GOLDEN SANDS, SILVER LININGS:

The Importance of Mining in Saudi Arabia and Managing the Risks for Foreign Investors

SICURO GROUP

SAUDI ARABIA

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Contents

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Glossary of Acronyms and Abbreviations

Acronym	Full From	Notes
4IR	Fourth Industrial Centers	
AI	Artificial Intelligence	
Alcoa	Aluminum Company of America	
AMAK	Al Masane Al Kobra Mining Company	
CAGR	Compound Annual Growth Rate	
ESG	Environmental, Social and Governance	
EV	Electric Vehicle	
GAC	Global Assistance Center	Sicuro Group 24/7 Operations Center
GCC	Gulf Cooperation Council	A regional, intergovernmental, political, and economic union comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
GDP	Gross Domestic Product	
GTK	Geological Survey of Finland (Geologian Tutkimuskeskus)	
HQ	Headquarters	
HRDF	Human Resources Development Fund	
IGS	International Geoscience Services Limited	
ISO	International Organization for Standardization	
KAEC	King Abdullah Economic City	
KM	Kilometer	
KSA	Kingdom of Saudi Arabia	
LCGPA	Local Content and Government Procurement Authority	
LIDAR	Light Detection and Ranging	
MEP	Ministry of Economy and Planning	
MGBM	Ma'aden Gold and Base Metals Company	
MIM	Ministry of Industry and Mines	
MISA	Ministry of Investment	
Mt	Metric Ton	
ML	Machine Learning	
NILDP	National Infrastructure and Logistics Development Program	Vision 2030 Program
PIF	Public Investment Fund	KSA's State owned Wealth Fund
RGP	Regional Geological Survey Program	
RHQ	Regional Headquarters Program	
RTC	Road Traffic Collision	
SABIC	Saudi Basic Industries Corporation	

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Acronym	Full From	Notes
SAMA	Saudi Arabia Monetary Authority	
SAR	Saudi Arabian Railway	
SAR	Saudi Riyals	
SGAL	Sander Geophysics Arabia Ltd	
SGS	Saudi Geological Survey	
SIDF	Saudi Industrial Development Fund	
SLIC	Saudi Lime Industries Company	
UAE	United Arab Emirates	
UK	United Kingdom	
UN	United Nations	
USA	United States of America	
USD	US Dollars	
USGS	United States Geological Survey	
VRP	Vision Realization Programs	Vision 2030 Programs
XRF	X-Ray Fluorescence	
yr	Year	

Executive Summary

This white paper explores emergent opportunities in the mining sector in the Kingdom of Saudi Arabia and identifies safety and security risks which should be considered and addressed comprehensively to ensure successful engagement.

Saudi Arabia's mining environment is favorable to foreign mining investors, thanks to government initiatives, legislative reforms, and rich mineral reserves, presenting substantial investment and collaboration opportunities.

However, entry into or expansion within the Kingdom is not without risks for foreign investors. This paper highlights the sector's economic importance, its role in Vision 2030's National Infrastructure and Logistics Development Program (NILDP), current sector leaders, national infrastructure, supporting sectors, as well as challenges and risks for international companies in the sector with recommended approaches to mitigate them.

Key findings - Pros

The opportunities for international extractive sector companies are significant in Saudi Arabia.

The current priority is the Regional[1] Geological Survey Program (RGP) for which the Kingdom seeks international expertise in survey technology, industry best practice, industrial efficiency and environmental, social and governance (ESG).

The new mining legislation and associated licensing is active and dynamic. New licenses are being issued and the process is significantly easier for foreign investors than previously.

Resources for assistance exist and provide facilitation for significant components of investments including visas, licensing, finance, import/export, tax breaks and local employment.

Although regional geopolitical complexities dominate the 24 hour news cycle headlines, business in the Kingdom and the wider Gulf Co-operation Council is operating as usual.

Key Findings – Cons

Navigating bureaucracy, particularly in a relationships-based business environment where the primary business language is Arabic can be challenging.

Ambition can exceed capabilities, particularly as the Kingdom works at pace to deliver on the expansive ambitions of Vision 2030.

Risks exist. Saudi Arabia’s wealth and influence as a regional power as well as historical cultural and religious conservatism can be a challenge for industry leaders with little or no exposure to the Kingdom.

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[1] Note that “Regional” refers to Saudi Arabian Regions in the context of the RGP, not the wider Middle East.

Road travel in the Kingdom can be hazardous due to road conditions in remoter areas and poor driving behavior generally.

Regional geopolitics is complex and can flare into tensions.

How Sicuro Group Saudi Arabia Can Help

Our policy of providing clients with direct access to our executives for advice and guidance, combined with our local presence in the Kingdom and 24/7 support from our Global Assistance Center, enables us to help you comprehend and mitigate risks related to your business. Sicuro Group Saudi Arabia aids in developing suitable and effective ESG, safety, security, and emergency response plans, offers fit-for-purpose technology and communication solutions to greatly improve safe travel, assists with complex procurement and logistics, and facilitates high-level business engagements.

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Introduction

Saudi Arabia's mining strategy emphasizes exploration, licensing efficiency, local development, social benefits, revenue generation, and global competitiveness. By 2030, the Kingdom aims to significantly bolster its mining sector's contribution to the economy, offering incentives like tax-free equipment importation for junior companies, full property ownership, reduced corporate taxes, and no mineral royalties.

The Kingdom is rich in a variety of minerals including gold, silver, copper, zinc, phosphate, and bauxite, along with other industrial minerals that are used in construction and manufacturing. Mining in the Kingdom dates back several thousand years and became industrialized from the early 1930s focused on gold and silver. The sector is regulated through the Ministry of Industry and Minerals (MIM) and dependent on the Saudi Geological Survey, the Kingdom's government organization responsible for conducting surveys and research related to the country's mineral resources which are shown in Figure 1 below. In 2016 the mining strategy incorporated within the NILDP component of Vision 2030 was approved.

