

THE YEAR UNDER REVIEW

I am pleased to report that the Company has been able to maintain the two billion profit mark, set in 2023, in spite of the year being the most challenging one. The Company was able to achieve the production targets, but the sales lagged behind due to market challenges.

The Company's revenue decreased by 9%, to Nu. 5,881.65 million, but was able to maintain the five billion threshold. The decrease is attributed to Nu. 260.33 million impact on 'coal revenue' and Nu. 141 million impact on 'dolomite revenue'. The Company's total asset increased by 9.10%, to Nu. 4,377.67 million and the net worth decreased by a marginal 5.47%, to Nu. 2,270.46 million, in FY2024. Total assets increased mainly due to Nu. 336.86 million increase in the inventories, and Nu. 178.40 million increase in *property, plant and equipment*. The decrease in the net worth was on account of Nu. 131.27 million decrease in the retained earnings due to higher dividend payment during the year, as compared to FY2023.

The total expenditure decreased more than the revenue, significantly by 15% to Nu. 2,596.24 million from Nu. 3,057.21 million in 2023. The decrease was mainly due to 215.52% increase in the inventory of finished goods, or by Nu.310.99 million. Similarly, as the sales volume for dolomite and coal reduced, '*freight outward*' cost reduced by 19% or Nu. 98.88 million and the '*mining cost*' reduced by more than Nu.64 million.

With a significant reduction in the total expenditure, the Company was able to maintain the two billion profit trend and posted a bottom-line PAT of Nu. 2.189 billion in FY2024. In addition, SMCL paid a corporate income tax of Nu. 1093.01 million. The Company also paid a total of Nu. 387.70 million on account of *Royalty, Mineral Rent, and Surface Rent* and Nu. 325 M on account of *Mining License Fee*. Hence, SMCL on a standalone basis contributed a total of Nu. 1805.71 million to the national exchequer in FY2024. Further, as per the dividend expectation of DHI and the Board's concurrence, Nu. 2,209 million was declared as dividend for the year, which was 751.39% of the share capital. The total contribution from SMCL's business in 2024 was Nu. 4014.71 million.

M/s Menuka Chhetri & Associates, Chartered Accountants based in Thimphu conducted the statutory audit of the Company for FY2024. The audit was carried out in accordance with the auditing standards prescribed by the Accounting and Auditing Standards Board of Bhutan (AASBB), and relevant provisions of the Companies Act. The auditors issued an qualified or a clean report.

As a responsible mining company, SMCL strongly believes in fostering partnerships with the local individuals and businesses in our operations. It is to share the benefits with the local people and to boost their livelihoods. On account of this, the Company partnered with about 1,547 individuals in the communities and contributed Nu. 1,133.70 million as payments. As a result, 44% of the total expenditure was disbursed into the local economy where SMCL operates. In addition to the benefits sharing activities, the Company also made CSR

contributions of Nu. 2.43 million to ‘*cultural & religious events*’ and to ‘*schools & institutions*’ in the communities.

SMCL’s prime business of dolomite and gypsum is mainly for export. Export markets operate in a highly dynamic and often unpredictable environment. Several persistent challenges have been impacting the Company’s ability to achieve its full potential. Persistent anti-dolomite strikes, citing traffic congestion and pollution at the rail-road crossing at Birpara and railway siding at Dalgoan Station, respectively, started in August 2024. These disturbances severely affected transportation of dolomite for export to India.

The District Magistrate, Alipurduar, ordered dolomite transport be done at night, which further strained logistics, resulting in reduced dispatch capacity and operational inefficiencies. Even after the night shift operation, intermittent strikes caused prolonged downtimes in 2024. The unpredictable environment across the border has exposed dolomite export to perpetual disruption.

Sale of coal is totally to domestic industries, mostly to cement plants. Their fluctuating clinker production levels significantly impact coal demand. A decline in offtake from DCCL and PCAL contributed to a significant reduction in sale of coal in 2024, which severely impacted revenue.

A dedicated rail connection to Pugli remains a critical infrastructure need. If such a vital infrastructure connects Pugli to India, dolomite markets expansion will happen on its own. Far flung steel plants will opt to low silica Bhutan dolomite due to our superior quality and assured supply. There will be no problems with strikes from across the border. SMCL fervently appeals to relevant authorities to develop this rail link, which would reduce logistic costs and dependence on a small stretch of troubled route.

Concerted efforts are required to identify and cultivate new customer segments, particularly, for both gypsum and dolomite. Market expansion is critical in the face plateauing business outlook. Strengthening collaboration with communities, local authorities, and regulatory bodies will remain essential to minimise disruptions and foster a more stable operational environment.

