 8	Contracts in which directors are interested		✓		Complied with.	
43	16 1	Standard of care required by directors (Reckless decision)	✓			No incidents of breach of standard of care by directors were noticed during the audit.	
		STATUTORY RECORD AND INSPECTION					
39	22 8	Statutory record and inspection					



(a)	Register of buy-back of shares	✓			
(b)	Register of transfers	✓			
(c)	Register of charges	✓			
(d)	Register of inter-corporate loans	✓			
(e)	Register of inter-corporate investments	✓			SMCL invested Nu. 100 M each with CDCL & STCB in the Month of November & December.
(f)	Register of contracts in which directors are interested.			✓	No such incidents were seen during the year.
(g)	Register of directors	✓			
(h)	Register of directors' shareholding			✓	No director had any shareholding in any company related to SMCL.

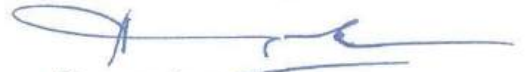
For Dechok and Associates Pvt. Ltd.


Yeshe Jamtsho, FCCA
Managing Partner



For State Mining Corporation Ltd

Kelden Jatsho
Head. F&A Division



Kezang Jamtsho
Chief Executive Officer
State Mining Corporation Limited
Samtse : BHUTAN

MANAGEMENT AUDIT REPORT

1. Irregularities noted in the Revaluation of Fixed Asset carried out by the SMCL

The State Mining Corporation Limited decided to change its accounting policy for the Property, Plant and Equipment (PPE) from Cost Model to Revaluation Model effectively from the financial year 2023. The basis to change its accounting policy was to resolve all PPE accounting issues that existed and also pointed out by the statutory auditors. Subsequently, limited tender was floated via email targeting only two accounting and auditing firms, ie Jigmi Financials and Dechok and Associates to participate in the bidding for Revaluation of Fixed Assets of SMCL.

The two firms submitted the bids and as per the tender evaluation records, the lowest offer for the said work was made by Dechok and Associates at Nu. 909,030.00. The Tender Evaluation Committee awarded the contract to other than the lowest bidder citing reasons that the lowest bidder had conflict of interest as it happened to be the statutory auditor of the company.

The contract for the Revaluation was signed between SMCL and Jigme Audit & Financials incorporating among other clauses the following important ones contained in the TOR of the bidding Documents:

1. Restate the Balance Sheet figures and prepare opening balance sheet as per BAS after the revaluation of assets.
2. Prepare comparative balance sheet figures with other impacts after restatement of balance sheet figures for the current and the preceding year.
3. All methods used for restating the balance sheet figures should be as per the provisions of the BAS.
4. Proper Notes to Accounts to be provided by the consultant.

The consultant submitted a Revaluation report which was not as per BAS and without other deliverables listed in the Contract Agreement. The SMCL management had relieved the consultant with the submission of incomplete, not as per BAS revaluation report.

The SMCL then migrated the revaluation results into the Accounting System, E-mines to only find out that this migration had affected the opening balances of the preceding financial years which rendered SMCL's finance department difficulty in closing the financial statements.

The managing partner visited the SMCL Head Office from 22nd Feb to 24th Feb 2024 to finalise the financial statements of SMCL. Since the financial statements were not prepared on the basis of Group Accounting Policy which was the cost model for PPE, the managing partner suggested SMCL's GM of Finance to take the views of the Director of Finance, DHI on the revaluation exercise carried out by the SMCL. The Director Finance informed GM that the revaluation exercise was not acceptable for the following reasons:



- The Revaluation Report was not correct as the revaluation was not as per the BAS ie revaluation figures were derived from extrapolation of the original cost and the original useful life to revised useful life determined by the consultants. The report also had re-valued fully depreciated assets which are not within the scope of BAS.
- The Director of Finance, DHI also informed that the exercise was a deviation from the Group Accounting Policy.

Therefore, the revaluation exercise carried out by the SMCL became irrelevant and redundant and the SMCL finance department was asked to revert back to preparing the financial statements without the revaluation figures. This entailed further delay in the preparation of the financial statements as reversal of revaluation information had to again route through the Thimphu Tech Park Limited responsible for managing the SMCL's Accounting System. This delay rendered auditors difficulty in verifying the underlying accounting information as system information was then not accessible.