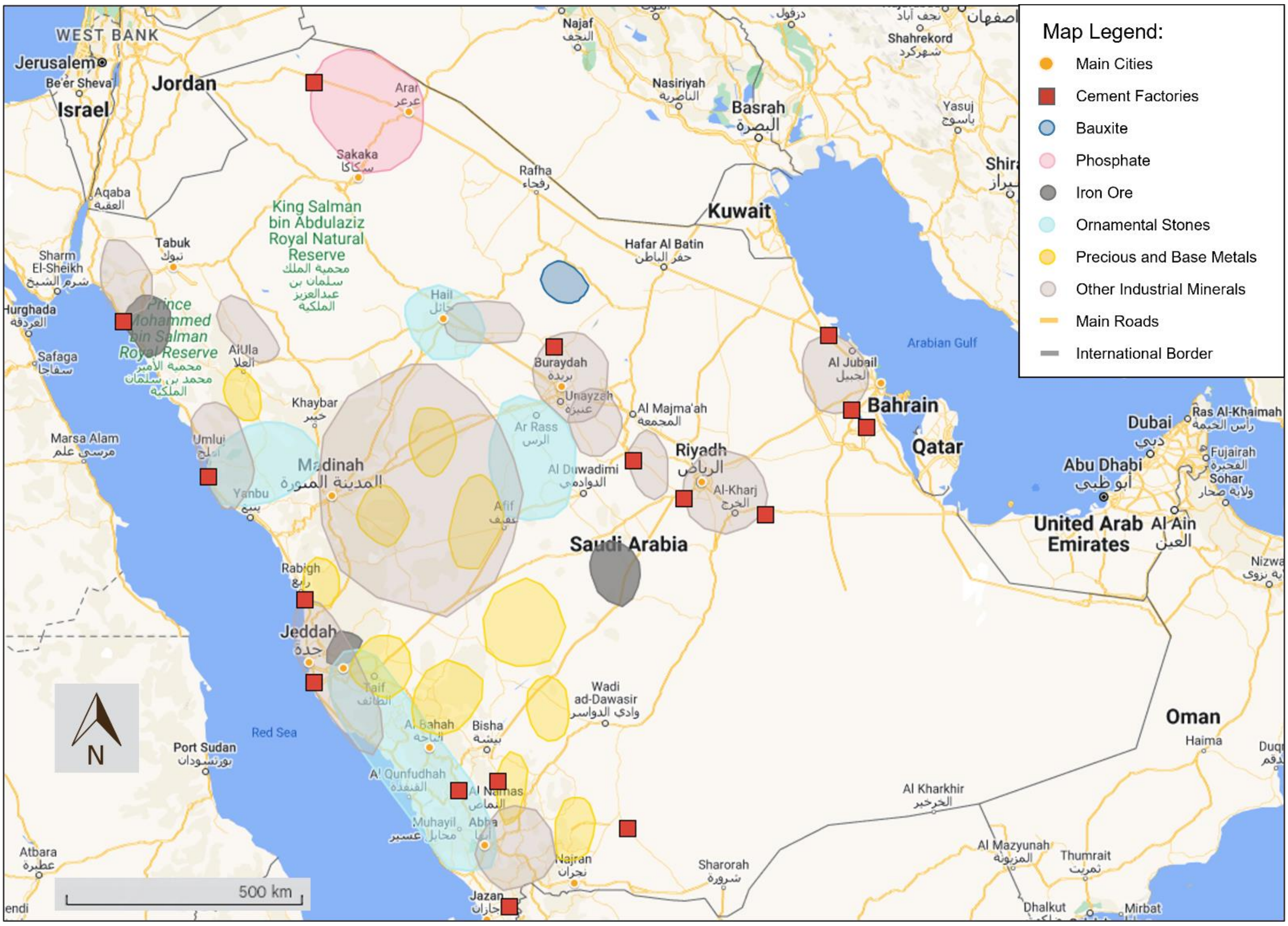

Figure 1: *Saudi National Geological Survey Mineral Occurrences Map[1]*

The Contemporary Saudi Arabian Mining Sector

The minerals and non-energy extractives sector (mining) forms one of four key sectors of Saudi Arabia's NILDP[2] shown in Figure 2 below. This initiative is 1 of the 11 Vision Realization Programs (VRP) that complement the 41 key projects of Vision 2030. The MIM leads the strategy to exploit the mineral rich geology of the Arabian Shield, with an estimated potential $1.3 trillion worth of mineral value. By 2030, the mining sector is planned to contribute circa $64 Bn to the Kingdom's GDP. To do so, the Kingdom has launched one of the most ambitious regional geographical survey programs (RGP) in the world as well as 39 initiatives focused on the regulatory framework, ease of doing business, and environmental sustainability. Incentives include a competitive fiscal regime with low tax and royalty rates and over twenty initiatives established to attract investors from the mining sector.

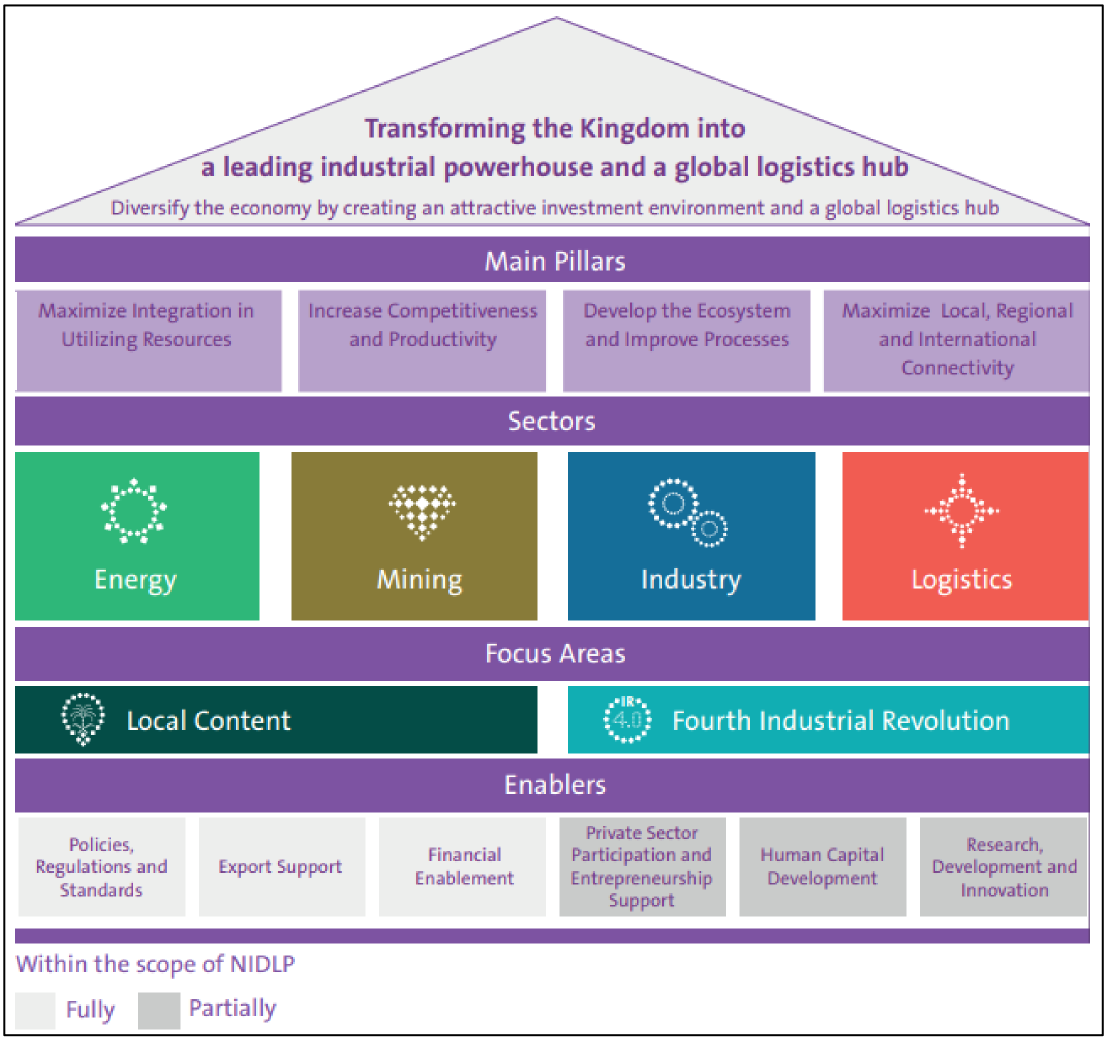

Figure 2: *A visual depiction of the National Infrastructure and Logistics Development Program.*

Although existing mining complexes are widespread throughout the Kingdom reportedly numbering in excess of 377 at the end of 2022 and spanning over 44,000 square kilometers across 13 regions[3] as shown in figures 3 and 4 respectively below, the sector is relatively immature compared to other G20 members. The focus of the RGP is the Arabian Shield feature which is due to be 50% completed in 2025. The MIM has already identified over 48 minerals, listing the following 24 in its Investor Guide[4]:

Aluminum	Lead	Silver	Basalt	Magnesite	Sulphur
Chromium	Magnesium	Tantalum	Copper	Mica	Tin
Feldspar	Niobium	Titanium	Gold	Phosphate	Tungsten
Silica	Zinc	Gypsum	Salt	Uranium	Iron