I would like to express my deepest and most heartfelt gratitude to **His Majesty The King**, for granting me the third term. I pledge my total commitment to contribute to **His Majesty’s** vision for the well-being of the Nation. I call upon my colleagues in SMCL to work hard and contribute to Nation Building. Let us pledge our dedication to serve with highest standard of performance and integrity when we have been given the opportunity.

TASHI DELEK



Kezang Jamtsho
Chief Executive Officer

TABLE OF CONTENTS

THE YEAR UNDER REVIEW	1
COMPANY PROFILE	4
BOARD DIRECTORS	6
MANAGEMENT TEAM	9
DIRECTORS' REPORT	12
CORPORATE GOVERNANCE REPORT	19
INDEPENDENT AUDITORS' REPORT	27

COMPANY PROFILE

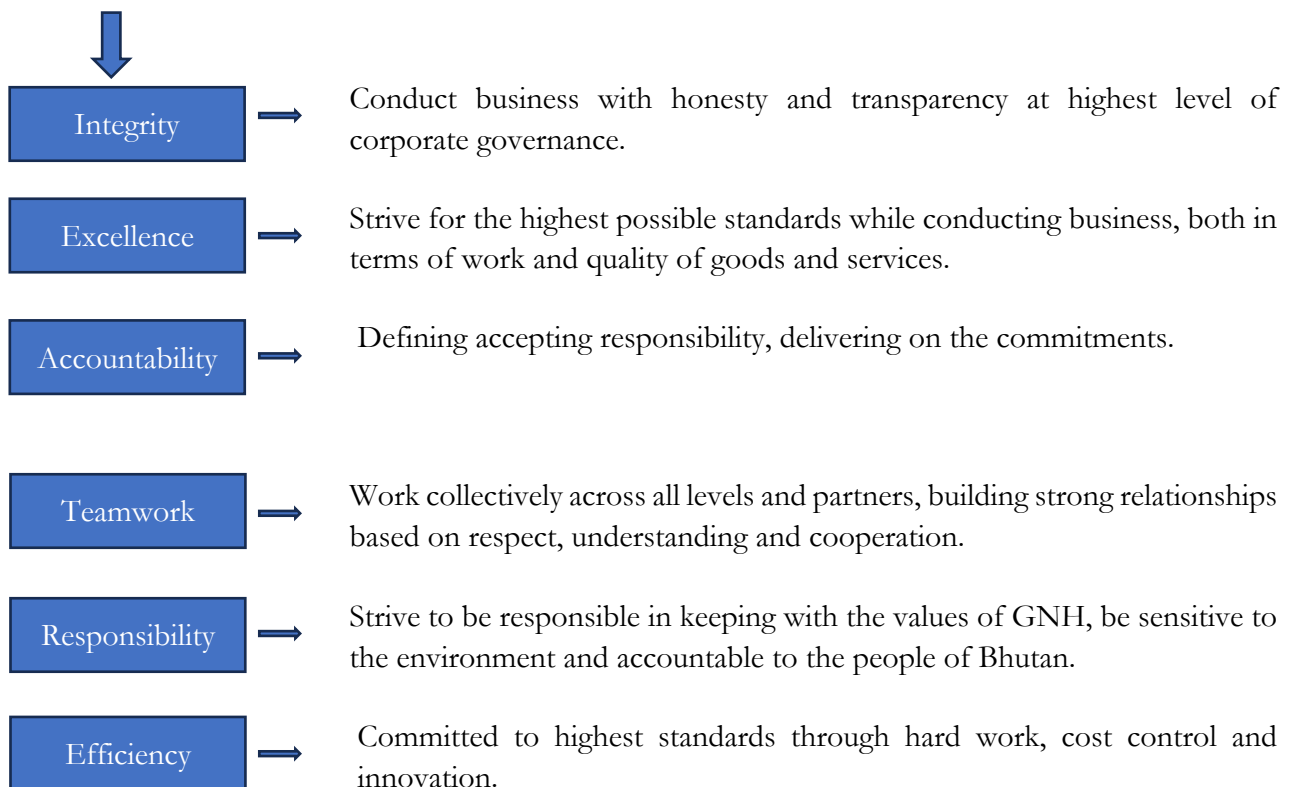
The Royal Government of Bhutan realizing the potentials of mining sector's contribution to the nation's socio-economic development and expand economic opportunities, create jobs, and generate revenue for the country, the State Mining Corporation Limited (SMCL), a state-owned mining company was formed on 31st December 2014 as a 100% Druk Holding and Investment Limited owned Company.

As on 31st December 2024, the Company owned three coal mines, excluding MCM which was closed in May 2024, a gypsum mine, a dolomite and stone quarry. The net value of the Company during the year was Nu. 2.270 billion.