With the brief background on the Revaluation exercise carried out by the SMCL as above, the relevant officials of SMCL need to provide justifications to the following audit observations:

- 1.a Approval for major change in Accounting Policy from Cost Model to Revaluation Model was not sought from DHI resulting into unnecessary waste of SMCL funds of Nu. 909,030.00 (1.2.8)

The SMCL management had neither informed nor sought any advice from the DHI for moving away from the group accounting policy. The management needs to justify how this decision was taken and the basis on which this decision to revalue assets were taken.

Management Response:

The improper accounting for PPE (3.3.13) was issued by statutory auditor as management audit report during its statutory for FY 2022. In response to the management audit report, the management responded *“The management have planned to reconstruct overall PPE in the FY 2023 to resolve the issues noted by the SA and moreover upon completion of migrating the data in system from old version of e-mines to current new e-mines the issues will be resolved.*

The overall asset reconstruction/valuation shall be carried out using the expertise (CA) firms and reported to RAA”.

The response from management was printed in annual report also.

To resolve the audit memo before the financial closing for the year 2023, AFD team submitted the asset revaluation proposal to the management for approval. The management approved the submission and the TOR for asset revaluation was shared to Procurement Section for rate enquiry. In doing so, due to unawareness of the process we have overlooked to consult DHI.

Auditor's Further Comments:



also note tender evaluation for which the lowest bidder was rejected on the ground of conflict of interest which was said to have been advised and clarified by the RAA. No such written clarifications were provided by the RAA.

The management must fix appropriate accountability and recover the unnecessary expenditure of Nu.909,030.00 considering the irregular manner for which the revaluation exercise was preconceived and spearheaded by the Finance department.

Management Response:

The consultant submitted the detailed report containing the following parameters as recommendations to the management:

- a. Asset revalued figure with detailed list
- b. Asset with or without carrying value for write-off.
- c. Assets not categorized correctly requiring proper categorization.
- d. Management decision on accounting treatment of non-operational Assets.
- e. Assets not existing (or not visible) during physical verification
- f. Non-segregation of Furniture and Fixtures under different categories
- g. Furniture items wrongly classified under Office Equipment

AFD team have changed the whole asset in system with reference to the report. Assets being interlinked with the calculation of depreciation based on useful life since from the date of its entry in the system, it was challenging for the team to realign in the e-mines system. Therefore, opening accumulated depreciation was impacted while aligning the system report with consultant report. The AFD team shared the changes in opening balance thereof with audit team. The re-statement of balance sheet and other reports comes only after the final entry of re-valued asset in system.

AFD team shared the significant adoption of changes in the books of accounts when compared to previous year with the statutory auditor, including the changes adopted in the fixed asset. Statutory Auditor upon the review of revaluation report found that the thesis used for revaluation of the assets was out of scope from DHI Group Policy as well as BAS.

However, the FAD team have used the consultant report as reference to changes the sub-category of assets under different main category, missing assets, non-operational assets and zero value or negative value of assets. The necessary changes were made for the asset and reworked on the revalued asset and kept the original purchase and accumulated depreciation value in asset.

With above statement, out of six main parameters of report issued by consultant, AFD have used the consultant report as main reference to make correction of the improper accounting for PPE (3.3.13) memo issued for the FY 2022 in lined with DHI, accounting Policy and provisions of BAS.



Renewal of Contract Agreement for hiring of Earth Moving Equipment was signed between SMCL and M/s Khandum Hiring and Transport, Phuentsholing for a period of one year effective from 16th November 2022 to 15th November 2023. Hiring contract was further renewed for another one year vide agreement dated 16th November 2023 commencing from 16th November 2023 to 15th November 2024.