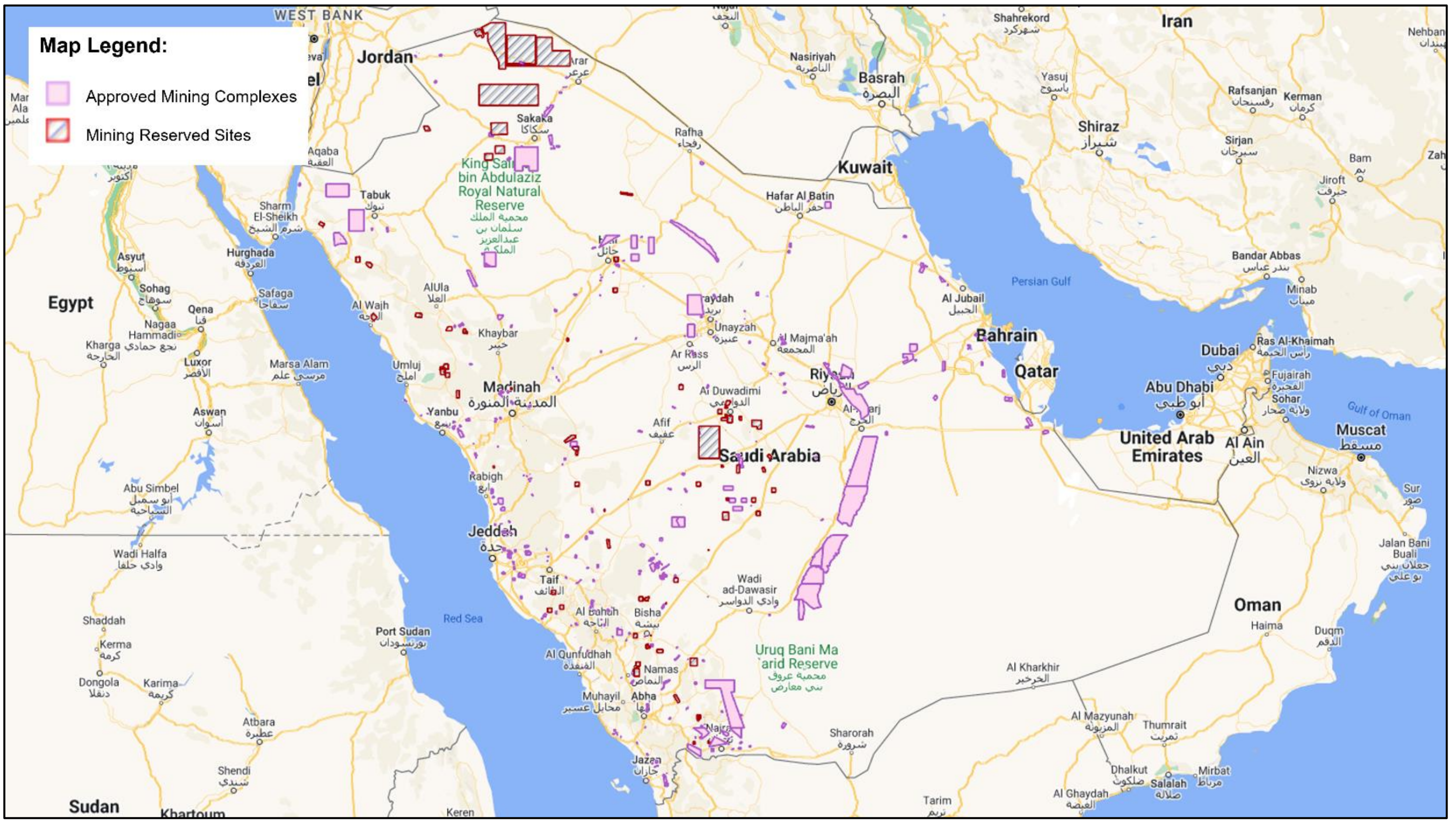

Figure 3: *Existing Mining Sites[5] in Saudi Arabia.*

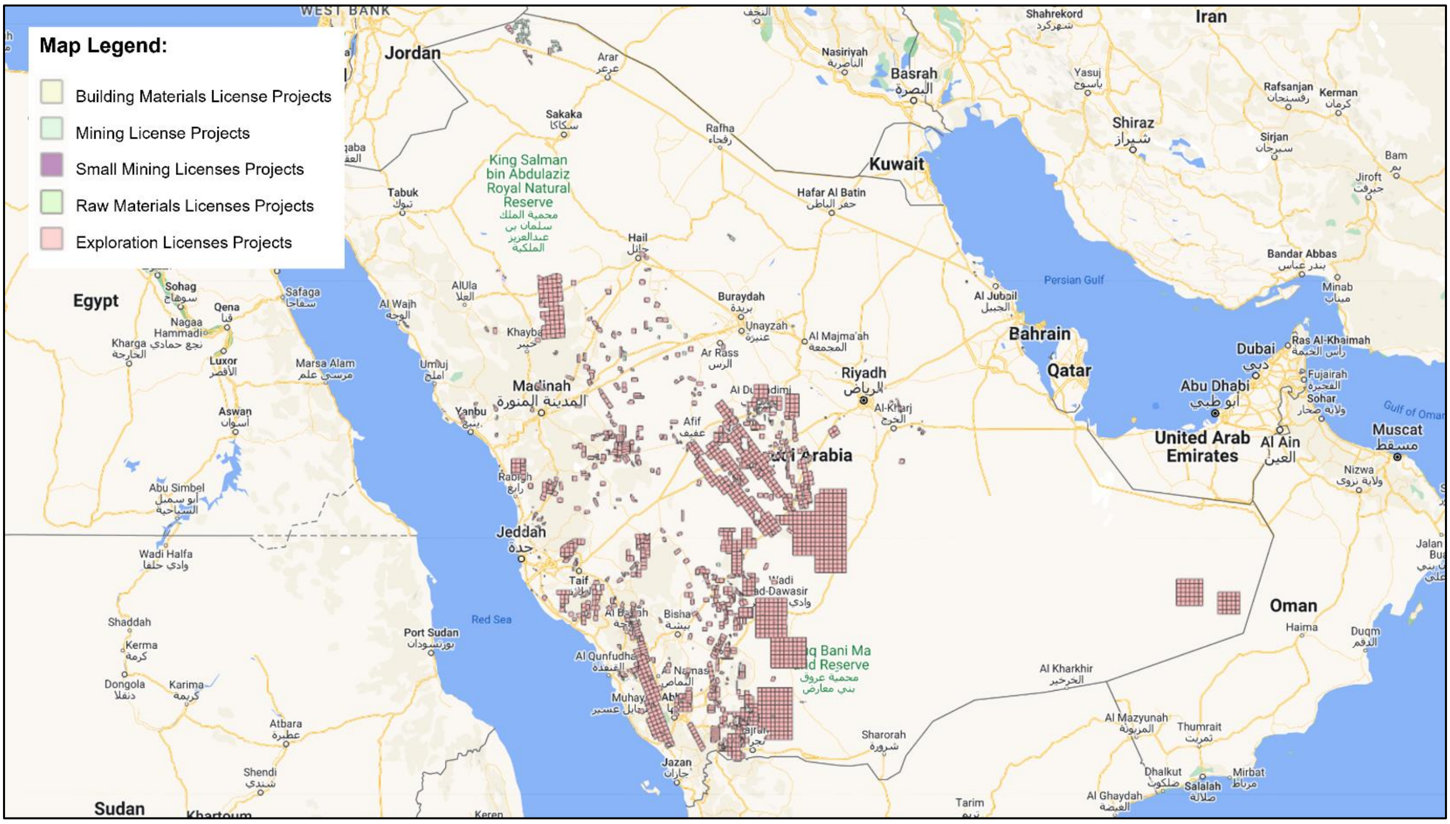

Figure 4: Existing Mining Projects in Saudi Arabia.

Significant Saudi Arabian Mine Operators

Saudi Arabian metal and minerals mining is dominated by two leading companies. The leader is Ma’adan a majority state owned joint stock company, while the other AL Masane Al Kobra Mining Company (AMAK) is a closed stock privately owned company.

- **Saudi Arabian Mining Company (Ma'aden)**: This is the largest mining company in the Middle East, focused on base metals, new minerals, aluminium, phosphate and industrial minerals mining. Ma'aden is primarily owned by Saudi Arabia's Public Investment Fund (PIF) and has engaged in several significant joint ventures with internationals investing in Saudi Arabia, select examples are shown below.

