



EXPLORATION ENABLEMENT PROGRAM (EEP) - FAQs

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Questions & Answers

Capitalized terms used in this document and not defined herein shall have the same meaning prescribed to them in the EEP documents available at Taadeen platform

Q1. How are applications treated where the license is held by Company A, but Company B operates all exploration activities under a Joint Venture and is responsible for submitting an EEP application?

The Joint Venture may apply for the EEP in its own capacity. Such an application will not impact on either Company A or Company B's ability to apply for an EEP grant for any licenses they hold individually. That is to say, the Joint Venture license will not count as an individual license of either Company A or B, who will be regarded as having not submitted an application in their own right and will retain all rights under the total number of EEP grants any one company may apply for.

Q2. What is the percentage of expenses that will be reimbursed for number of licenses from 6 to 15 and whether proof is required for these expenses

The first five licenses will be eligible for technical work and talent related expenses with no claw back clause. The next 6 to 15 licenses will only be eligible for technical related expenses (Capped at SAR 4 million) and it comes with a claw back clause i.e., the reimbursement paid to the investor will be repayable to the ministry if the exploration license yields mining production. Yes, proof is required for the expenses incurred for the work program for each license.

Q3. Is it correct that to be eligible for the EEP age of the exploration license should be equal to or less than 5 years of age?

That is correct. Licenses that qualify for the program must have been granted within the last 5 years. The oldest grant date for a qualifying license is 31st May 2019. Any licenses granted before this date will not be eligible under the EEP guidelines.

Q4. If a service is provided in Saudi Arabia by a foreign entity, will that spending be considered as an eligible cost? For example Typhoon, CGI and DIAS costs? Would ARGAS be considered a local cost?

Yes, the EEP recognizes the importance of utilizing specialized expertise, both local and international. If a foreign entity has a registered subsidiary in Saudi Arabia (with a valid CR number), then the expenses incurred for their services within the Kingdom will be considered eligible costs under the program. This ensures that even international firms contribute directly to the local economy under the guidelines of the EEP.

Q5. Will the salary paid to Iqama holders be eligible for the EEP, or will only Saudi nationals' salary will be eligible?

There are two types of salary expenses which are considered in the Exploration Enablement Program. The first is salary for highly skilled talent and second is for labor. Salaries paid to Iqama holders will be eligible under the EEP against the salary for highly skilled talent. However, under the second category, for labor, only salaries paid to Saudi nationals will be eligible, not salaries paid to Iqama holder. It may be noted that talent related expenses will be reimbursed only for the first five licenses. The next 6 to 15 licenses will only be eligible for drilling related expenses (Capped at SAR 4 million) and it comes with a claw back clause.

Q6. Do we have to provide technical information and data of exploration activities completed under the EEP, and if yes, do the mining regulations apply, whereby information will not be published until after the expiration of the Exploration License?

Yes. Applicants are required to submit a work program and budget with their application for EEP funding. All data and information generated under the agreed EEP work program must be submitted with appropriate receipts of eligible exploration expenditure for reimbursement as per the terms of the EEP Funding Agreement. The aim of the EEP is to support exploration investment in green field targets, using innovative technologies where applicable. A cornerstone of EEP funding initiative is to generate increased and shared knowledge of the entire mineral estate of the Kingdom, which requires an open platform of data sharing. As such, exploration data publicly funded under the EEP will be regarded as public information.

Q7. If the exploration program confirms that there is potential to define a mineral resource, and the exploring company can move ahead to advanced stages during the program period, will the expenses be recovered from the remaining period.

The objective of the EEP is to de-risk the investment for exploration in the Kingdom by reimbursing a fixed amount of the exploration expenditure and sharing the data (technical and geological) with National Geological Database (NGD). If the program yields potential to move ahead to advanced stages, a decision on the expenses from the remaining period will be made by the National Incentive Committee (NIC) team.