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

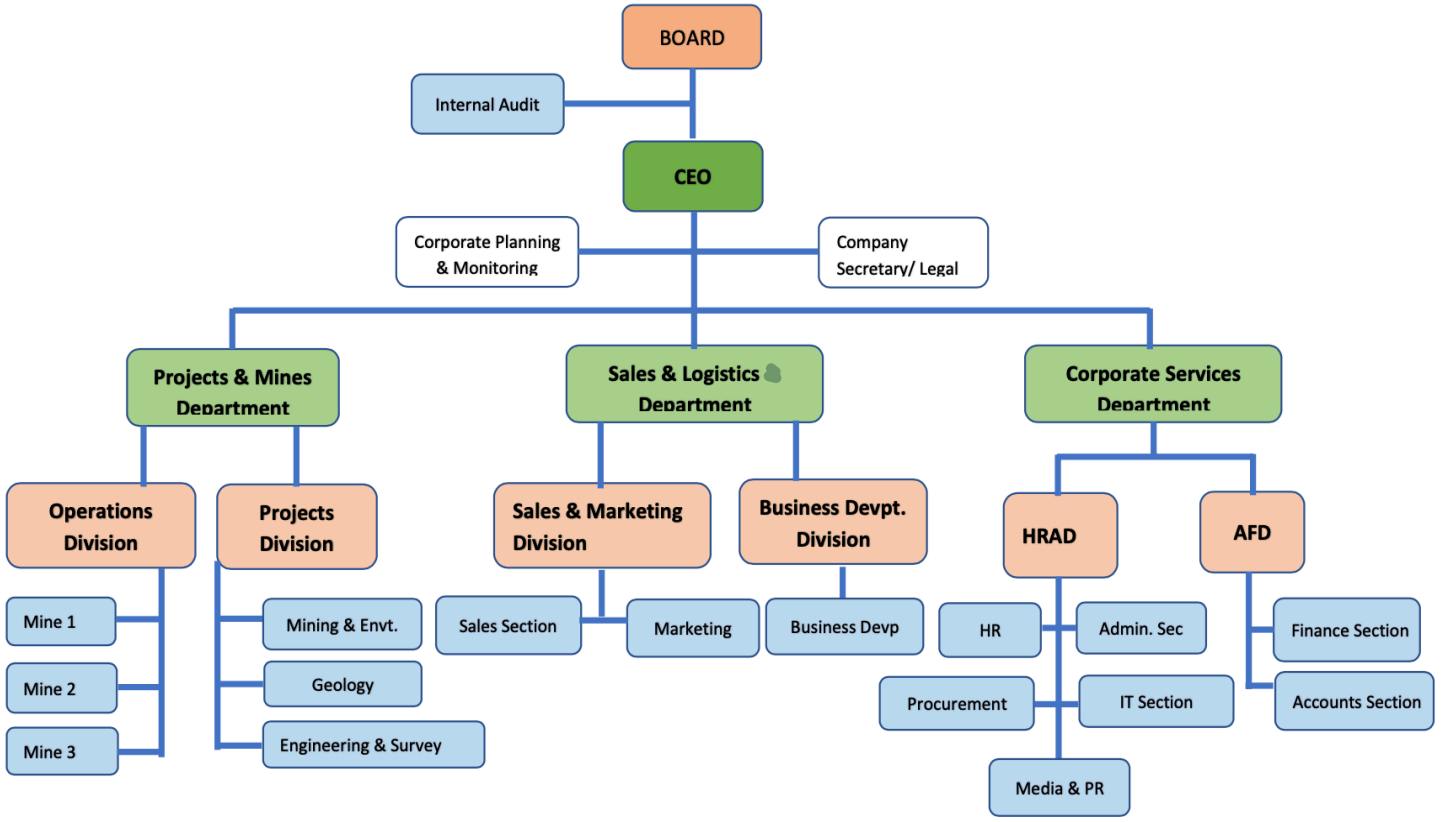
VISION- Be the leading company in sustainable mineral resources management to distribute the national wealth to the people of Bhutan.

VALUES



ORGANOGRAM

SMCL ORGANOGRAM



BOARD OF DIRECTORS, 2024



Dasho Karma Yezer Raydi – Chairman, DHI

Dasho Karma Yezer Raydi currently serves as the Chairman of Druk Holding and Investments (DHI). He holds a Master's degree in Geotechnical Engineering from the Nippon Institute of Technology, Saitama, Japan and a Bachelor's degree in Civil Engineering from the University of Roorkee, India. Dasho brings with him over 27 years of rich leadership experience in service to the Tsa-Wa-Sum. He began his career in 1989 and since then held key positions across various ministries, financial institutions, and authorities. He has also served as an Eminent Member of the National Council and as the Chief Executive Officer of DHI.