Based on the renewal of contract agreement as cited above, Excavators and Wheel Loader were engaged in Chunaikhola Dolomite Mines. During the year 2023, advance payment of Nu. 21,973,949.40 was paid. Out of which Nu. 19,475,538.98 was adjusted leaving the outstanding advance of Nu. 2,498,410.42 as on date of audit ie 20th February 2024. Payment of advances and adjustment made are shown in Table 5 below:

Table 1 Advance to M/s Khandum Hiring Transport and Hiring, Phuentsholing

Voucher No	Date	Payment (Nu.)	Adjustment (Nu.)	Balance (Nu.)
Opening Balance		500,000.00	0	500,000.00
JEBP20230100117	16-01-23		500,000.00	-
JEBP20230100254	26-01-23	3,000,000.00	0	3,000,000.00
JEBP20230200074	03-02-23		500,000.00	498,410.42
JEBP20230200314	17-02-23	5,973,949.40	0	8,473,949.40
JEBP20230300265-1	17-02-23		6,475,538.98	1,998,410.42
JEBP20230300089	02-03-23		500,000.00	1,498,410.42
JEBP20230300317	17-03-23		500,000.00	,410.42
JEBP20230400045	03-04-23		500,000.00	
JEBP20230400292	19-04-23		500,000.00	(1,589.58)
JEBP20230400436	29-04-23	3,000,000.00	0	2,998,410.42
JEBP20230500086-1	03-05-23		500,000.00	2, 998498,410.42
JEBP20230500316	18-05-23		500,000.00	1,998,410.42
JEBP20230600031	02-06-23		500,000.00	1,498,410.42
JEBP20230600227	16-06-23		500,000.00	998,410.42
JEBP20230700239	18-07-23		500,000.00	498,410.42
JEBP20230700268	24-07-23	3,000,000.00	0	3,498,410.42
JEBP20230800082	31-07-23		500,000.00	2,998,410.42
JEBP20230800252	17-08-23		500,000.00	2,498,410.42
JEBP20230900052	02-09-23		500,000.00	1,998,410.42
JEBP20230900187	15-09-23	1,500,000.00	0	3,498,410.42
JEBP20230900244	16-09-23		2,000,000.00	1,498,410.42
JEBP20231000059	01-10-23		500,000.00	998,410.42
JEBP20231000201	16-10-23		500,000.00	498,410.42
JEBP20231100060	02-11-23	3,000,000.00	0	3,498,410.42
JEBP20231100199	16-11-23		500,000.00	2,998,410.42
JEBP20231200091-1	02-12-23		500,000.00	2,498,410.42
JEBP20240100184	15-01-24		1,000,000.00	1,498,410.42
JEBP20240100301	25-01-24	2,500,000.00	0	3,998,410.42
JEBP20240200069	31-01-24		500,000.00	3,498,410.42
JEBP20240200219	15-02-24		500,000.00	2,998,410.42
Total		22,473,949.40	19,475,538.98	2,998,410.42



On review of the Construction Works in Progress (CWIP) revealed that prior years CWIP amounts aggregating to Nu. 50,930,779.14 consisting of building and civil structure, access road, mines development cost, gabion wall, coal washery plant etc. are still not yet completed/capitalized. In addition, new works aggregating to Nu. 47,211,332.86 for the year 2023 are found under CWIP. Thus, total amount of Nu. 95,017,329.63 is lying unsettled as on date of audit (20/2/2024). Details of CWIP are presented in Table 6 below:

