ESNAD إسناد
الشركة السعودية لخدمات التعدين
SAUDI MINING SERVICES CO.

Financial Guarantees

For Exploitation Licenses

2025/02/20

Leading the Transformation of the Mining Sector

The Saudi Mining Services Company (ESNAD) was established in 2020 as an arm of the Ministry of Industry and Mineral Resources to develop the mining sector by deploying innovative solutions, strengthening relationships with investors, facilitating licensing requirements, and committing to the highest standards of governance and compliance to protect the environment and manage risks. The company provides services that enhance the investment environment and promote sustainable use, with the aim of increasing GDP (Gross Domestic Product) and growing the mining sector to become a strong pillar of the national economy.

> Mining Services:

- Inspection
- Licenses
- Financial Compliance
- Sustainability
- Digital Services

Types of Licenses

The Ministry has classified licenses into three types:

Reconnaissance licenses

Exploration licenses

Exploitation licenses

< Types of Exploitation Licenses:

1 > **Mining License**
Minerals Class A and B

2 > **Small Mine License**
Minerals Class B

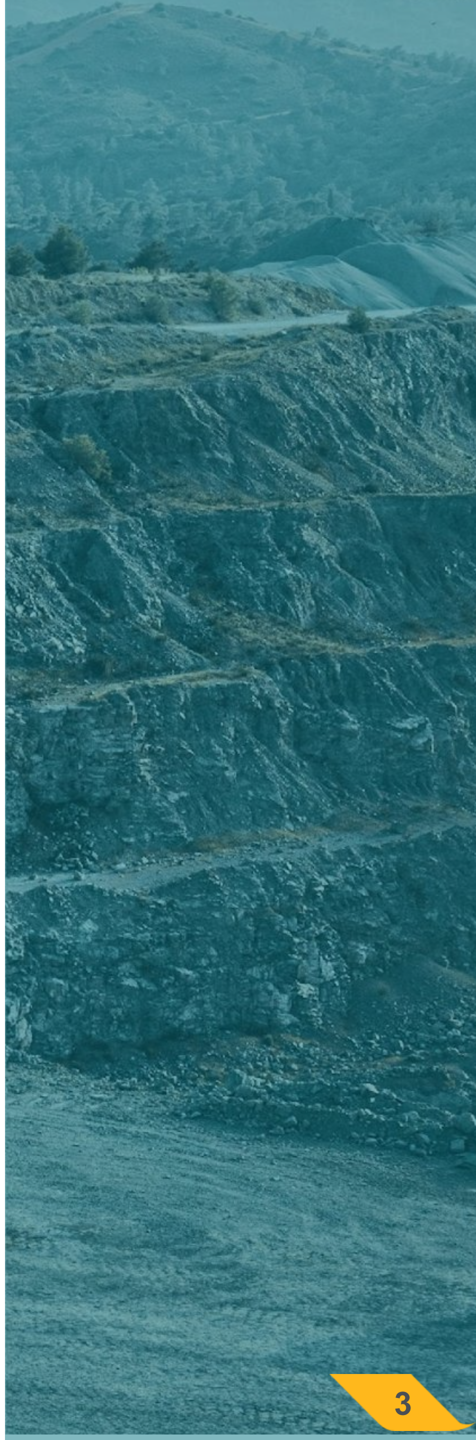
3> **Building Materials Quarry License**
Minerals Class C

< Categories of Mineral Resources:

A Metallic minerals, gemstones, and ores that require advanced processing, such as gold and phosphate.

B Non-metallic minerals – industrial minerals and raw materials used as industrial inputs, such as gypsum and feldspar.

C Materials abundantly available in nature and used as raw materials for construction purposes, such as aggregate, sand, and gravel.



Financial Guarantee for Exploitation Licenses

A financial guarantee (final guarantee) is provided to ensure one party fulfills an obligation agreed upon by the other party. The financial guarantee is submitted to the Ministry as assurance from the license applicant to comply with site rehabilitation and closure requirements.