Chewang Rinzin- Vice Chancellor, Royal University of Bhutan

He Chewang Rinzin is currently the Vice Chancellor, the Royal University of Bhutan. Prior to this appointment, he served as the Deputy Chamberlain to His Majesty the Fifth King of Bhutan and as the Director of the Royal Institute for Governance and Strategic Studies (RIGSS). He led the team that established RIGSS in 2013, following his appointment by His Majesty the King. Before joining RIGSS, he worked at the Bhutan Standards Bureau (BSB), the National Standards Body of Bhutan, where he was a core member of Bhutan's WTO Negotiating Team from 2005 to 2008, specializing in Technical Barriers to Trade. He holds a B.Tech degree in Electrical and Electronics Engineering from TKM College of Engineering, Kerala University, and a Master's degree in Public Administration from the Lee Kuan Yew School of Public Policy, National University of Singapore.



Geley Norbu- Director General, National Land Commission

He is the Director General at the National Land Commission, Bhutan. He holds a Master's degree in Urban and Regional Planning from the University of Sydney, Australia and a Bachelor's degree in

Architecture from Maulana Azad National Institute of Technology, India. He began his civil service career as an Urban Planner and has served under the Ministry of Works and Human Settlement as well as Thimphu Thromde. He brings extensive experience in urban planning, project implementation, resolution of land and property-related disputes and resettlement programs. He has also contributed as a member of the drafting teams for legislation related to land, municipalities, buildings, planning and by-laws. Additionally, he delivered an online course on behalf of the World Bank to international participants.



Minjur Dorji- Dzongdag, Samtse Dzongkhag

He Minjur Dorji is currently the Dzongda of Samtse Dzongkhag. Prior to this appointment, he was the Dzongda of Chhukha District from 2017 to May 2023, where he was responsible for the overall management of the dzongkhag, including dealing with officials across the border. He holds an M.Sc. in Geo-Information Observation and Earth Science, with a specialization in Watershed Management, Environmental Conservation and River Basin Planning from the International Institute for Geo-Information Science and Earth Observation (ITC), Netherlands. He also holds a Bachelor of Engineering in Civil Engineering from Delhi College of Engineering, India. He began his career as a Project Engineer at UNCDF Project BHU/88/C06, Food Corporation of Bhutan from 1995 to 1998, on a three-year deputation from the Ministry of Agriculture and Forest



Nagtsho Dorji- Director, Department of Culture and Dzongkha Development, MoHA

She completed a Master's degree in the Archaeology of Buildings from the University of York, England and a Bachelor's degree in Architecture from Hindustan College of Engineering, Chennai, India. She began her career at the National Commission for Cultural Affairs as an Assistant Architect in 2002. She has served in various capacities within the Ministry of Home Affairs. Currently, she is serving as the Director of the Department of Culture and Dzongkha Development under the Ministry of Home Affairs, where she is responsible for the protection and promotion of cultural heritage, including Dzongkha, the national language of Bhutan while advocating for the importance of cultural values and practices in the country.



Pem Tshering- Associate Director, DHI

He holds an MBA from the Australian National University, Australia and a Bachelor's degree in Computer Science and Engineering from the National Institute of Technology, Durgapur, India. He began his career as an Associate Analyst at Druk Holding and Investments (DHI) in 2011 under the Corporate Performance Department (CPD). He possesses extensive knowledge in the formulation of corporate strategic plans, organizational development interventions and the monitoring and evaluation of the performance of DHI and its subsidiaries. He is also actively involved in exploring business opportunities and potential investment projects.



Kezang Jamtsho- Chief Executive Officer, SMCL

He is the Chief Executive Officer of State Mining Corporation Limited (SMCL). He holds a Master's degree in Irrigation Engineering and Management from the Asian Institute of Technology, Bangkok, Thailand, and a Bachelor's degree in Civil Engineering from Regional Engineering College, Silchar, India. He has served in various capacities within the Ministry of Agriculture and Forests and completed his tenure as the Commissioner of the Anti-Corruption Commission of Bhutan.

MANAGEMENT TEAM



Kezang Jamtsho- Chief Executive Officer



Sangay Rinzin- Director, Sales & Logistics Department

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



Chhimi Rinzin- General Manager, Corporate Services Department

He holds Master's in Human Resource Management at the Curtin University of Technology, Western Australia in 2006. He started his career as Trainee Officer erstwhile in the 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 completed a Bachelor of Engineering in Mining from Nagpur University, Maharashtra, India, and a Master's in Engineering Science in Mining Industry Management from the University of New South Wales, 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 possesses extensive knowledge and experience in mine planning, scheduling and operational management, as well as in mine restoration, rehabilitation and environmental assessment, management and monitoring.