  - **Ma'aden and Alcoa Corporation**: This joint venture, where Ma'aden holds 74.9% and Alcoa 25.1%, involves a $10.8 billion investment in a fully integrated high-efficiency aluminium production complex in Ras Al Khair Industrial City, Eastern Province of Saudi Arabia. The complex includes a bauxite mine, a refinery, a smelter, and a casthouse. Alcoa brings extensive experience in the aluminium industry to this partnership.

  - **Ma'aden, Mosaic Company, and Saudi Basic Industries Corporation (SABIC)[6]:** In this venture, Ma'aden owns 60%, Mosaic 25%, and SABIC 15%. The investment, valued at $8 billion, is in the Ma’aden Wa’ad Al Shamal Fertilizer Production Complex in Wa’ad Al Shamal Minerals Industrial

City, Northern Province of Saudi Arabia. This complex aims to extract phosphate and develop it into fertilizer products for the global agricultural market. Mosaic's role in this partnership is significant due to its status as a leading producer and marketer of concentrated phosphate and potash.

- **Ma'aden and Barrick Gold Corporation:** This 50/50 joint venture focuses on the Jabal Sayid underground copper mine and plant in Saudi Arabia. Barrick Gold contributes its expertise in developing and operating high-quality assets to this partnership.

- **Ma'aden and Ivanhoe Electric:** This collaboration involves a joint venture for exploring copper, gold, silver, and other conductive metals in Saudi Arabia. Additionally, Ma'aden has acquired a 9.9% stake in Ivanhoe Electric. This partnership allows Ma'aden access to Ivanhoe's proprietary technology for conducting geophysical surveys to detect minerals, thereby aiding in mining exploration efforts.

- **Al Masane Al Kobra Mining Company (AMAK)**: AMAK, the first private mining company in the Saudi market, produces gold, silver, copper, and zinc.

Additionally, there are several large mines operating in the country, which are either owned or co-owned by the following companies.

- **Al Jalamid Mine**: Co-owned by SABIC and Ma'aden, this mine was one of the largest in Saudi Arabia as of 2021, producing substantial quantities of phosphate.

- **Al Shamal Mine**: Another major mine co-owned by SABIC, The Mosaic Co, and Ma'aden which produces phosphate.

- **Ad Duwayhi Project (Gold), Bulghah Mine (Gold) and Al Baitha Mine (Bauxite)**: These mines are also significant contributors to the mining sector in Saudi Arabia, with Ma'aden being a common operator or co-operator.

Surveying and Mapping

The Saudi Geological Survey (SGS) driven RPG has already engaged internationally to gather expertise to augment the initiative. Key contract awardees include the following leading international geo-survey specialists.

- **Sander Geophysics Arabia Ltd. (SGAL)**: Airborne geophysical survey of block 1 of the Arabian Shield.

- **Xcalibur Airborne Geophysics Company**: Airborne geophysical survey of block 2 & 3 of the Arabian Shield.

- **China Geological Survey**: Geochemical survey of the whole area.

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- **International Geoscience Services Limited (IGS)**: Oversight of technical aspects of RGP.

- **Geological Survey of Finland (GTK)**: Oversight of technical aspects of RGP.

The combination of the scale of RPG, timeframe in which it is to be delivered and MIM's initiatives to streamline legal and licensing processes present significant opportunities for foreign expertise in this field to ensure that NILDP targets are met. The initiatives are underpinned by a consistent improvement in the ease of doing business in Saudi Arabia including business visas for access and several incubators which have been established to facilitate foreign investment. An example is the exploration incubator (Nuthree) which has been established to increase spending on exploration work, support the Saudi geological database with more reliable information, increase the number of small national companies, and improve customer satisfaction[7].

Recent Developments and Investments in the Sector

Momentum toward Vision 2030 objectives has become purposeful as the impact of Covid 19 has receded and projects gained increasing momentum in 2023 which is carrying through to 2024 at pace, for example.

- The Kingdom formally announced an increase in the evaluation of its mineral wealth from $1.3 trillion to $ 2.5 trillion at the Future Minerals Forum in Riyadh on 10 Jan 2024.

- The volume of licenses issued was reported to have grown by 81% in 2023 with a total of 183 licenses across the categories having been issued.

- Further details of contract and license awards will emerge in the weeks following the Future Minerals Forum held in Riyadh on 10-11 Jan 2024.

- Regulations to compel foreign companies with a presence in the middle east and north Africa seeking Saudi government contracts to relocate their regional HQs to the Kingdom came into force on 1 Jan 2024[8]. The joint Ministry of Investment (MISA) and Royal Commission for Riyadh City initiative known as the Regional Headquarters (RHQ) Program is designed to attract investors seeking Saudi government contracts. However, investors should note that infrastructure, such as housing and schools for international staff, to support the initiative remains nascent as of Feb 2024.

- The new Saudi Mining Investment Law came into effect on 30 Dec 2020[9]. Under the law any natural or legal person (Saudi or Non-Saudi) may apply for exploitation licenses. Under the law, all natural deposits are considered the exclusive property of the Kingdom. An exploitation license enables the licensee to obtain title to the mineral extracted within the license area for the duration of the license. A summary of the available licenses is below (mineral categories A, B and C are defined below the table).

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Licenses

Reconnaissance License

Purpose	Duration	Costs (SAR)	Remarks
The reconnaissance license allows investors to reconnoiter for targeted minerals by visiting the chosen areas. In addition, the license allows investors to collect samples from the designated land, and the license gives access to the relevant data and maps from SGS.	2 Years	Application 5,000 Issuance 5,000 Renewal 5,000	Renewable for another 2 years (only) Requirements: • Specifying the designated area • Proposed reconnaissance program and time duration • Financial solvency

Exploration License

Purpose	Duration	Costs (SAR)	Remarks
The exploration license gives the investor the right to explore for the specifiers minerals in the specified area through surface mining and geophysical/geochemical analysis.	For Classes A & B up to 15 years, with a maximum 5-year initial term plus one or more 5-year renewal periods. For Class C, the duration is 1 year, and it cannot be renewed.	Application 5,000 Issuance 5,000 Renewal 5,000	Requirements: • Environmental impact plan • Social impact of activities that include contributing to the development of local communities • Commitment to the minimum spend on exploration • Financial solvency and feasibility study

Exploitation Licenses

Purpose	Duration	Costs (SAR)	Remarks
Mining license (exclusive rights)			
Mining license gives the investor the right to mine and exploit the specified Classes A & B minerals. In addition, it allows the investor to transfer and sell the exploited minerals along with full operational rights.	Up to 30 years, covers Class A and Class B minerals, for areas larger than 1 km^2. And up to 20 years, covers Class A and Class B minerals, for areas less than 1 km^2.	Application 10,000 Issuance 20,000 Renewal 20,000	Requirements: • Environmental and social impact plans • Rehabilitation and closure plans • The license applicant must have technical sufficiency, financial ability, and feasibility • Financial guarantee mechanism for rehabilitation and closure

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Exploitation Licenses cont.

Purpose	Duration	Costs (SAR)	Remarks
Building materials quarry license (exclusive right)			
Building materials quarry license gives the investor the right to mine and exploit the specified Class C minerals. In addition, it allows the investor to transfer and sell the exploited minerals along with full operational rights.	Unto 10 years with extensions up to 5 years each.	Application 10,000 Issuance 20,000 Renewal 20,000	Requirements: • Environmental and social impact plans • Rehabilitation and closure plans • The license applicant must have technical sufficiency, financial ability, and feasibility • Financial guarantee mechanism for rehabilitation and closure

Notes.

- Class A. Metallic minerals, precious and semi-precious stones, and ores that require advanced operations and concentration as classified in the Saudi mining regulations.
- Class B. Non-metallic minerals, industrial minerals, and raw materials, as classified in the Saudi mining regulations.
- Class C. Materials used for construction purposes, as classified in the Saudi mining regulations.