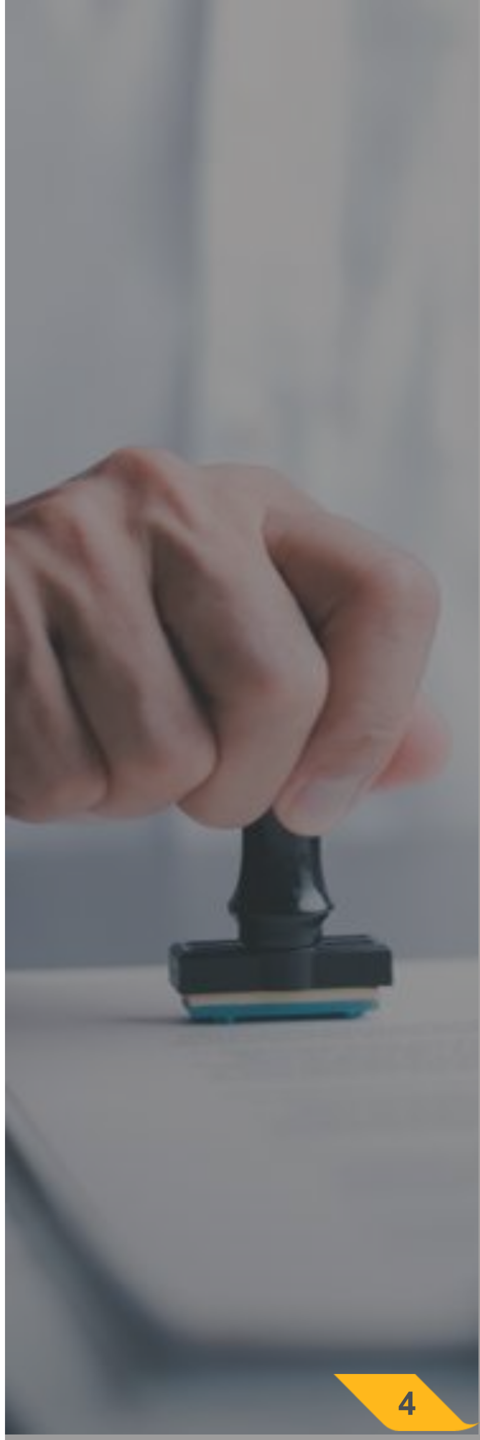
> Conditions of the Financial Guarantee:

1. The financial guarantee letter must be addressed to the Ministry of Industry and Mineral Resources.
2. The value of the bank guarantee must be based on the rehabilitation and closure plan approved by the technical administration.
3. All required information must be stated accurately, including the name of the applicant company, the bank guarantee number, the name of the issuing bank, the issuing bank’s stamp, and the issuance and expiry dates of the bank guarantee.
4. For building materials quarry licenses, the guarantee must be valid and cover the license period to be issued, with an additional 18 months calculated from the license expiry date.
5. For mining and small mine licenses, the guarantee must be valid and cover the license period to be issued, with an additional 180 days calculated from the license expiry date.

> Types of Financial Guarantees:

1 > **Bank guarantee**
For all companies

2 > **Promissory note (commercial guarantee)**
For companies listed on the Saudi Main Market (Tadawul – TASI)



Bank Guarantee

> Bank Guarantees Submitted to the Ministry

Electronic Guarantees

These are guarantees that do not require physical submission to the Ministry, facilitating updates and release of the guarantee. They include guarantees issued by the following banks:

- Albilad
- Alrajhi
- SNB
- Alinma
- Gulf Bank
- SAB
- Banque Saudi Fransi
- Riyad Bank
- Bank Aljazira
- ANB

Paper Guarantees

These are guarantees for which the investor must submit the original paper guarantee to the Ministry. They include all guarantees issued by any banks operating in Saudi Arabia, except for guarantees issued by the banks listed above.