Karma Chopel- 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 & 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.



Dear Shareholder,

I am pleased to report the Company's performance for the period 1st January 2024 to 31st December 2024.

I am delighted to report that the Company has been able to maintain the two billion profit pace which was set last year, while also achieving a notable increase in the total assets.

1. OPERATIONAL HIGHLIGHTS

i. Gypsum

In FY2024, the Company achieved a record-breaking gypsum production volume of 655,235.81 MT – an increase of 15% compared to the 571,383 MT produced in FY2023.

Despite this achievement, sales performance was adversely affected by severe rainfall in Northeast India and Nepal. The heavy rains led to significant logistical disruptions, including road blockages, which impeded the supply chains of cement plants operating in these regions. Consequently, the sales volume declined to 562,006 MT, reflecting a 7% decrease compared to the previous year. But on the revenue side, Gypsum's contribution increase to 26% of the total revenue, as compared to 25% in 2023.

ii. Coal

In FY2024, the Company operated three coal mines, compared to four in FY2023, following the closure of the Majuwa Coal Mine due to the depletion of its deposits. However, this did not affect overall production, which increased to 166,492 MT, up from 163,022 MT in FY2023.

Despite the increase in production, sales volume declined by 27%, from 143,755.81 MT to 105,263.37 MT. This decrease is primarily attributed to reduced demand from domestic cement manufacturers, as clinker production by both DCCL and PCAL declined significantly compared to FY2023 – by 34% and 4%, respectively. Consequently, its contribution to the total revenue dropped to 12% during the year, from 15% in FY2023.

To enhance sales, the Company explored export opportunities in the Bangladeshi and Indian markets. However, these efforts were unsuccessful due to the availability of high-grade coal from Meghalaya, India, which was offered at comparatively lower prices in these markets.

iii. Dolomite

Dolomite remained the Company's primary revenue driver, with its contribution to total revenue increasing to 63% during the year, up from 58% in FY2023.

Operationally, the Company exercised heightened caution in its production activities due to significant disruptions on the sales front. For approximately two months, the movement of dolomite trucks was restricted in the border town, and Bhutan Flux – a dolomite calcination

plant did not lift the planned quantity of 240,000 MT. As a result, dolomite production was scaled down by 10%, declining to 2.78 million MT from 3.10 million MT in FY2023.

Correspondingly, dolomite sales decreased by 6.28% to 2.56 million MT, compared to 2.73 million MT in the previous year. Consequently, the year-end inventory increased to 634,768 MT, up from 441,178 MT at the beginning of the year.

iv. Stone boulders and aggregates

As the construction of the Khorlochhu Hydro Power Limited (KHPL) project did not commence during the financial year 2024, the Company continued to operate the Dzungthung stone quarry at a limited capacity, aligned solely with local demand. Consequently, the production volumes of boulders and aggregates remained consistent with those of FY2023, at 50,117 MT and 35,677 MT, respectively.

Sales, however, declined to 18,545 MT of aggregates only, from 29,000 MT sold in FY2023, as there were no major construction activities in and around Trashy Yangtse and Trashigang Dzungkhags.

2. FINANCIAL PERFORMANCE HIGHLIGHTS

i. Total asset and net worth

The Company's total asset increased by 9.10%, to Nu. 4,377.67 M and the net worth decreased by a marginal 5.47%, to Nu. 2,270.46 M, in FY2024.

Total assets increased mainly due to Nu. 336.86 M increase in the inventories, and Nu. 178.40 M increase in *property, plant and equipment*.

The decrease in the net worth is on account of Nu. 131.27 M decrease in the retained earnings due to higher dividend payment during the year, as compared to FY2023.

ii. Revenue

The Company's revenue decreased by 9%, to Nu. 5,881.65 million, from Nu. 6,467.79 million in 2023. The decrease is attributed to Nu. 260.33 M impact on 'coal revenue' and Nu. 141 million impact on 'dolomite revenue'.

iii. Expenditure

The total expenditure also decreased significantly, by 15% to Nu. 2,596.24 M from Nu. 3,057.21 M in 2023. The decrease is mainly accounted to the 215.52% increase in the inventory of finished goods, or by Nu.310.99 M. Similarly, as the sales volume for dolomite and coal reduced, '*freight outward*' cost reduced by 19% or Nu. 98.88 M and the '*mining cost*' reduced by more than Nu.64 M.

iv. Profit After Tax

Considering a significant reduction in the total expenditure, the Company maintained the two billion profit mark set in 2023, as it posted a bottom line PAT of Nu. 2.189 B profit in FY2024.