Table 2: Details of CWIP

Sl.No	Account	Opening (Nu.)	Debit (Nu.)	Credit (Nu.)	Net Balance (Nu.)
1	100 MT Weighbridge Construction at Lhamokhola CDM	-	426,071.99	-	426,071.99
2	Buildings & Civil Structure	12,101,904.54	588,187.64	2,145,318.27	10,544,773.91
3	By Pass Construction	1,628,015.98	-	-	1,628,015.98
4	Civil Foundation Works - Coal Washery	4,702,306.26	5,699,311.22	-	10,401,617.48
5	Clearance – CWIP	496,016.00	-	-	496,016.00
6	Construction RRM Wall at prefab house at KGM	-	1,411,606.13	-	1,411,606.13
7	Construction of Access Road	5,453,712.87	-	-	5,453,712.87
8	Construction of Civil Foundation for Reservoir – HCM	-	195,683.44	-	195,683.44
9	Construction of Clients Site Office	16,168.40	-	-	16,168.40
10	Construction of Drinking Water Supply	61,602.70	1,265.00	-	62,867.70
11	Construction of Gabion Wall	6,854,853.85	4,188,664.10	-	11,043,517.95
12	Construction of RCC Wall – CDM	-	1,196,406.10	-	1,196,406.10
13	Construction of Store at Khatoethang,HCM	-	477,416.29	-	477,416.29
14	Consultancy Charges - Coal Washery	-	800,000.00	-	800,000.00
15	Corporate (Samtse) Office Renovation	-	246,016.02	-	246,016.02
16	Crushing Plant Civil Foundations Works	192.30	-	-	192.30
17	Demarcation Pillars	1,298.03	62,000.00	-	63,298.03
18	Drinking water Supply - Corporate Office	-	52,215.00	-	52,215.00
19	Equipment Supply & Testing Commissioning Cost of Coal Washery	50,950.89	2,294,862.33	-	2,345,813.22
20	Exploration & Evaluation of Graphite	-	4,222,078.00	-	4,222,078.00
21	Exploration for & Evaluation of Mineral Resource	11,002,788.74	2,064,356.73	-	13,067,145.47
22	Explosive Magazine	7,788.33	3,437,670.00	-	3,445,458.33
23	KGM Mobile crusher	-	928,600.00	805,000.00	123,600.00
24	Mines Development Cost	2,833,694.14	630,000.00	-	3,463,694.14
25	Motanga Office	1,566,754.47	3,865,893.33	-	5,432,647.80



26	Motanga Rest Room & Common Toilet	-	427,820.04	53,564.10	374,255.94
27	Power Supply	122,770.93	-	-	122,770.93
28	Prefab House Civil Foundation – HTCM	-	1,723,725.86	12,600.00	1,711,125.86
29	Prefab House Civil Foundation – KGM	-	351,446.96	-	351,446.96
30	Prefab House Civil Foundation – MCM	-	210,357.06	-	210,357.06
31	RCM Basement Civil	-	996,153.27	-	996,153.27
32	RRM Wall	-	15,025.00	-	15,025.00
33	Security Shed at Majuwa Coal Mine	-	234,813.39	-	234,813.39
34	Settling Pond for Coal Washery	-	5,423,007.63	-	5,423,007.63
35	Site Clearing	53,015.00	-	-	53,015.00
36	Site Establishment	108,300.00	-	108,300.00	-
37	Stockyard Development	73,964.80	-	-	73,964.80
38	Store	38,989.83	-	-	38,989.83
39	Street Light	53,300.00	-	-	53,300.00
40	Transportation Charges for Coal Washery	3,676,702.85	-	-	3,676,702.85
41	Water Realignment CDM	-	3,285,632.90	-	3,285,632.90
42	Workers Hutments with Toilet at Site Amenities	25,688.23	-	-	25,688.23
43	Workshop at Lhamokhola	-	711,046.97	-	711,046.97
44	Chorten Construction (CDM)	-	119,985.00	-	119,985.00
45	Construction of Septic Tank	-	106,212.35	-	106,212.35
46	Construction of Toilet at Coal Washery – HCM	-	361,422.78	-	361,422.78
47	Construction of water Tank	-	47,100.00	-	47,100.00
48	Conveyor Belt System	-	333,626.00	-	333,626.00
49	Prefab House Handling Cost	-	75,654.33	-	75,654.33
	Total	50,930,779.14	47,211,332.86	3,124,782.37	95,017,329.63

SMCL management may explore possibilities to complete the works as most of the works are lying unsettled since long period of time besides identifying the amount of Nu. 496,016.00 towards CWIP-Clearance.

Management Respons:

With regard to CWIP, the balance amount in the Debit & Credit side in the table are all related to ongoing works where the settlement will be done in coming year as per the project completion report. Further, for one project the different GL have been created under CWIP where the most of the GLs are interrelated. Since 2023, one CWIP GL have been created for one project. Therefore, management will relook for all the CWIP items noted in the table and prepare separate report for the completed works within FY 2024 and ongoing works during FY 2024. The report will be submitted to RAA for resolution.

Auditor's Further Comments:

Particular attention is drawn on the CWIP on Sl. No. 3, 7, 9, 27, 35, 37, 38, 39, 40 where the CWIP had existed during the previous financial year with no activities carried out during the current year. The management must submit appropriate explanations to RAA why these activities remained



unadjusted without any further activities to complete the capital works. The management should also provide RAA with the status of the CWIP listed in the above table for review and comments.