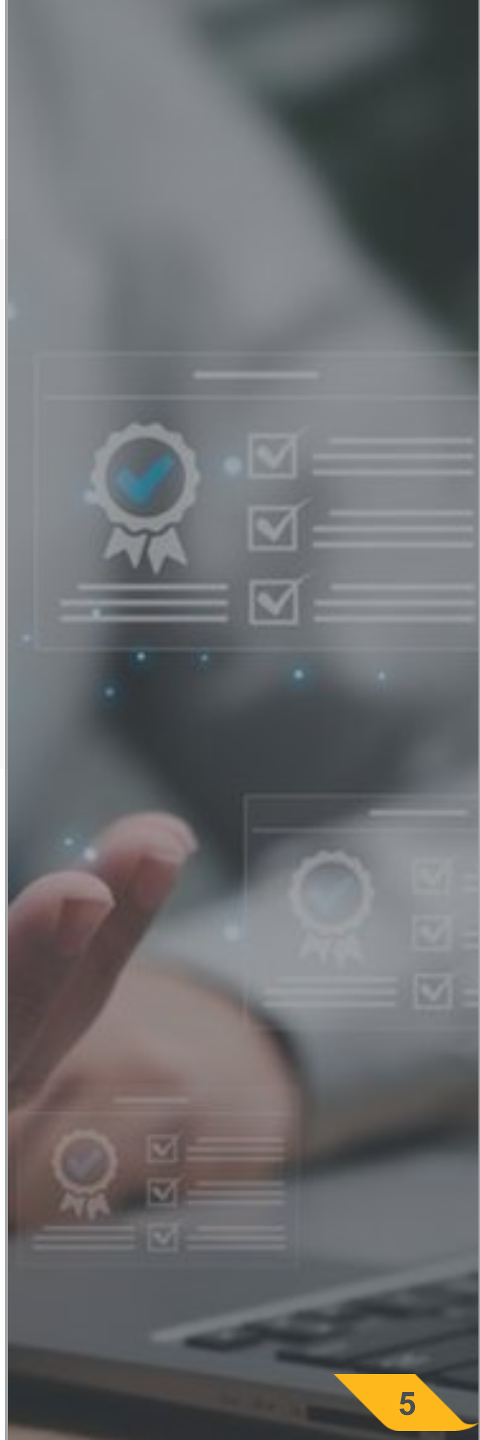
> Payment of the Guarantee Amount

Full Guarantee

Payment of the full guarantee amount.

Partial Guarantee

Payment of the guarantee amount in installments based on the number of years of the license.



Conditions and Obligations for Payment of the Bank Guarantee Amount

> Conditions for Partial Payment of the Bank Guarantee:

1 The application must be for a new license issuance and does not apply to renewal, transfer, or coordinate amendment requests.

2 The submitted partial bank guarantee amount must not be less than 10% of the estimated rehabilitation and closure cost, or the equivalent of the first three years of the mining plan—whichever is higher—**for mining and small mine licenses.**

3 **For building materials quarry licenses**, the submitted partial bank guarantee must **cover at least 30%** of the actual guarantee amount if the requested license period is **5 years** or more, with a commitment to increase the guarantee amount **annually** until it is fully paid.

> Obligations Related to Partial Payment of the Bank Guarantee

- **Mining Licenses and Small Mine Licenses:**

Undertaking Letter to Increase the Bank Guarantee Amount

A commitment to reach the full guarantee amount at least three years before the license expiry. The letter must be signed and stamped by the company's chairman and include the unified entity number and the commercial registration number and must be attested by the Chamber of Commerce.

Undertaking Letter to Extend the Bank Guarantee

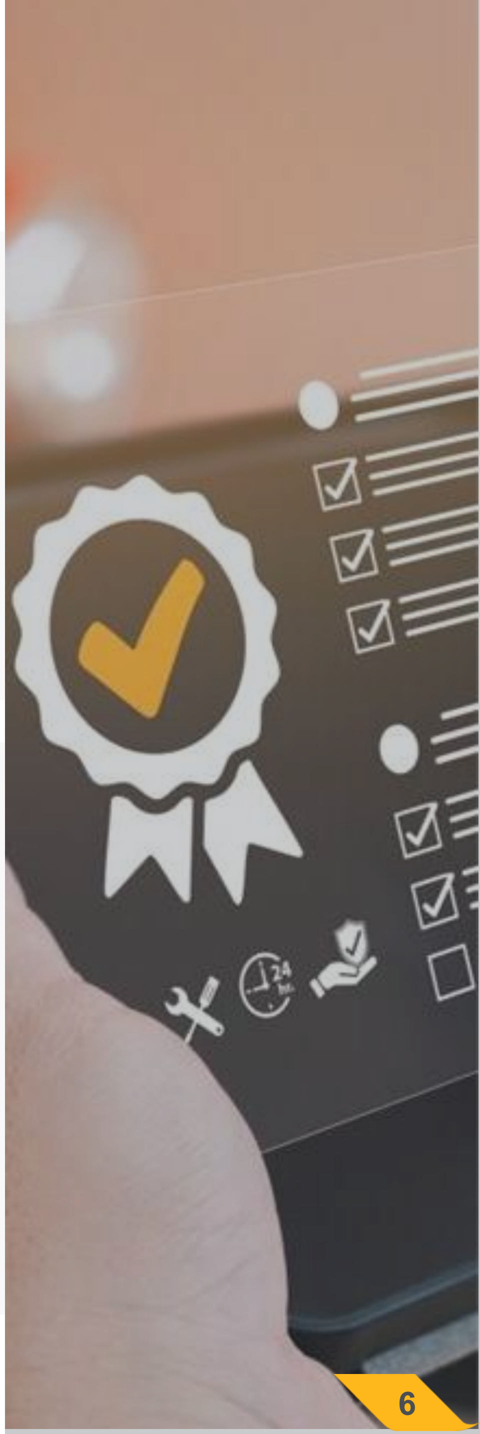
A company commitment to extend the validity period of the financial guarantee every five years.