3. TAX, ROYALTIES AND DIVIDEND

In 2024, SMCL paid a corporate income tax of Nu. 1093.01 M. Further, the Company also paid a total of Nu. 387.70 M on account of *Royalty, Mineral Rent, and Surface Rent* and Nu. 325 M on account of *Mining License Fee*.

Hence, SMCL on a standalone basis contributed a total of Nu. 1805.71 M to the national exchequer in FY2024.

Additionally, as per the dividend expectation of DHI, the Board recommended Nu. 2,209 M to be declared as dividend for the year, which is 751.39% of the share capital.

4. CORPORATE GOVERNANCE

The Company always strives to abide by the provisions of Corporate Governance Code (CG Code) and the Ownership Policy issued by DHI, the Companies Act of the Kingdom of Bhutan 2016 and all other statutory requirements. The Company fulfilled all the requirements set in these documents and the Act.

In FY2024, the Company conducted Five Board Meetings, a Mid Term Review Meeting with the shareholder (DHI), an Annual General Meeting and Ten Board Audit Committee meetings. The quorums for each of the meetings were met as set in the guidelines, and the gap between two meeting did not exceed three months.

5. STATUTORY AUDIT REPORT

M/s Menuka Chhetri & Associates, Chartered Accountants based in Thimphu conducted the audit of the Company for FY2024. The audit was carried out in accordance with the auditing standards prescribed by the Accounting and Auditing Standards Board of Bhutan (AASBB), and relevant provisions of the Companies Act.

The auditors' reports do not have any qualification. The auditors concluded that the accounts along with schedules, significant accounting policies, and notes to accounts are in compliance with the requirements of the Bhutanese Accounting Standards and the Companies Act of Bhutan, 2016.

6. BEYOND CSR: SHARING BENEFITS WITH THE COMMUNITIES

As a responsible mining company, SMCL strongly believes in fostering partnerships with the local businesses and individuals in our operations. It is to share the benefits with the local people and to boost their livelihoods. On account of this, the Company partnered with about 1,547 individuals in the communities and contributed Nu. 1,133.70 M as payments. As a result 44% of the total expenditure has gone into to the local economy of the communities where SMCL operates.

The details are provided in the following table:

BEYOND CSR: SHARING BENEFITS WITH THE COMMUNITIES				
Particulars	Details	Amount (Nu. million)	Nos	Remarks
EME & Tippers	EME hired	221.58 M	46	33 nos of excavators, 3 rock breakers and 10 nos of wheel loaders
	Tippers hired	268.65 M	196	196 nos of tippers in the mines and stockyards
	Individual tippers, transportation of minerals from mines/primary stockyard to secondary stockyards and/or consumer	623.95 M	470	i. Gypsum transportation from P/gatshel to S/Jongkhar ii. Coal transportation from Habrang to DCCL iii. Dolomite transportation from stockyard to buyers (Only Bhutanese truckers included)
Construction works	Contract works (labour contract to locals)	6.55 M	-	Awarded to local people
Manpower engaged	Coal Raisers	6.54 M	49	2 coal raiser group each in HCM & TCM, and 3 coal raiser group in RCM
	Operators		46	
	Drivers		666	
	Daily wage workers	6.42 M	74	Recruited and engaged from the local community
Total		1,133.70 M	1,547	

In addition to the benefit sharing activities, the Company also made CSR contributions of Nu. 2.43 million to 'cultural & religious events' and to 'schools & institutions' in the communities.

7. CHALLENGES AND WAY FORWARD

i. Challenges:

SMCL continues to operate in a highly dynamic and often unpredictable environment. Several persistent challenges impact the Company's ability to achieve its full potential:

1. **Operational Disruptions and Strikes:** Repeated local strikes, starting in August 2024, severely affected transportation and sales activities. Night operations, mandated by the District Magistrate of Alipurduar, further strained logistics, resulting in reduced dispatch capacity and operational inefficiencies. Intermittent strike calls—even during adjusted night shifts—caused prolonged downtimes.
2. **Access Constraints to Railway Infrastructure:** Escalation of anti-dolomite protests led to restricted access to the Dalgaon railway siding, compelling the Company to rely on interim night operations. This reactive mode of operation is unsustainable and leaves dolomite exports perpetually vulnerable to disruption.
3. **Declining Domestic Demand:** sale of coal is heavily dependent on domestic cement manufacturers, whose fluctuating clinker production levels significantly impact coal demand. A decline in offtake from DCCL and PCAL contributed to reduced sales volumes.
4. **Overburden Management and Terrain Challenges:** Mining in hilly terrain presents ongoing challenges in overburden (OB) disposal. Limited space for safe storage and the need for structural retention measures such as gabion and RCC walls have led to increased costs and environmental management risks.