Who is Accountable?

Direct Accountability: Kelden Jatsbo & Karma Chopbel
CID #10104000536 & 10604001035

Supervisory Accountability: Chhimi Rinzin
CID #10716000103

4. Non conducting of physical verification of stock balances at the year-end (5.9.8)

Consumable Stock Balances in the Corporate Office, Regional Office and the Mines Offices amounting to Nu. 360,404,615.63 are found in the books of accounts maintained by the Accounts Division. However, physical verification of the balance stocks was not conducted by the management in order to confirm the book balance with that of physical existence. Details of stock balances are tabulated in table 9 below:

Table 3 Consumable Stocks

Sl. No	Particular	Opening Balance (Nu.)	Purchased (Nu.)	Consumed (Nu.)	Balance as on 31/12/2023 (Nu.)
1	Chunaikhola Consumable Warehouse	69,192,574.02	274,727,383.31	158,430,995.56	185,488,961.77
2	Corporate Office Consumable Warehouse	2,112,394.57	2,669,539.24	2,590,354.13	2,191,579.68
3	Dzongthung Consumable Warehouse	31,929,383.55	3,949,481.55	6,356,484.58	29,522,380.52
4	Habrang Consumable Warehouse	22,590,897.44	37,650,784.08	37,808,960.58	22,432,720.94
5	Khothakpa Consumable Warehouse	18,994,637.98	22,269,421.55	24,034,746.99	17,229,312.54
6	Majuwa Consumable Warehouse	2,207,612.72	3,372,439.53	4,114,933.23	1,465,119.02
7	RSLO Samdrupjongkhar Consumable Warehouse	3,453,534.52	3,108,033.62	3,683,076.23	2,878,491.91
8	Rishore Consumable Warehouse	2,516,577.98	8,127,176.91	5,949,027.43	4,694,727.46
9	Stock Assets	22,676,486.04	117,886,415.24	47,351,012.31	93,211,888.97
10	Habrang Tshophangme Stone Warehouse	12,000.00	-	-	12,000.00
11	Tshophangma Consumable Warehouse	2,692,297.28	4,315,821.33	5,730,685.79	1,277,432.82
	Total	178,378,396.10	478,076,496.36	296,050,276.83	360,404,615.63

In light of above audit observations, the management may comment on the issue.

Management Response:

Our e-mines system captures all the inventory details on received and issued quantities. The management guide the site office for the periodic physical verification of the consumable stocks at each site and the site management shares us the report. Our internal audit team also conducts assessment of inventory annually. Physical verification report conducted by the site management people is shared for reference by the audit.



PRIOR YEAR FOLLOW-UP REPORT

1. Summary Follow-up Report for the year ended 31 December 2023

Audit Period	Total No. of recommendations provided	No. of recommendations implemented	No. of recommendations partially implemented	Balance recommendations to be implemented
2022	3	2	0	1

Follow up on the management report for the year 2022.

Para No.	Observation in Brief	Management Response	RAA's Further Comments	Current Status
1	Inappropriate Hiring of Earth Moving Equipment for Loading at Sale Point	Action Taken Report submitted to RAA Office vide SMCL/F&A/01/2023/9470 dated 29 th December 2023	In view of settlement of para vide RAA letter RAA/FLSD/(20-Corp-SA/SMCL/2024/331 dated 24 th 2024, Para will not be pursued.	Para Resolved
2	Weakness in trip recording system	Action Taken Report submitted to RAA Office vide SMCL/F&A/01/2023/9470 dated 29 th December 2023	In view of settlement of para vide RAA letter RAA/FLSD/(20-Corp-SA/SMCL/2024/331 dated 24 th 2024, Para will not be pursued.	Para Resolved
3	Improper accounting for PPE	Action Taken Report submitted to RAA Office vide SMCL/F&A/01/2023/9470 dated 29 th December 2023 stating that management had taken proactive measures to rectify the improper accounting for Property, Plant and Equipment (PPE).	We have reviewed the consultancy report on Revaluation of Fixed Asset on 20th Feb 2024 and instructed the AFD team to realign the fixed asset as per the DHI group accounting policy. Therefore, the finalization of financial got delayed.	Para Stands