- **Building Materials Quarry Licenses**

Undertaking Letter to Increase the Bank Guarantee Amount

The submitted partial bank guarantee must cover at least 30% of the actual guarantee amount if the requested license period is 5 years or more, with a commitment to increase the guarantee amount annually until it is fully paid.

The licensee is obligated to increase the partial guarantee amount annually in accordance with the value and duration specified in the undertaking letters.



Example of Calculating the Financial Guarantee Amount For Mining and Small Mine Licenses

Calculation of the Promissory Note Amount

Example:

Rehabilitation and closure cost	10,000,000
Increase percentage	20%
Increase amount	2,000,000
Total amount	12,000,000

Calculation of the Partial Guarantee Amount

Example:

Rehabilitation and closure cost	10,000,000
-	-
Total financial guarantee amount	10,000,000
Number of license years	30 years
Annual amount	333,333
10% of the closure cost	1,000,000
Value of the first 3 years	3,000,000
Partial financial guarantee amount	3,000,000

Calculation of the Due Date for the Partial Guarantee

> **The first installment of the partial guarantee is calculated one year after the license issuance date.**

For example, if the license is issued on 01/01/2024:

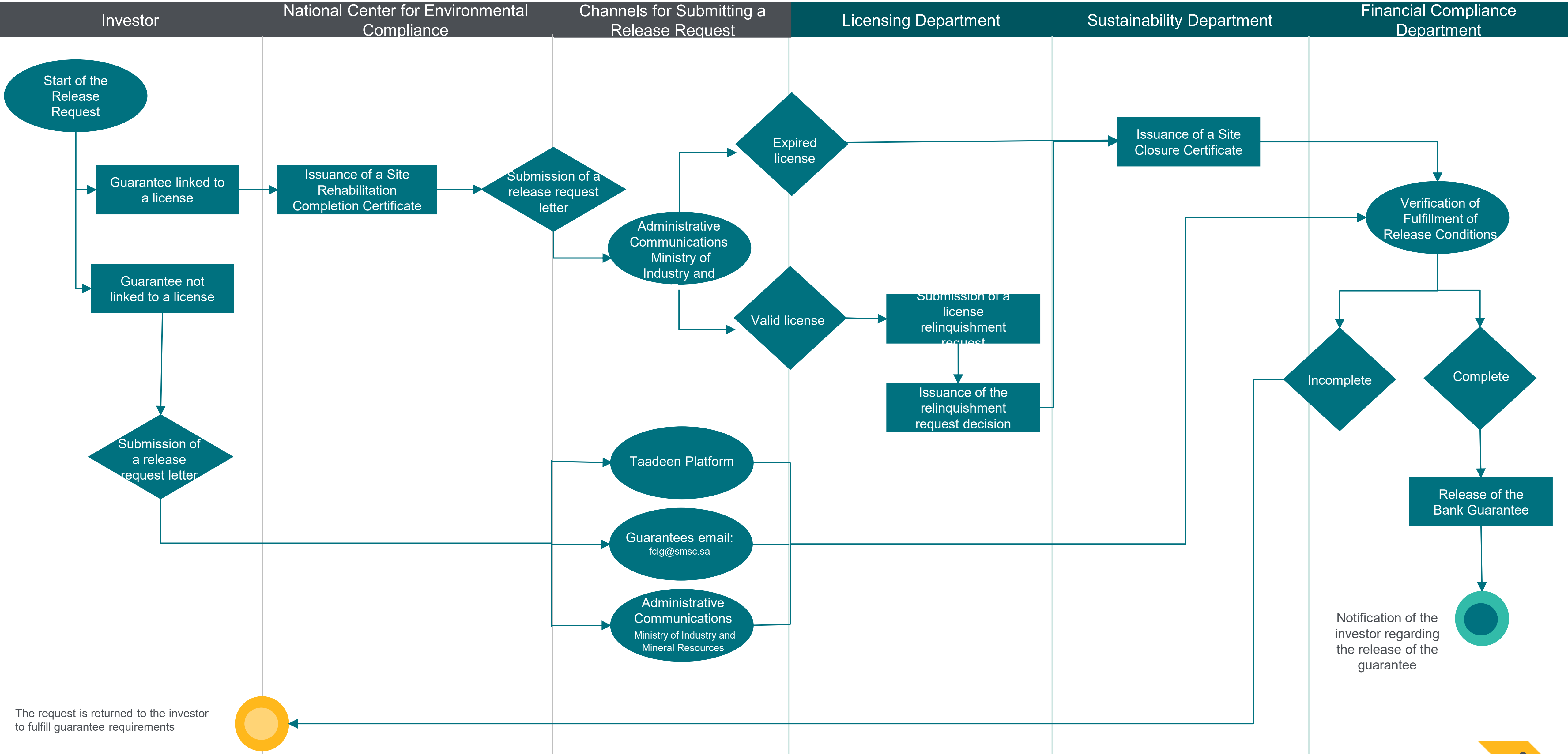
First installment: 01/01/2025, Second installment: 01/01/2026, and Third installment: 01/01/2027