ii. Way Forward:

To address these challenges and ensure long-term resilience, SMCL is focused on the following priorities:

1. **Pugli Rail Link Advocacy:** A dedicated rail link to Pugli remains a critical infrastructure need. SMCL will continue to engage with relevant authorities to push for its development, which could significantly improve logistics, reduce reliance on vulnerable routes, and support market expansion.
2. **Market Diversification:** Efforts will be made to identify and cultivate new customer segments, particularly in industries beyond cement. Reducing dependence on a few key buyers will enhance revenue stability.
3. **Operational and Environmental Sustainability:** The Company will continue investing in sustainable overburden management practices and improve operational planning to minimise risks associated with terrain and environmental impact.
4. **Risk Mitigation Through Stakeholder Engagement:** Strengthening collaboration with

communities, local authorities, and regulatory bodies will remain essential to minimise disruptions and foster a more stable operational environment.

8. ACKNOWLEDGEMENTS

I would like to express my deepest and most heartfelt gratitude to **His Majesty The King**, whose visionary leadership, unwavering commitment to the well-being of the nation, and profound wisdom continue to inspire and guide us in all our endeavours. His selfless dedication to the progress and prosperity of the country remains a source of strength and motivation for us all.

We also extend our sincere appreciation to the **Royal Government of Bhutan, Druk Holding and Investments Limited**, and all regulatory bodies, including the **Department of Geology and Mines, Department of Environment and Climate Change, National Land Commission**, along with their subsidiary offices, **Dzongkhags, Gewogs**, and the local communities for their continued cooperation, support, and trust in our operations.

As we reflect on the milestones achieved over the past years, we reaffirm our commitment to strive for excellence, embrace innovation, and rise to new opportunities and challenges in our pursuit of sustainable growth and national development. We are equally grateful to our esteemed shareholder for their steadfast confidence and continued support, which drives us to consistently uphold the highest standards of performance and integrity.

On behalf of the Board,



[Dasho Karma Yezer Raydi]
CHAIRMAN, SMCL



i. Board Directors

The Board functions 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. In doing so, it 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 directors.

Table 1: Board Members in 2024

Name of Director	Designation & Address	Description	Date of Appointment/ Reappointment	Remarks
Dasho Karma Yezer Raydi	Chairman, DHI	Chairman	29/03/2024	Non-Independent
Pem Tshering	Associate Director, DHI	Member	29/03/2024	Non-Independent
Kezang Jamtsho	CEO, SMCL	Member	1/07/2016	Non-Independent
Chewang Rinzin	Vice Chancellor, RUB	Member	29/03/2024	Independent
Geley Norbu	Director General, NLC	Member	29/03/2024	Independent
Minjur Dorji	Dzongda, Samtse	Member	29/03/2024	Independent
Nagtsho Dorji	Director, DoCDD, MoHA	Member	29/03/2024	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.
- 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 the 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.
- xi. Develop and maintain sound relations and communications with the shareholders and stakeholders. This may include representing the company interests in meetings with ministries, foreign company representatives and with other organizations within the country.

v. 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 occurred in the board meetings.
- xii. Providing the board with accurate, relevant, timely and complete information.
- xiii. Other responsibilities as designated by the board from time to time.

vi. Board Meetings held in 2024

No. of Board Meeting	Date	Venue
55 th	26/03/2024	DHI Board Room/virtual
56 th	21/05/2024	DHI Board Room/virtual
57 th	25/07/2024	DHI Board Room/virtual
58 th	24/10/2024	DHI Board Room/virtual
59 th	26/12/2024	DHI Board Room/virtual

vii. Board Directors' Attendance in 2024

Name of Board Director	Designation	Attendance
Dasho Karma Yezer Raydi	Chairman, DHI	4/5
Chewang Rinzin	Vice Chancellor, RUB	2/5
Geley Norbu	Director General, NLC	1/5
Minjur Dorji	Dzongda, Samtse	2/4
Nagtsho Dorji	Director, DoCDD, MoHA	4/4
Pem Tshering	Associate Director, DHI	5/5
Kezang Jamtsho	CEO, SMCL	5/5

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. The Board Subcommittees are:

- i. Board Audit 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 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 Audit Committee Meetings held in 2024

No. of Meeting	Date	Venue
40 th	29/02/2024	Virtual
41 st	25/03/2024	Virtual
42 nd	05/04/2024	Virtual
43 rd	17/04/2024	Virtual
44 th	28/06/2024	Virtual
45 th	08/07/2024	Virtual
46 th	22/07/2024	Virtual
47 th	27/09/2024	Virtual
48 th	10/10/2024	Virtual
49 th	21/10/2024	Virtual
50 th	28/11/2024	Virtual
51 st	21/12/2024	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 assesses the policies and 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 the 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 Chairman appointed by the Board.