TRIAL BALANCE FOR DHI CONSOLIDATION REPORT

Account	Description	Entity	Segment	FLOW	InterCo	Time	Amount (Nu)
1101010001	Cash in hand	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	628,484.64
1101020103	Balances with BoBL	SMCL	ENGRES	F_CLO	I_BOBL	2023.DEC	354,360,937.83
1101020002	Local banks	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	5,504,366.32
1109010001	Trade receivables from third parties - local currency	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	172,108,329.80
1109020016	Intergroup Accrued Income	SMCL	ENGRES	F_CLO	I_CDCL	2023.DEC	508,219.18
1109020016	Intergroup Accrued Income	SMCL	ENGRES	F_CLO	I_STCBL	2023.DEC	314,520.55
1109010102	Intergroup trade receivables	SMCL	ENGRES	F_CLO	I_DC01	2023.DEC	592,608,178.40
1109010102	Intergroup trade receivables	SMCL	ENGRES	F_CLO	I_PCAL	2023.DEC	13,301,218.14
1111010103	Intergroup advances	SMCL	ENGRES	F_CLO	I_BPC1	2023.DEC	4,515,820.17
1109020003	Deposits with third parties	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	400,000,000.00
1111010002	Advance to vendors	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	323,802,439.07
1401020213	Loans to group companies	SMCL	ENGRES	F_CLO	I_CDCL	2023.DEC	100,000,000.00
1401020213	Loans to group companies	SMCL	ENGRES	F_CLO	I_STCBL	2023.DEC	100,000,000.00
1111010006	Advance payments -employees	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	917,071.31
1111010008	Prepaid expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	490,007,167.23
1111020013	Tax deducted at source for the year	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	16,132,712.49
1112030023	Stock of Coal	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	157,437,149.20
1112030025	Stock of Gypsum	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	72,007,408.77
1112040001	Other Inventories	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	482,958,018.57
1205020001	Non-trade receivables - noncurrent	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	78,287,662.21
1212010001	Capital Work-in-Progress	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	95,017,329.63
1213010006	Buildings and Civil Structures	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	80,066,105.81
1213010009	Building - Lease hold	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	3,328,094.11
1213010010	Accumulated depreciation on building - Lease hold	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(2,810,000.20)
1213010007	Accumulated depreciation on Buildings and Civil Structures	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(55,073,414.61)
1213020001	Plant and Machinery	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	512,357,418.80
1213020002	Accumulated depreciation on Plant & Machinery	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(199,988,556.13)
1213030001	Furniture, fixtures, computers and office equipment	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	65,574,113.29
1213030002	Accumulated depreciation on furniture, fixtures, computers and office equipment	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(31,242,807.51)
1213050001	Vehicles	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	214,511,334.30
1213050002	Accumulated depreciation on Vehicles	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(68,488,823.92)
1214020001	Software	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	970,843.00
1214020002	Accumulated amortisation on Software	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(542,570.74)
1214030003	Pre Operative Expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	17,191,990.70
1214030004	Amortisation of Pre Operative Expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(10,303,521.21)
1214030005	Exploration & Evaluation Cost	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	35,304,345.85
1214030006	Accumualted Amortisation of Exploration & Evaluation costs	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(30,183,465.07)
2103010001	Trade payable to third parties - local currency	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(82,605,906.16)
2103010003	Trade payable - foreign currency	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(239,868,059.53)