****Important Note: The annual increase of the partial bank guarantee is applied to the same original issued guarantee, and no new guarantee is issued.**

> **Penalties for Delay in submitting the Partial Guarantee:**

- First penalty: 30-day warning
- Second penalty: Violation notice (30 days). If the violation is not corrected within the notice period, a fine of SAR 2,500 is imposed.
- Third penalty: SAR 2,500 for every additional 30 days of delay from the date of the violation fine.
- After 180 days from the due date, the licensee is referred to the Committee for Reviewing Violations and Determining Penalties (which may result in license cancellation).

Mechanism for Releasing the Bank Guarantee



* Guarantees not linked to a license, such as: license transferred, replacement guarantee submitted, or license issuance request canceled or rejected.

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Bank Albilad Initiative to Support Bank Guarantees

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Bank Guarantee Support Program

In line with the partnership strategy and the sustainability of the mining sector, the Saudi Mining Services Company (ESNAD) launched an initiative to empower small and medium enterprises to invest in the sector by partnering with financing entities to provide credit facilities that enable enterprises to issue bank guarantees.

> Target Group: Small and start-up enterprises.

> **Program Features:**

- Easy and fast procedures for issuing a bank guarantee on the same day.
- Bank guarantee issuance fees are 2.25% of the guarantee value.
- Issuance of the bank guarantee with a low cash cover of 20% of the guarantee value, paid once only, with no need to increase the cash cover amount.
- Support for the liquidity of small and start-up enterprises to encourage entry into the mining sector.

> **Program Requirements:**

- Commercial registration (main and branch, if any).
- Copy of the cost study submitted to the Ministry of Industry and Mineral Resources.
- Copy of the company's articles of incorporation.
- National identification cards of the owners.
- Letter addressed to Bank Al Bilad stating the client's request to obtain a bank guarantee.
- National Address of the enterprise.
- Bank statement for the last six months.
- Copy of the current license, if available.
- Printed SIMAH credit inquiry authorizations.