Q8. Once it is confirmed that there is potential for the delineation of a mineral resource and a company decides to move to the advance exploration stages such as resource definition drilling and feasibility studies, is it necessary to disclose the information at the advanced stage? As disclosing the information may adversely impact a listed company.

Yes. Technical and geological data generated from exploration, for which the expenses are reimbursed under the EEP, will have to be disclosed.

Q9. The program states that only the first five exploration licenses are eligible for talent/labor expenses. During the program can a company change the five licenses periodically from a total of 15 licenses according to need or it must continue with the five that were specified at the beginning.

No, the company cannot change the licenses periodically. The license once selected under the program cannot be rotated. The company must continue with the five licenses that were specified at the beginning as reimbursement will be provided for the expenditure incurred for the work program specified for each license.

Q10. The funding is capped at 25% of the eligible costs, i.e., 4 million (corresponding to expenditure of SAR 16 million). However, if a company spends more than SAR 16 million, will the support increase? If no, is the company obligated to provide information?

The EEP's reimbursement is structured to encourage efficient exploration. While the standard reimbursement is capped at 25% up to 4 million SAR, the National Incentives Committee (NIC) has the discretion to review requests for additional support on a case-by-case basis if a company's eligible expenses significantly exceed the threshold.

Regardless of the reimbursement amount, companies are obligated to share geological data derived from the funding received. This is a key aspect of the EEP, as it contributes to building a national database of geological knowledge that benefits the entire mining sector.

Q11. Kindly confirm the applications deadline, which is the 31st of May 2024 as indicated in the pdf file on the Taadeen website?

The application deadline has been extended to 30th June 2024 by the Ministry in consideration of the requests received from multiple applicants and the PDF file will be updated accordingly.

Q12. During the EEP, can the company change the five licenses periodically from a total of 15 licenses according to need, or continue with the five that were specified at the beginning?

No. Licenses once selected under the EEP cannot be rotated and the company has to continue with the licenses specified at the beginning. It is advised that the company selects the licenses very carefully as requests to change the preference of licenses will not be entertained later on.

Q13. What is the "claw back" mechanism outlined in the Funding Agreement?

The claw back mechanism applies specifically to technical-related expenses for licenses 6 to 15 under the EEP. While your first five licenses are eligible for reimbursement of both technical and talent-related costs, licenses 6 to 15 are eligible only for technical reimbursement.

The claw back is triggered if the exploration activities under licenses 6 to 15 lead to mine development. In such a scenario, the technical reimbursement received for those specific licenses would need to be repaid. This mechanism ensures that the program's support is effectively targeted at the initial, riskier stages of exploration, aligning with our strategic goal to de-risk the sector.

Q14. Why does the EEP place such a strong emphasis on data collection and publication on the National Geological Database (NGD)?

The purpose of the EEP is to increase geoscientific knowledge in all Saudi Arabia and exploration companies participating in the program are expected to produce shareable geoscientific data and

knowledge. The key outcome of the EEP is the generation of knowledge which is of benefit to third parties.

Data is the foundation of informed decision-making in mineral exploration. The EEP aims to significantly enhance the quality and availability of geological data across Saudi Arabia. By incentivizing the collection and publication of this data on the NGD, the program fosters a collaborative approach to exploration.

This comprehensive database benefits all stakeholders by reducing exploration risks, highlighting high-potential areas, and accelerating the discovery of new mineral resources. Ultimately, this contributes to the growth of the mining sector as a key pillar of the Saudi economy, in line with Vision 2030.

Q15. It has been mentioned under Disclosure of information section in the guideline document that information received from applicants, and communications, will be treated confidentially, subject to the Mining Law, the Implementation Regulations, and any other applicable laws in the Kingdom of Saudi Arabia. However, the following clauses may not in alignment with the mining law, can the ministry please clarify?

1. Clause 14.a Allow to share information with future mining auctions:

The clause is amended to limit the technical and geological information sharing with the NGD portal.