Account	Description	Entity	Segment	FLOW	InterCo	Time	Amount (Nu)
2103010302	Intergroup trade payables	SMCL	ENGRES	F_CLO	I_BTL	2023.DEC	(221,358.50)
2103010302	Intergroup trade payables	SMCL	ENGRES	F_CLO	I_TTPL	2023.DEC	(7,440.68)
2103010302	Intergroup trade payables	SMCL	ENGRES	F_CLO	I_NRDCL	2023.DEC	771,540.00
2103010302	Intergroup trade payables	SMCL	ENGRES	F_CLO	I_DI01	2023.DEC	(343,672.87)
2103010302	Intergroup trade payables	SMCL	ENGRES	F_CLO	I_BPC1	2023.DEC	(565,111.92)
2103030001	Other accounts payable	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(6,732,715.24)
2103050001	TDS payable	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(1,749,979.85)
2103070001	Other liabilities - contingent consideration	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(43,728,423.57)
2105010006	Provision for Income Tax For the Year	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(1,132,262,279.30)
2106010001	Advances from customers	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(10,096,424.14)
2106010005	Intergroup Advances	SMCL	ENGRES	F_CLO	I_PCAL	2023.DEC	(979,660.60)
2106040001	Deposits received - Current	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(27,319,758.22)
2106050001	Amounts payable - related to employees	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(355,233.77)
2106060001	Retention Money Payable - Suppliers and Contractors	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(813,157.36)
2107010001	Defined Benefit Plan Obligation	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(6,639,065.93)
2204020001	Long Term Borrowings from Banks & Financial Institutions - Local	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(18,543,796.22)
1205020002	Provision for impairment of trade receivables	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(903,196.59)
2206010001	Defined Benefit Plans Obligation - noncurrent	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(11,180,465.67)
2208010001	Deferred tax liability to be settled after 12 months	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(5,216,689.28)
2501010001	Equity Shares held by DHI	SMCL	ENGRES	F_CLO	I_DI01	2023.DEC	(293,990,000.00)
2503010002	Unappropriated retained earnings	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(4,027,491,964.58)
2503010008	Intergroup Dividends relating to current year	SMCL	ENGRES	F_CLO	I_DI01	2023.DEC	1,919,754,700.00
3105030001	Resources - Change in Stock / Purchases	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(144,299,696.33)
3105030005	Extraction costs	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	508,902,306.16
3105030008	Royalty payments	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	359,750,673.95
3105030010	Mineral rent	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	48,162,537.78
3105030011	Stripping Cost	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	237,256,780.82
3105030012	Drilling & Blasting	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	77,442,535.53
3105050601	Cost of construction material sold by NRDCL to DHI Group companies	SMCL	ENGRES	F_CLO	I_NRDCL	2023.DEC	510,799.40
3107010008	Running & Maintenance Of Vehicle	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	9,557,137.37
3107010009	Running & Maintenance Of Plant and machinery and Other equipment	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	328,117,302.52
3107010010	Repairs & Maintenance Of Buildings and civil structures	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	7,841,632.43
3107010012	Running & Maintenance Of Vehicle-Intergroup	SMCL	ENGRES	F_CLO	I_STCBL	2023.DEC	28,356,328.82
3107010013	Running & Maintenance Of Others-Intergroup	SMCL	ENGRES	F_CLO	I_TTPL	2023.DEC	1,666,099.00
3108010001	Salaries to Permanent Staff	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	131,259,688.00
3108010002	Salaries to Temporary Staff	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	5,705,473.25
3108010003	Leave Travel Allowance	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	5,555,379.74
3108010004	Bonus and variable pay	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	27,635,139.72
3108010005	Overtime Allowance	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	12,788,296.76
3108010010	Staff training and development expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	1,471,702.45