Program Link: ikGTSMailgroup@Bankalbilad.com

Email: Rnasseralghfaili@bankalbilad.com

Contact number1: 8001237777

Contact number2: 054 545 4159

Example: Amount Payable by the Client to Issue a Mining License

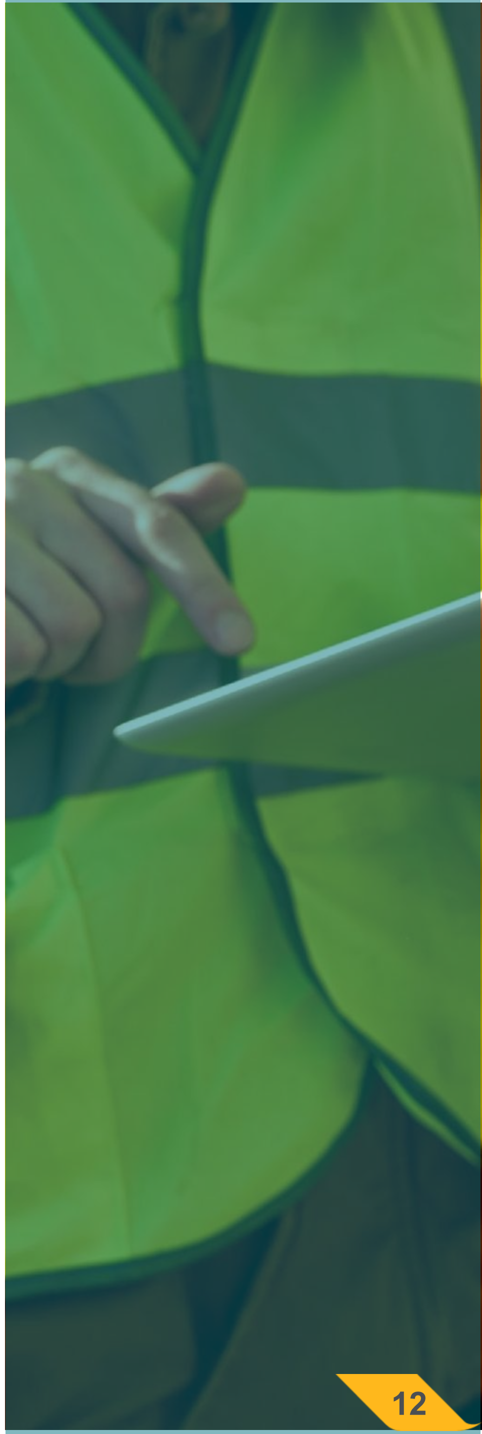
The amount depends on the guarantee value, based on:

Financial guarantee duration	5 years
Guarantee value	500,000

Cash cover 20% = 100,000 of the guarantee value

Rate 2.25% of the guarantee value = 11,250 per year, paid once, totaling 56,250

The client must deposit 156,250, provided that the cash cover amount of 100,000 will be refunded to the client upon completion of the guarantee period.



THANK YOU

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Reference 1

Undertaking to Increase the Financial Guarantee Value Annually

Date:

To: Ministry of Industry and Mineral Resources

With reference to the above subject, we ,

hereby submit to you holding Unified National Number and the national ID number of the owner regarding the bank guarantee No. issued by (Bank Name) dated / / 2023 and valid until / / with a value of Saudi Riyals

in words: SAR representing % of the total guarantee value, amounting to Saudi Riyals (in words: SAR). Accordingly, we undertake to allocate the remaining amount of ( ) SAR, representing ( )% of the guarantee value,

to be paid annually in accordance with the following Rehabilitation and Closure Program Plan:

Fiscal Year	Amount	Date
First fiscal year from the date of license issuance		2025
Second fiscal year from the date of license issuance		2026
Third fiscal year from the date of license issuance		2027
Forth fiscal year from the date of license issuance		2028
Fifth fiscal year from the date of license issuance		2029
Sixth fiscal year from the date of license issuance		2030
Seventh fiscal year from the date of license issuance		2031

Accordingly, the total required value of the bank guarantee shall be reached in accordance with the regulations three years prior to the license expiry. Therefore, the Ministry has the right to suspend the license in the event of a delay in increasing the value for a period exceeding one month. Furthermore, a commitment is made to extend the financial guarantee six months prior to its expiry. In the event of non-compliance within the specified timeframe, the Ministry shall have the right to claim the guarantee in favor of the Ministry's account, with the obligation to carry out rehabilitation and closure of the license site, in accordance with the applicable procedures and regulations.

Please accept our sincere regards and appreciation.

Reference 2

<u>**Undertaking to Extend the Validity Period of the Financial Guarantee**</u>

Date:

To: Ministry of Industry and Mineral Resources

Greetings,
With reference to the above subject, we ,

holding Unified National Number and the national ID number of the owner , hereby submit the bank guarantee No , issued by on / / 20 and valid until / / , with a value of Saudi riyals

in words: SAR, which is due under the Rehabilitation and Closure Program.

We hereby undertake and commit to the following

1. Maintain the validity of the financial guarantee throughout the license period.
2. Extend the validity of the financial guarantee for the next due period at least six (6) months before the expiry of the current guarantee.
3. If the financial guarantee is not extended to cover the entire license period, the Ministry shall have the right to claim the guarantee in favor of the Ministry's account, while the company remains obligated to complete the rehabilitation and closure of the licensed site.
4. Bear all financial consequences and compensation arising from non-compliance with rehabilitation and closure procedures.

Please accept our sincere regards and appreciation.

<u>**Chief Executive Officer**</u>

Company Seal