Investor Resources

To encourage investment the MIM has initiated several resources to assist which include.

- **Ministry of Industry and Mineral Resource[10]**. Severance fees exemption to miners for the first five years of license's issuance date; additionally, royalty discounts of up to 30% can be availed for each stage of local downstream processing.

- **The Ta'adin Platform [11].** An online platform that aims to provide all services related to the mining sector, where the investor can complete all necessary procedures easily through the online platform.

- **The National Geological Database[12].** National Geological Database portal from SGS is a web-based geospatial data portal application that acts as a client for geospatial and geosciences information and services. It is used to find, view, and query geosciences data of the Kingdom published by SGS as web services & maps and to integrate multiple sources into a single map view that can be easily navigated.

- **Saudi Industrial Development Fund (SIDF).** SIDF finances up to 75% of costs for eligible projects to support advanced exploration and mining projects for all minerals. SIDF also offers financing products for mid/downstream manufacturing, SMEs, digitization, renewables and increasing local content.

- **Saudi Exim Bank.** Saudi Exim Bank offers multiple direct financing products (e.g. Supply chain financing, Pre-export financing, working capital financing).

- **Saudi Exports.** Amongst several initiatives Saudi Exports is establishing the Saudi Export-Import Bank which aims to create an independent bank to finance exports with a capital of 30 billion riyals, by financing both local exporters and foreign importers in accordance with the best international practices

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in the field of export financing, bridging the gaps in financial services provided to the import and export sector.

- **Human Resources Development Fund (HRDF).** HRDF covers monthly salaries of up to 30% for Saudi employees (extra 10% for women) for 2 years.

- **Saudi Authority for Industrial Cities and Technology Zones (Modon).** Modon oversees 36 existing and under-development industrial cities across the Kingdom.

- **Zakat, Tax and Customs Authority.** Customs duties are exempted on imported machinery, equipment, raw materials and spare parts if they are for industrial use.

- **Local Content and Government Procurement Authority (LCGPA).** Local Content & Government Procurement Authority is the governmental arm that enforces an advantage to bidders with higher local content and provides 10% preference for local producers.

National Infrastructure Summary

Saudi Arabia's existing transport infrastructure does not currently compete with those of similar sized economies globally and lacks the integration needed to deliver effective extractive success at the increased scale envisaged. There is sizeable investment being made which will deliver the required integration over the coming decade.

Rail

Although reasonably extensive with around 5,000 km of rail, heavy freight rail is currently limited to two lines (North and East Lines) with 1,550 km and 556 km of lines respectively. The North line connects Hazm Al Jalamid (Phosphate mines) and Zabirah (Bauxite mines) to Ras Al Khair Port. There are no existing freight rail links to the Kingdom's Red Sea ports or rail links that connect the west and east coasts. However the NILDP plans an ambitious rail expansion program which will include rail links to all 6 Red Sea ports as well as the east and west coast ports as shown in Figure 5 below under "other projects". The Saudi Arabian Railway (SAR) expansion of more than 3,000 km will increase annual freight capacity to 50 million tonnes[13]

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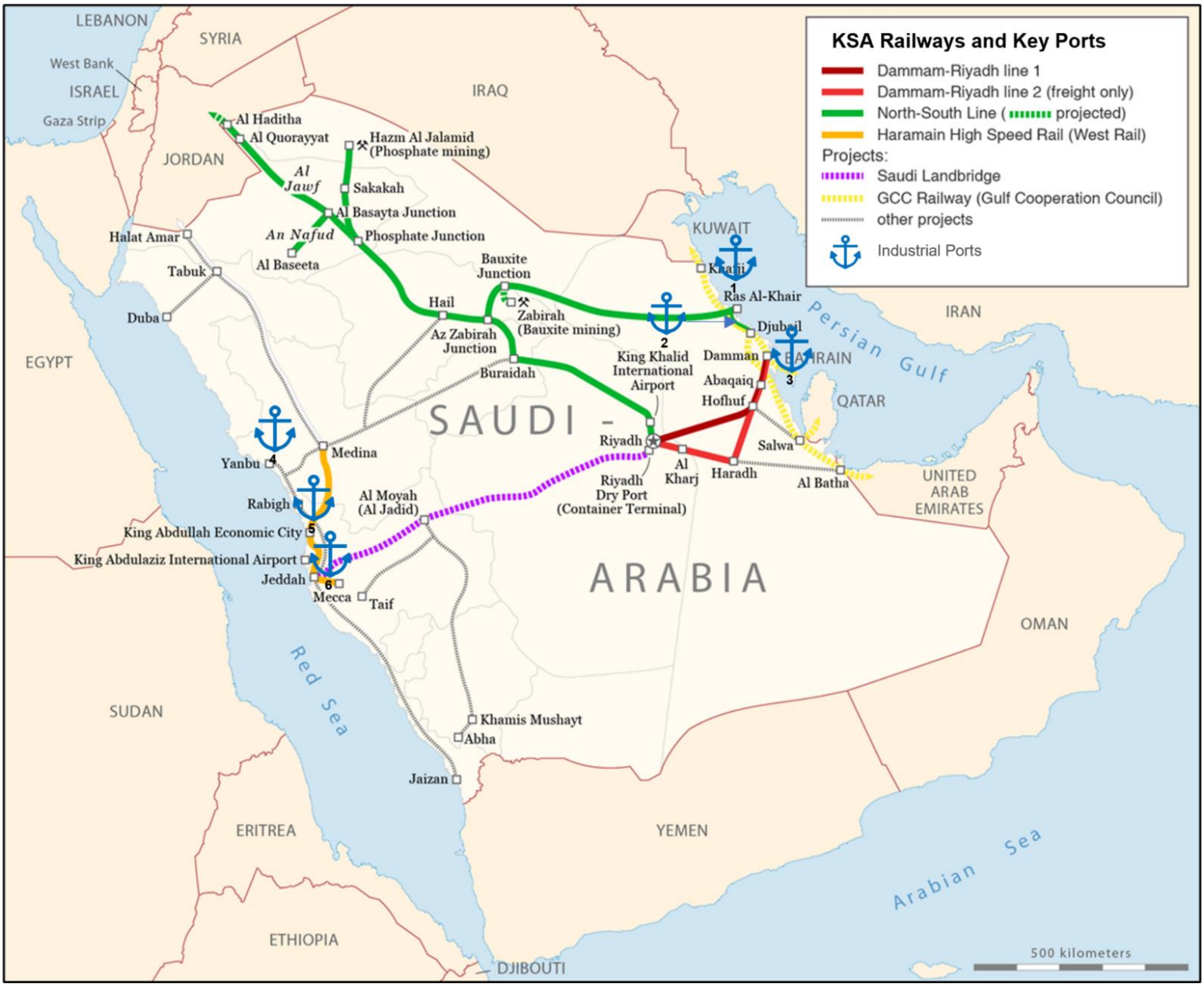

Figure 5: *Existing and Planned ("Other Projects") rail infrastructure in Saudi Arabia.*

Ports

Saudi Arabia's maritime industry plays a pivotal role in global trade, leveraging its strategic geographic position at the crossroads of East-West trade routes. Its extensive coastlines along the Red Sea and the Arabian Gulf provide access to critical shipping lanes for mineral transportation. The development of key ports important to mining are tabulated below and indicated in Figure 5.

Serial Number	Coast	Port Name	Type	Capacity (TEU)	Vision 2030 Development Initiative
1	Arabian Gulf	Ras Al-Khair Port	Industrial Cargo	TBC	Specializing in handling industrial minerals and materials to support the mining sector and the Kingdom's industrial diversification.
2	Arabian Gulf	Jubail Commercial Port	Industrial Cargo	1.8 million	Enhancing its industrial cargo handling capabilities to support the Jubail Industrial City, a major petrochemicals manufacturing hub.
3	Arabian Gulf	Dammam Port	Bulk Cargo	1.5 million	Focusing on expanding bulk and general cargo facilities to support the growing industrial and commercial activities in the Eastern Province.
4	Red Sea	Yanbu Commercial Port	Bulk Cargo	3.4 million	Aimed at increasing the port's capacity for bulk and general cargo, especially catering to the Western Region's industrial and mining sectors.
5	Red Sea	King Abdullah Port	Bulk Cargo	3 million	Enhancing capacity and infrastructure to establish it as a world-class logistics hub and increase container handling efficiency.
6	Red Sea	Jeddah Islamic Port	Bulk Cargo	4.5 million	Upgrading facilities and services to boost its role as a major gateway for the Islamic world and a key transshipment hub in the Red Sea.