Account	Description	Entity	Segment	FLOW	InterCo	Time	Amount (Nu)
3108020003	Leave encashment	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	6,966,803.51
3108020004	Provident Fund Contribution	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	12,406,196.00
3108020005	Gratuity	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	4,309,933.39
3108020006	Transfer Grant & Carriage Charges	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	1,425,128.21
3108020007	Separation Allowances	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	503,658.30
3109010001	Marketing and Sales Promotion Expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	4,577,301.22
3109010002	Board meeting expenses and sitting fees	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	220,866.00
3109010003	Sub-Committee meeting expenses and sitting fees	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	210,800.14
3109010007	Fees and Subscription	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	597,682.15
3109010008	Printing and stationery including postage	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	3,097,183.03
3109010009	Advertisement and Souvenir	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	578,074.00
3109010035	Miscellaneous Expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	859,972.20
3109010012	Travelling Expenses - FOREGIN	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	1,863,554.50
3109010013	Travelling Expenses - LOCAL	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	5,589,353.00
3109010017	Transportation expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	601,082,196.64
3109010025	Communication and ICT Charges	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	53,563.97
3109010028	Entertainment Expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	896,269.00
3109010029	Carriage Outward	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	525,229,848.46
3109010032	CSR Expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	2,613,353.50
3109010034	Loss on disposal or retirement of Property, Plant & Equipment	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	661,751.85
3109010010	Office Expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	14,764,883.95
3109010039	Audit Fees	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	320,750.00
3109010045	INTERGROUP CORPORATE GUARANTEE FEES	SMCL	ENGRES	F_CLO	I_DI01	2023.DEC	110,618.97
3109010050	Loading and Unloading charges	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	31,956,387.56
3109010615	Communication, internet and telephone charges paid to BTL	SMCL	ENGRES	F_CLO	I_BTL	2023.DEC	1,599,854.45
3109010617	Inter group Brand management Fees	SMCL	ENGRES	F_CLO	I_DI01	2023.DEC	29,421,404.86
3109010627	Electricity Charges - paid to DHI Group companies	SMCL	ENGRES	F_CLO	I_BPC1	2023.DEC	5,744,027.94
3110010001	Interest on borrowings	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	3,595,821.10
3113020001	Impairment of trade and other receivables	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	13,553,601.34
3110010002	Interest on borrowings-Intergroup	SMCL	ENGRES	F_CLO	I_DI01	2023.DEC	455,150.93
3110010604	Bank Charges and fees for other financial services paid to BoBL	SMCL	ENGRES	F_CLO	I_BOBL	2023.DEC	47,849.15
3115010002	Loss due to Foreign Currency fluctuation	SMCL	ENGRES		I_NONE	2023.DEC	665,754.91
3111010001	Depreciation - Buildings and Civil Structures	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	8,288,795.10
3111010002	Depreciation - Plant & Machinery and Other equipment	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	80,051,836.91
3111010003	Depreciation - Furniture & fixtures, computers and office equipments	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	9,921,811.32
3111010011	Depreciation - Leasehold buildings	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	281,768.34
3111010005	Depreciation - Vehicles	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	30,311,802.07
3111020003	Amortisation of Pre Operative expenses	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	4,697,448.31
3114010001	Current tax expense	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	1,132,249,863.98
3114020001	Deferred tax expense+	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	3,550,892.50
2503010005	Net profit or loss for the period	SMCL	ENGRES		I_NONE	2023.DEC	2,273,817,723.14
4105010002	Trading Revenue - Local	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(5,099,762,348.02)



Account	Description	Entity	Segment	FLOW	InterCo	Time	Amount (Nu)
4107010526	Sale of Coal to DHI group companies	SMCL	ENGRES	F_CLO	I_DC01	2023.DEC	(690,231,627.88)
4107010526	Sale of Coal to DHI group companies	SMCL	ENGRES	F_CLO	I_PCAL	2023.DEC	(105,218,471.62)
4107010528	Sale of Gypsum to DHI group Companies	SMCL	ENGRES	F_CLO	I_DC01	2023.DEC	(50,209,227.31)
4107010528	Sale of Gypsum to DHI group Companies	SMCL	ENGRES	F_CLO	I_PCAL	2023.DEC	(28,503,794.20)
4108010017	Other Miscellaneous Income	SMCL	ENGRES	F_CLO	I_NONE	2023.DEC	(488,701,582.80)
4110020505	Interest Income on Intragroup Borrowings	SMCL	ENGRES	F_CLO	I_DACL	2023.DEC	(4,343,835.61)
4110020505	Interest Income on Intragroup Borrowings	SMCL	ENGRES	F_CLO	I_CDCL	2023.DEC	(508,219.18)
4110020505	Interest Income on Intragroup Borrowings	SMCL	ENGRES	F_CLO	I_STCBL	2023.DEC	(314,520.55)
6200010003	Remeasurement (Gain)/Loss on Define Benefits Obligation	SMCI	FNGRES	F_CLO	I_NONE	2023.DEC	961,973.90

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


Mr. Yeshi Jamtsho
Partner




Place: Thimphu, Bhutan
Date:

For State Mining Corporation Limited


Dasho Karma Yezer Raydi
Chairman

Place:
Date:


Kezang Jamtsho
Chief Executive Officer
State Mining Corporation Limited
Samtse : BHUTAN