2. Clause 14.b Correspondence with the Ministry of Industry and Mineral Resources and the Ministry of Investment may be disclosed on the Ministry website:

This clause is deleted.

3. Clause 14.c Information requests and answers may be shared with all applicants and/or made public via the Mining Portal:

The clause is amended. Now only the information and queries related to the EEP will be shared where such questions are applicable to all applicants.

4. Clause 14.g All materials and documentation submitted to the Ministry by any applicant in connection with the program shall become the sole property of the Ministry. (It needs more clarification/because if it is owned by the Ministry, this may hinder the company from completing the exploration and benefiting from this information because it is no longer its property.)

The clause is amended. Now, documentation submitted to the Ministry by any applicant will be owned by the Ministry. Furthermore, entire financial and personnel-related information submitted by the investor will be treated as confidential.

Please note that the Guideline document has been amended in line with the clarifications provided above. The amended document will be made available on the Taadeen platform and also shared through email with the investors.

Q16. In a scenario where a company possesses multiple exploration licenses encompassing a sizeable geographical area, is it permissible to submit a single application for the program, or is a separate application for each individual license mandated?

A company holding multiple exploration licenses for a large area requires to submit an application for each license, provided the total number of licenses for which an application is submitted does not exceed the program's 15-license eligibility limit.

Q17: Does a company have the flexibility to choose a work program based on drilling, geophysics, or geochemistry, or is a comprehensive work program encompassing all three are mandatory?

In accordance with program requirements, a company's application must put forward the best and most applicable work program to explore their license. There is no requirement to propose all three elements of exploration activities. All applications will be assessed on the appropriateness of the proposed work program given the knowledge and geology of the area.

Q18: With regards to the reimbursement model associated with an exploration program, what are the consequences for financial compensation if the program fails to yield noteworthy discoveries?

While the EEP is designed to mitigate risk associated with exploration and assist in the accumulation of valuable geological data, the program's reimbursement structure will prevail irrespective of a noteworthy discovery being made, or not. Provided that all established criteria for reimbursement of expenses are met, reimbursements will be made – irrespective of the results of the activity. These criteria typically encompass elements such as audited invoices, technical data submissions, and the exploration data itself.

Q19: Is a company without a current exploration license eligible to apply for the EEP?

Companies without an existing exploration license are currently ineligible to participate in the EEP, even if they have applied for one. However, the Ministry of Industry and Minerals Resources (MIM) offers a swift method for acquiring exploration licenses through public auctions. The upcoming sixth round of auctions will feature nine new exploration sites. Companies securing a license through this process will be eligible to apply for the subsequent iteration of the EEP, whenever it is conducted.

Q20: Regarding companies recently entering the Kingdom, will their financial statements from outside the Kingdom be accepted to gauge their financial capacity?

Yes, companies that have recently established themselves within the Kingdom can submit their offshore financial statements for evaluation of their financial capacity.

Q21: Considering an existing mine, if a company acquires new exploration licenses in the surrounding area, would these licenses be classified as brownfield or greenfield sites?

In scenarios where a proposed exploration area is in a proximity to an existing mine and raises questions regarding its brownfield status, the company should provide evidence to demonstrate that the designated area has not undergone prior significant exploration. This evidence could encompass various forms of data, such as historical land-use records, environmental surveys, or other relevant documentation.

Q22: Could you kindly elaborate on the anticipated timeline for the forthcoming cycle of the EEP?

We anticipate an announcement regarding the subsequent iteration of EEP sometime next year, potentially around the same timeframe. As this is a pilot program, valuable insights learnt from the current round's execution will be leveraged to refine and enhance the subsequent iteration for optimal effectiveness.

Q23: Are audited invoices and technical reports required for company submissions?

Yes, for both the invoices and the technical report, a signature from a duly authorized representative within your organization is mandatory. This requirement ensures that the submitted documents are endorsed by someone with the appropriate authority to validate their accuracy and legitimacy.