Roads

The Saudi Arabian road network, spanning over 200,000 km, connects major cities, towns, and rural areas. It includes expressways, highways, secondary roads, single lane roads and tracks. Riyadh, Jeddah, Mecca, and Medina are linked by well-maintained highways. The main weaknesses of Saudi Arabia's road network are its uneven development and maintenance across regions, with remote and rural areas often having less developed and lower quality roads compared to urban centers. This disparity can cause accessibility and transportation efficiency challenges. Figure 6 shows the main road network in the Kingdom.

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Figure 6: *Nationwide Road Network.*

Additionally, despite road safety efforts[14] which have reduced crash deaths significantly, the Kingdom still faces a high rate of road traffic collisions (RTC) and remains in the top 15% of countries with high fatality rates due to RTC. Although several initiatives aim to deliver a 50% reduction by 2030, the danger to staff is evident. Sicuro Group Saudi Arabia works with a number of international companies in the Kingdom to provide solutions to mitigate the risks, these solutions include:

- Journey Management Services;
- Fleet Management safety systems through In-Vehicle-Monitoring-Systems, and;
- Driver training programs.

Processing

Saudi Arabia's mineral processing landscape is diversifying with significant investments in developing its mineral resources. The Kingdom has been focusing on exploiting its rich deposits of bauxite, phosphate,

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gold, copper, and other industrial minerals. Key player Ma'aden has established large-scale mining and processing facilities, particularly in the Ras Al Khair Industrial City, which has become a hub for phosphate and aluminum production. Gold mining is also prominent, with several operational mines contributing to Saudi Arabia's position as a significant gold producer. The growth in mineral processing reflects the country's commitment to leveraging its natural resources for long-term economic sustainability. Examples of important mineral processing facilities include.

- **Ma’aden Aluminium Smelter:** This facility is part of the Ma'aden-Alcoa joint venture and is located at Ras Al Khair Industrial City in the Eastern Province of Saudi Arabia. It is one of the largest aluminum production complexes in the world. This facility includes a smelter, cansheet rolling mill, and several other downstream industries.

- **Ma’aden Aluminium Refinery:** Although primarily a refinery, this facility, also located at Ras Al Khair, is crucial for the smelting process as it supplies the alumina necessary for aluminum production.

- **Ma'aden Gold and Base Metals Company (MGBM):** MGBM operates several gold mines, including processing facilities, across Saudi Arabia, comprising the Ad Duwayhi mine, the Bulghah mine, and the Sukhaybarat mine.

- **Saudi Dolomite Company Ltd:** Located in Al Khobar, this facility processes dolomite, for steelmaking, glass manufacturing, and soil conditioning.

- **Saudi Lime Industries Company (SLIC):** SLIC operates lime kilns in Riyadh to produce quicklime and hydrated lime.

Mineral Dependent Manufacturing

Vision 2030’s drive towards Saudi made products has propelled an expansion of mineral dependent manufacturing in the Kingdom. According to the Saudi National Committee for Steel Industry, the Kingdom leads the production of crude steel, long products, sections, flat products and pipes in the Middle East North Africa Region[15]. Mineral dependent manufacturing includes.

- **Steel for Construction:** Leaders in the manufacture of steel products for domestic construction and for export include Watania Steel and Molan Steel Company which both operate from Riyadh. The Al Mitwalli Group is another industrial steel manufacturer with a state-of-the-art steel factory in Jeddah.

- **Cement:** Saudi Arabia is the leading Gulf Cooperation Council (GCC) cement producer with a market size worth around $5.3 Bn. Cement demand, closely linked to construction and urbanization, is predicted to grow at a compound annual growth rate (CAGR) of 7% in the next 4-5 years. This growth is influenced by various factors, including socio-political conditions and market sentiment. The cement industry is preparing for expansion, planning to increase its capacity by 3Mt/yr, reaching 88Mt/yr by 2028. Vision 2030 initiatives, coupled with economic reforms and the opening of Saudi Arabia's stock market to international investors, are creating a more dynamic and sustainable economy, bolstering the outlook for the cement industry[16].

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- **Automotive/Heavy Plant:** Saudi Arabia is reported to have at least 160 domestic vehicle factories[17]. These include 33 parts, accessories and engine factories, 21 vehicle and structure factories and 106 trailer and semi-trailer factories. Major foreign investors include the US' Lucid Motors, and Germany's BMW who are the component technology provider for CEER Motors, the Kingdom's first domestic automotive brand to produce electric vehicles (EV), as well as a joint venture between the PIF and the Taiwanese electronics giant Foxconn (Hon Hai Technology Group).

- **Marine Engineering:** Zamil Offshore Service Company is one of the most established marine engineering companies in the Kingdom with a modern internationally certified shipyard, Zamil Shipyard, in Dammam. Since its establishment in 1977 the shipyard has built over 500 and repaired more than 4000 vessels. The shipyard can build a variety of vessels ranging from barges through offshore support vessels to tankers[18].

Outlook and Opportunities

The prominence of mining in the NILDP and scale of the program underpinned by the drive to meet 10 ambitious targets by 2025 presents unique opportunities for the mining sector as well as contractors and relevant services providers who have the agility and ability to respond to the need with the right help. All targets have relevance to metals and minerals.

NILDP 2025 Targets

- ✓ <60 days to issue a mining license
- ✓ 40.8% electricity generation efficiency
- ✓ 50% completion of the Arabian Shield RGP
- ✓ 8 Special Economic Zones to support NILDP sectors
- ✓ 3.85/5 score in the World Bank logistics performance index
- ✓ 70% operational utilization rate for port capacity
- ✓ 30% of the pharmaceutical industry to be localized
- ✓ 300K tons of aquaculture produced annually
- ✓ 20% of defense and military industry to be localized
- ✓ 5 x fourth industrial (4IR) centers launched (The first 4IR is planned for the Second Industrial City in Riyadh).

*Investors should note that Vision 2030 is a road map for economic diversification **[away from overreliance on the Oil and Gas sector]**, global engagement **[inbound and outbound foreign investment]** and enhanced quality of life in Saudi Arabia **[providing meaningful opportunities for the local population]**.*

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From a minerals and metals perspective, the expansiveness of NILDP (as well as targets related to internal national progress for critical sectors and national infrastructure) means that the beneficiation[19] process for existing and future mining complexes will call for significant investment.

The NILDP has publicly stated that international expertise is needed to support the RGP in the following areas.

Exploration and extraction.

Advances in the following technologies over the last 5 years are at a premium:

- **Integration of AI and Machine Learning (ML):** These technologies have enhanced predictive capabilities in identifying mineral deposits by analyzing large datasets.
- **Advanced remote sensing:** The use of hyperspectral imaging and advanced satellite technologies has improved the detection of minerals from a distance.
- **3D geological modelling:** Enhanced software for 3D geological modelling has provided better subsurface visualization, aiding in decision-making.
- **Real-time data analysis:** The ability to analyze geological data in real time has greatly increased the speed and efficiency of exploration.