C. ANNUAL GENERAL MEETING

The 10th Annual General Meeting of SMCL was held at DHI Board Room/Virtual on Monday, March 31, 2025, @9.30 am (BST). The meeting was attended by the shareholder represented by the members of the DHI Board, the SMCL Board, the SMCL Management team and representatives from CPD, DHI. The meeting discussed on the following agenda:

- a) Consideration of audited accounts for the financial year ended December 31, 2024, auditor's report and directors' report
- b) Declaration of Dividend
- c) Appointment and Retirement of Directors
- d) Remuneration of the Chief Executive Officer and Directors
- e) Appointment of Auditors and
- f) Review and Assessment of Annual Compact 2024

D. BOARD REMUNERATION

i. Board Directors' Remuneration

Based on the remuneration fixed by DHI, the Company paid total of Nu. 443,520 during 2024 for five Board Committee meetings and twelve Board Subcommittee Meetings.

Particulars	Sitting Fees (2024)	Sitting Fees (2023)
Board Sitting fees	2,36,000.00	1,92,000.00
Sub-committee sitting fees	2,59,440.00	1,72,000.00
Total	4,95,440.00	3,64,000.00

ii. Remuneration of CEO

The CEO's remuneration for the 2024 has been presented in the table below:

Particulars	FY 2024	FY 2023
Basic Pay	1,536,732.00	1,398,515.00
Allowances	1,659,132.00	1,529,325.00
PVBA and Bonus	678,864.30	546,250.00
GPF Contribution (Employer)	230,508.00	210,767.00
Travelling expense of CEO	149,250.00	207,880.00
Sitting fees	56,000.00	60,000.00
Leave Encashment	102,677.80	257,426.00
Leave Travel Concession	15,000.00	15,000.00
Total	4,428,164.10	4,225,163.00

E. RISK MANAGEMENT

In alignment with the DHI Risk Management Framework, potential risks are identified and documented at the beginning of each year, along with appropriate mitigation strategies. Risks are classified into five primary categories: Strategic, Financial, Operational, Compliance and Control.

Following the revised Risk Management Framework by DHI in September 2023, SMCL reconstituted its Risk Management Committee and conducted risk awareness programs across all cost centers with the risk focal. These programs, conducted in coordination with the respective site risk management teams, facilitated the review of existing risks and the identification of new and emerging risks.

As a mining company, SMCL operates in a complex environment characterized by dynamic market conditions, challenging terrain and proximity to settlements and protected areas. Mineral extraction is undertaken using open-cast methods, involving heavy earth-moving equipment and explosives. Recognizing the potential risks to surrounding communities, the Company conducted detailed technical assessments and revised its explosives and blasting techniques to minimize impact on nearby structures and the environment.

Operational risks remain significant, particularly due to the challenging topography of mine sites. overburden disposal in narrow and steep areas poses environmental and safety concerns. To mitigate these, the Company has implemented site-specific overburden management plans, including the construction of gabion and RCC walls, while also exploring more sustainable and cost-effective disposal practices.

In response to the elevated risks associated with mining operations, SMCL has established SOPs and checklists for all critical activities. Daily toolbox meetings are conducted across all sites to enhance operational awareness and promote a culture of safety.

Occupational Health and Safety is a top priority. Workers are exposed to risks arising from steep terrain, narrow working zones and continuous use of heavy machinery. As a strategy to mitigate mishaps, the Company instituted mandatory, random and pre-employment drug tests following the SOP for Drug Abuse Test approved by the Bhutan Food and Drug Authority.

During the reporting year, SMCL faced significant external disruptions, including transport delays due to local strikes and night-only operations mandated in West Bengal. Access to the Dalgaon railway siding was also restricted by anti-dolomite protests, affecting dolomite exports. To address these issues, SMCL is actively pursuing the development of a dedicated rail link to Pugli.

The Company needs to keep pace with the changing technologies and the volatile business environment to remain competitive. 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.

Going forward, SMCL remains committed to enhancing its risk management practices through proactive stakeholder engagement, strategic infrastructure development and continuous operational improvement. The Company's approach is geared toward building long-term resilience, ensuring regulatory compliance and fostering a safe and sustainable working environment.

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.



INDEPENDENT AUDITORS' REPORT, 2024