Q24: Given the anticipated high demand for the EEP, can you elaborate whether a formal ranking system is in place?

Yes, a ranking mechanism is indeed in place for applicant evaluation. The program utilizes a point system based on the criteria outlined within the application form itself. Each section of the application carries a specific weight, and points are allocated accordingly during the assessment process. This score allocation ultimately determines the ranking of each application against each other. The scoring criteria is provided as Appendix 3 to the EEP Guidelines, and in the Application Form the points each question is worth is noted. Each application will be scored against the assessment criteria resulting in an overall score for each application. How one application's total scores compare to another application's total scores will result in the ranking of applications against each other.

Q25: What is the anticipated timeframe for the disbursement of reimbursed funds under the EEP?

The anticipated timeframe for reimbursement disbursements associated with the current EEP round is projected for late December 2025 or early January 2026. Here's a breakdown of the reimbursement process:

Submission: Companies are expected to submit all relevant invoices and technical data by the end of September 2025.

Verification: A thorough technical and financial verification process will then be conducted, targeted for completion by the end of November 2025.

Reimbursement: Following successful verification, the reimbursement process will commence by late December 2025 or early January 2026.

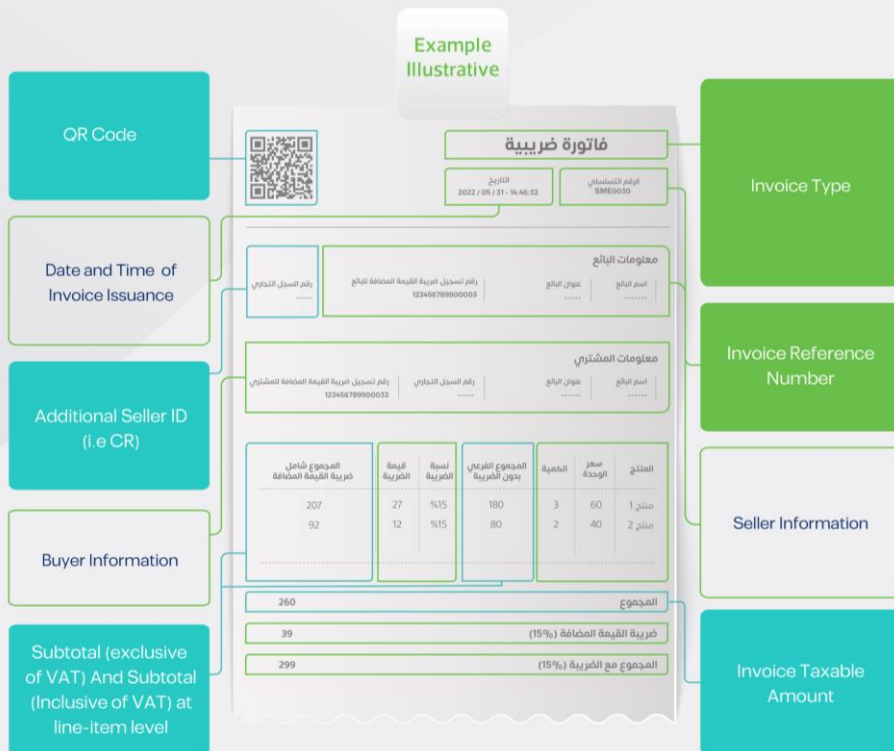
Q25: Is there a specific format for the invoices? If, yes please share the format.

Yes. The invoices submitted for reimbursement of the expenses should be as per the format specified in the ZATCA byelaws (refer Appendix for the invoice format).

Appendix

Tax Invoice Example

Always include all mandatory fields
E-invoice



Additional Phase 2 requirements for Tax Invoices that are usually issued by a Business to Business (B2B)

Additional Phase 1 requirements for Tax Invoices that are usually issued by a Business to Business (B2B)

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