Technology and equipment supply

- **Drones and drone technology.**
- **Automated Drilling and Sampling:** for improved efficiency and accuracy of core sampling.
- **Portable Analytical Tools:** Portable X-ray fluorescence (XRF) analyzers and similar tools allow for rapid, on-site chemical analysis of rock samples, speeding up the exploration process.
- **Automated Mineralogy and Microscopy:** These technologies provide detailed mineralogical data, essential for understanding the composition and characteristics of mineral deposits. They can significantly enhance the accuracy of exploration predictions.
- **LIDAR (Light Detection and Ranging):** LIDAR for rapid and accurate geology and topography surface mapping, providing valuable data for mineral exploration, especially in rugged terrains.

Capacity Building

Significant opportunities also exist to help the Kingdom build capacity to enable the growth required to meet the scale of NILDP's ambitions. Key areas where international expertise is needed include:

- Consulting and engineering services;
- Training and development noting the drive for Saudization;
- Infrastructure development;
- Sustainable and eco-friendly mining practices, and;

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- Legal and financial services.

Risks, Challenges and Considerations

In addition to the risks and challenges of road safety in the Kingdom, companies operating in Saudi Arabia should ensure that risk assessments account for a number of challenges related to the country.

Geopolitical Risk and Regional Tensions

- Over the last decade, Saudi Arabia's geopolitical position has been characterized by its pivotal role as a major oil exporter and a leading Sunni Muslim nation in a region marked by significant political and sectarian strife. The Kingdom has navigated complex relationships, notably with regional rival Iran, reflecting deep-seated Sunni-Shia tensions and competing influences in regional conflicts, such as in Yemen and Syria. Saudi Arabia's involvement in these conflicts, along with its leadership in the Gulf Cooperation Council, has significantly influenced Middle Eastern politics. Internally, the Kingdom's initiatives to diversify its economy and modernize its society have been juxtaposed with human rights concerns and strict internal governance. Additionally, its strategic alliance with the United States has remained a cornerstone of its foreign policy, despite occasional strains over issues such as human rights and differing views on regional issues. These dynamics do place Saudi Arabia at the center of regional tensions, balancing traditional governance with modernization efforts, while navigating a complex array of regional and international relationships.

- Saudi Arabia fears regional escalation as a consequence of the Israel-Gaza conflict and continues significant diplomatic efforts with the US as well as Iran to prevent it. Most notably during a tripartite meeting held in Beijing in Dec 23 to reassert commitments to the normalization deal brokered in Mar 23. Tangibles that emerged from the meeting included the lifting of visa restrictions for Saudi's travelling to Iran and the lifting (for the first time in eight years) of restrictions for Iranian nationals completing the Umrah pilgrimage.

- In spite of Saudi Arabia's efforts, Yemen's Houthi attacks on international shipping have caused alarm prompting the deployment of a US led multi-national naval task force and a UN resolution condemning the attacks "in the strongest possible terms." The manifestations of such threats highlight the importance of the Kingdom's transport infrastructure projects that will improve its ability to export at significantly increased scales to the north through the Suez canal.

Local Dynamics

- **Tribal Influence:** Saudi society is traditionally tribal. Although the influence of tribes has diminished in urban areas, it remains significant in rural regions. Tribes can wield considerable influence over local politics, business, and social affairs. Foreign entities must be aware of the tribal affiliations of their local partners and employees, as these can impact business dealings and community relations.

- **Regional Differences:** Saudi Arabia is a large country with significant internal regional variations. The Hejaz region (including cities like Jeddah and Medina), Najd (Riyadh), the Eastern Province (Dammam, Dhahran, Al-Khobar), and the Southern region each have their own cultural and social norms. What is acceptable in one region may not be in another.

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- **Conservative Values:** Despite recent reforms under Vision 2030, Saudi Arabia remains a conservative society with strong adherence to Islamic principles. Foreign entities must respect local customs and religious practices, such as prayer times, dress codes, and gender segregation norms, particularly in more conservative areas.

- **Gender:** Saudi Arabia has made significant strides in women's rights, but gender dynamics still differ markedly from many westernized countries. Understanding and respecting these dynamics is crucial, especially when it comes to mixed-gender interactions in the workplace and public spaces.

- **Expatriate Communities:** There is a significant expatriate population in Saudi Arabia. However, they live under different social and legal norms compared to Saudi nationals. Foreign entities should be aware of the laws and practices that apply specifically to expatriates.

- **Public Sentiment and Social Media:** Public opinion and social media can rapidly influence reputational matters. Foreign entities should be cautious about their public image and how their actions might be perceived by the local population.

Legal and Regulatory Environment

- The Saudi legal and regulatory framework for international mining exhibits several weaknesses that have been identified over time. There is a perceived lack of clarity and consistency in the existing regulations. This ambiguity can create confusion for international investors and companies seeking more predictable and stable legal environments for long-term investments.

- The current regulatory framework is not always fully aligned with international best practices, particularly in areas such as environmental protection, workers' rights, and sustainable mining practices. This misalignment can deter investors and can also pose risks to the local environment and communities.

- The enforcement mechanisms of the existing regulations can be interpreted as inadequate. This lack of robust enforcement not only undermines the effectiveness of the regulations but also creates an uneven playing field where some operators may not adhere to the standards, leading to potential safety and environmental incidents. Additionally, there is a need for more comprehensive policies regarding the management and utilization of the revenue generated from mining. The absence of such policies can lead to inefficient or inequitable distribution of resources, missing opportunities for broader economic development.

- Finally, there is often a gap in technological integration within the regulatory framework. Advanced technologies for monitoring, compliance, and reporting are crucial to modern mining operations, and the lack of these can hinder operational efficiency and transparency. Addressing these weaknesses is essential for the Kingdom to fully leverage its mining sector's potential and attract international investment and expertise.

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Cultural Business Practice Differences

- **Business Etiquette and Negotiations:** In Saudi Arabia, business culture heavily emphasizes personal relationships and trust, which can lead to longer negotiation periods. Foreign operators must be patient and invest real time in building relationships.

- **Cultural Sensitivity:** Respect for local customs, traditions, and Islamic religious practices is crucial. Naturally this involves understanding the importance of prayer times, dress codes, and gender interactions in professional settings. However it is important to understand the concepts of both wasta (Lit. mediation) and honor in Saudi culture.

  - **Wasta (Connections and Influence):** Although literally translated as mediation or intermediary, the term more accurately describes influence. It is a natural and habitual means of leveraging status and relationships to facilitate deals, secure introductions and even settle disputes. From a foreign perspective it can be interpreted as nepotistic but in Saudi it is a natural means of getting business done.

  - **Honor:** The maintenance of personal dignity and avoiding public embarrassment is extremely important. Confrontation, public criticism or a failure (perceived or real) to fulfil obligations can lead to a loss of face or honor. Such a loss can have a severely negative impact on a business relationship.

- **Language:** While English is widely used in business, a lack of fluency in Arabic can be a barrier, particularly in understanding legal documents and in rural areas.

- **Labor Practices:** The reliance on expatriate labor in Saudi Arabia, coupled with specific labor laws and practices, requires foreign operators to navigate a unique set of challenges in workforce management. Foreign domestic legislation that holds companies accountable to standards beyond borders must be adhered to throughout the supply chain to ensure compliance as projects mature.

Understanding and adapting to these differences and navigating them efficiently is crucial for successful operations in the Saudi mining sector.

Environmental, Social and Governance Considerations

- **Environmental Regulations:** The Saudi Arabian government is increasingly focusing on environmental protection, which might require operators to invest in more sustainable and less familiar technologies and practices.

- **Water Scarcity:** As a desert country, water management is a critical issue. Mining operators need to be especially mindful of water usage and its impact on local communities and ecosystems.

- **Social Responsibility:** Understanding and aligning with local community needs and expectations can be challenging. There is a need to engage in meaningful community development and ensure that mining activities do not adversely affect local populations.

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- **Cultural Heritage Protection:** Respecting and preserving Saudi Arabia's rich cultural and historical heritage can impose additional constraints on mining operations, especially in areas of archaeological significance.

- **Workforce Inclusion (Saudization):** Balancing the employment of local workers with expatriates and adhering to Saudi Arabia's increasing focus on gender diversity and inclusion in the workplace, can present challenges which with sufficient planning and foresight can be managed.

Payment by State Entities

- **Complex Regulatory Framework:** Navigating the complexities of Saudi Arabia's regulatory and tax system, which can be quite different from Western standards, requires careful compliance to avoid penalties.

- **Bureaucratic Processes:** Payments to and from government entities can involve lengthy and intricate bureaucratic procedures, necessitating patience and a thorough understanding of the administrative system.

- **Transparency and Compliance:** Adhering to international and local anti-corruption laws is crucial, as there is a high emphasis on transparency in financial dealings with government entities.

- **Currency and Repatriation Issues:** Managing financial transactions in Saudi Riyals (SAR) and understanding the regulations regarding the repatriation of profits can be challenging due to fluctuating exchange rates and strict financial controls. There is nothing currently to suggest the Saudi Riyal's peg to the US Dollar will change.

- **Timely Payment Processing:** Delays in payment processing by government agencies can impact cash flow and project timelines.

Reputational Risks

As global attention to environmental, social and governance responsibilities grows, the alignment of business practices with human rights principles has become an essential consideration for companies in their international operations. Saudi Arabia continues to attract criticism on various human rights issues despite some recent steps toward reform particularly for the visa sponsor systems for migrant workers (Kafala System), women's rights and responding to international calls for improvements. Vision 2030 initiatives are likely to encourage continued progress in this domain but companies and foreign staff employed in the Kingdom are best prepared by educating staff on Saudi law and customs to ensure that foreign staff do not inadvertently transgress conservative Saudi cultural norms.

Overreach

Several Saudi Arabian projects promised before the launch of Vision 2030 faced challenges and failed to materialize as planned. These projects highlight the complexities and hurdles in executing grand-scale initiatives in the Kingdom. Notable examples include.

- **Economic Cities Program (2006)**: Launched as a precursor to Vision 2030, this program aimed to house 4.5 million inhabitants by 2020 and diversify the economy. However, it largely stalled, with the program's flagship, King Abdullah Economic City (KAEC), only having around 4,000 inhabitants despite the larger projections.

- **Jeddah Tower**: This skyscraper was intended to become the world's tallest building, surpassing Dubai's Burj Khalifa. However, its construction has been on hold for years, partly due to the political turmoil following "anti-corruption" purges.

- **King Abdullah's Project to Reform the Public Education Sector (2014)**: This ambitious initiative was announced with a budget of over 80 billion Saudi riyals ($21.33 billion) to overhaul Saudi Arabia's education sector. Despite the substantial funding, the project faced challenges in its implementation, with questions raised about the effective use of resources and the actual impact on the education system.

Foreign Exchange

The SAR has been pegged to the US Dollar (USD) since 1986. The peg is currently set at 1 USD to 3.75 SAR. This arrangement is maintained by the Saudi Arabian Monetary Authority (SAMA), the central bank of Saudi Arabia which aligns the Kingdom’s monetary policy with the US Federal reserve. SAMA buys and sells USD as needed to maintain the peg as well as holding significant USD foreign reserves to sustain its stability. A change to this arrangement in the near to medium term is assessed as unlikely as it would represent a very significant long standing policy shift.

Managing the Risks and Challenges

Saudi Arabia’s geopolitical role globally and regionally, its geographic location, historical conservatism, economic diversification from oil dependency and rich tapestry of tribal culture are all being nurtured forward through the multiple initiatives that comprise Vision 2030. The ambition to drive the vision to realization is manifestly evident through every facet of the Kingdom’s daily life from economic governance and regulation through to social programs. The Kingdom enthusiastically encourages foreign investment and is actively engaged in attracting the right investors with the appropriate skills, this is particularly the case for mining. The Kingdom sits in the top 25% of countries across the world for ease of doing business[20] having moved up 30 places in just 1 year (2020 data, next report due Q1 2024). Consequently with the right planning, preparation, risk management and business continuity policies and processes in place, risks and challenges can be mitigated effectively.

Regional Tension

Regional tensions will endure. The potential impacts for foreign investors operating in Saudi Arabia ebb and flow, requiring a real and not just media driven understanding of events and the Kingdom’s most likely responses to manage them against economic priorities. Gaining comprehensive geopolitical insights to understand the key drivers and their potential outcomes is a crucial component for all foreign investors developing market entry plans. Active engagement through chambers of commerce, with embassy trade

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and security departments as well as commissioning independent geopolitical risk assessments is highly recommended to inform investment plans.

Local Dynamics

Sensitivity to tribal differences throughout local regions, respect for cultural norms and religion are a must in the Kingdom. Similarly, navigating the complexities of government regulation requires patience and often support from appropriately qualified Saudi staff with the requisite written and spoken language skills. Identifying partners who are familiar and comfortable with the social and business environments will considerably ease friction at the early stages of market entry. Diligence on local partners should be exercised thoroughly to ensure that they can deliver to expectations and contractual obligations in a timely manner.

Environmental Hazards

Preparation and planning are key to managing the extremes of weather in remote areas particularly with robust communications and recovery plans. Being able to communicate locations precisely to enable recovery in the event of a vehicle breakdown or accident is paramount in remote locations which lack communities and where national emergency services’ reach would be severely stretched. Foreigners should be particularly mindful of road safety throughout the country and prepare accordingly. Adequate diligence should be conducted on local vendors to ensure vehicle suitability and serviceability, local drivers’ qualifications, training, experience and communications ability should be verified to ensure safe ground transportation, particularly for high frequency urban travel and trips to remote areas.

About Sicuro Group

Sicuro Group is a premier global risk and strategic consulting firm that excels in tech-driven solutions for geopolitical, security, economic, and integrity risks. We are experts at enabling secure, compliant, and resilient global organizations, agencies, and governments.

Why Choose Us

✓ Access

With corporate offices in the KSA, UAE, US and UK and additional regional offices, we guarantee seamless global client support. This includes direct access to our executive team, local personalized assistance, and support from our 24/7 Global Assistance Center, all within a trusted legal framework.

✓ Regional Expertise

Our unparalleled knowledge and experience of the Middle East, Africa and Eurasia uniquely positions us to tackle region-specific client challenges. Sicuro Group is established in Saudi Arabia as Sicuro Group Saudi Arabia in a joint venture with our long-term Saudi partner.

Our Services

✓ Security & Crisis Response

Our comprehensive protective services, crisis management, and evacuation strategies are supported by cutting-edge technology and a strong aviation and medical assistance network for rapid response.

✓ Enterprise Risk & Compliance Management

We help you meet global and local regulations, including key standards like ISO 9001, ISO 22301 and the ISO 31000 series. Using advanced technology, we make it easier for you to reduce risk and show your commitment to safety and sustainability, making your organization stronger and more resilient.

✓ Organizational Development

We specialize in crisis management, business continuity, and talent development, enhancing resilience and adaptability through embedding our consultants, or delivering training to your teams.

✓ Strategic Sourcing & Delivery

We excel in sourcing and delivering critical items in challenging locales, ensuring smooth, compliant logistics and dependable delivery to even the most remote areas.

Notes and References

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2 National Industrial Development and Logistics Program - (vision2030.gov.sa)
3 Ministry of Industry and Mineral Resources: 377 Mining Complexes and 35 Mineral Belts in KSA
4 Saudi Arabia Mining Investors Guide
5 Industry definitions:

- **Mining Sites**: A mining site typically refers to a specific geographic location where mining activities are conducted. This includes areas where minerals, ores, and other geological materials are extracted from the earth. The USGS might define a mining site based on various factors such as the geographic location, the type of minerals or materials being extracted, the mining methods used, and the environmental impact of the mining activities.
- **Mining Projects**: A mining project is a broader term that may encompass not only the physical mining site but also all the associated activities and infrastructure required for the mining operation. This includes exploration, extraction, processing, transportation, and rehabilitation. A mining project is defined by its scope, which could range from small-scale operations to large, complex undertakings involving multiple sites and extensive infrastructure.

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