MULTIVERSE MINING AND EXPLORATION PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

SOLA OYETAYO & CO.

Audit | Tax | Consulting | Advisory

agn INTERNATIONAL
Member
www.agn.org

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies and Allied Matters Act, (CAP C20), Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

(a) Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, (CAP C20), Laws of the Federation of Nigeria, 2004.

(b) Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

(c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, (CAP C20), Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:

Ayedun Fasina
Managing Director
FRC/2013/ICAN/00000004147

John Bede Anthonio
Director
FRC/2013/NIAECHI/00000004145

Multiverse Mining
& Exploration Plc
RC. 454678

262A Corporation Drive
Dolphin Estate Ikoyi - Lagos
e: info@multverseplc.com
www.multverseplc.com

REPORT OF THE AUDIT COMMITTEE

REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF MULTIVERSE MINING AND EXPLORATION PLC

In Compliance with Section 359(6) of the Companies and Allied Matter Act 1990, we have

a). Reviewed the scope and planning for the audit

b). Reviewed the External Auditors' Memorandum of Recommendations Accounting Policies and Internal Controls together with Management responses

c). Ascertained that the accounting and reporting policies of the company for the year ended 31st December, 2016 are in accordance with legal requirements and agreed ethical practices.

d). Received the External Auditors' management letter and reply thereon from the Management is Satisfactory.

In our opinion, the scope and planning of the audit for the year ended 31st December, 2016 were adequate and the Management Responses to the Auditor's findings were satisfactory.

John Isesele

Mr. John Isesele
FRC/2014/ICAN/00000008988
Chairman, Audit Committee

17th March, 2017

Members of the Audit Committee

1 Mr. John Isesele
2 Mr.Adio Alex
3 Mr. Ayodele Oluwasusi
4 Mr. John Bede Anthonio

SOLA OYETAYO & CO.

33, Ogunlowo Street
Off Obafemi Awolowo Way, Ikeja
P. O. Box 70159 Victoria Island
Lagos.

T 234 -1 - 7750524
7730247
0903 338 3028
e info@solaoyetayo.com
www.solaoyetayo.com

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MULTIVERSE MINING AND EXPLORATION PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **MULTIVERSE MINING AND EXPLORATION PLC** comprise statement of financial position as at 31 December 2016, Statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for the year ended 31 December 2016, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act 2011 and Nigerian Stock Exchange Rules and Regulations..

Basis for Opinion

We conducted our audit in accordance with the Nigerian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements applicable that are relevant to our audit of the financial statements in Nigeria which are in substance consistent with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw attention to Note 28 in the financial statements, which indicates that the Company incurred a net loss of ₦584,118,000 during the year ended December 31, 2016, and as at that date the Company's current liabilities exceeded its total assets by ₦2,770,169,000. As stated in Note 28, these events or conditions, along with other matters as set forth in Note 28, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have communicated the key audit matters to the Audit Committee. The key audit matters do not necessarily reflect all matters discussed. These matters were addressed in the context of our audit of the financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter is explained below:

Impairments of Quarry and Mining Operating Assets

Arising from the economic recession in Nigeria in the second quarter of 2016 which was occasioned by the sharp and continuous decline in crude oil prices and the challenges in the oil sector, including sabotage of oil export terminals in the Niger Delta, negatively impacted government revenue and export earnings. The mining sector was seriously affected due to low construction activities brought about by the delay and inadequate financing of the budget by the Federal Government of Nigeria. This ultimately affected the demand of various mineral products; hence performance of the mining sector as whole was negatively impacted. As a result, it became imperative to consider assessment of the recoverable amount of the Company's quarry and mining operating assets. The assessment by its nature requires significant judgement.

Our Audit Procedures that addressed this Risk

We challenged management's assessment as to whether indicators of impairment exist for specific assets specifically in relation to the quarry in Alaguntan, Ogun State, and Abuni lead-zinc mines operations in Nassarawa State, both in Nigeria. Specific indicators were identified. We obtained and reviewed the valuation models including business plan used to determine the value in use for the mines operations and the fair value less costs of disposal of the relevant assets at the quarry operations.

We challenged the assumptions made by management in relation to these models, including the discount and foreign exchange rates used, expected production plans, commitment of off-takers for the purchase of the lead-zinc, capital expenditure, and operating costs forecasts, prices of the lead in the international market by comparison to recent analyst forecast commodity price data, reference to third party documentation where available, review of Ores and Mineral Resources reports, consultation with operational management and consideration of sensitivity analyses.

We concluded that the assumptions had been determined and applied on a consistent basis and in line with accepted market practice and no impairments were required from the work performed.

Information Other than the Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information, comprising the Chairman's Statement, Directors' Report, Statement of Directors' Responsibilities, Corporate Governance Report, Report of the Audit Committee, Corporate Profile and Strategy, Financial Highlights, Results at a glance, Board of Directors Pictures, Notice of Annual General Meeting, Corporate Social Responsibility, Report of the Committees of the Board, Share Capital History and other National Disclosures included in the annual report of the Company, which does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information which we obtained prior to the date of this auditor's report, and other information we will receive after this date, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, has no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have responsibilities to:

(1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

(3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause an entity to cease to continue as a going concern.

(5) evaluate the overall presentation, structure and content of the financial statements, including the disclosures in accordance with the International Financial Reporting Standards, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Furthermore, we communicated to the audit committee regarding, among other matters, our planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that were identified during our audit.

We informed the audit committee that we complied with relevant ethical requirements regarding independence and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 requires that in carrying out our audit we consider and report on the following matters. We confirm that:

(1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(2) In our opinion, proper books of account have been kept by the entity so far as appears from our examination of those books; and

(3) The Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income agree with the books of account.

Sola Oyetayo, FCA
FRC/2013/ICAN/00000000642
For: **Sola Oyetayo & Co.**
23 MARCH 2017
Lagos, Nigeria.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0116072

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	NOTES	2016 ₦'000	2015 ₦'000
Continuing Operations			
Revenue	5	26,262	57,792
Cost of Sales		(61,483)	(45,934)
Gross Loss		(35,221)	11,858
Inventory Items Expensed		-	(27,519)
Impairment on Exploration & Evaluation assets	7	(2,152)	-
Other Income	6	45,837	58,136
Administrative Expenses		(51,713)	(105,681)
Operating Loss		(43,249)	(63,206)
Finance Cost	8	(540,869)	(342,648)
Loss Before Income Tax		(584,118)	(405,854)
Taxation	9.1	-	19,134
Loss After Tax for the Year	10	(584,118)	(386,720)
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year, Net of Tax		(584,118)	(386,720)
Loss for the Year Attributable to:			
Owners of the Company		(584,118)	(386,720)
		(584,118)	(386,720)
Total Comprehensive Income for the Year Attributable to:			
Owners of the Company		(584,118)	(386,720)
		(584,118)	(386,720)
Basic and Diluted Earnings per Ordinary Share (kobo)	11.1	(14)	(9)

The accompanying notes and accounting policies form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

	NOTE	2016 ₦'000	2015 ₦'000
ASSETS			
Non-current Assets			
Exploration and Evaluation Assets	12	-	2,152
Mine Properties	13	1,574,366	1,506,907
Property, Plant & Equipment	14	2,968,307	3,084,577
Total Non-current Assets		4,542,673	4,593,636
Current Assets			
Inventories	15	32,194	46,643
Trade and Other Receivables	16	17,535	51,712
Cash and Cash Equivalents	17	4,369	42,445
Total Current Assets		54,098	140,800
Total Assets		4,596,771	4,734,436
EQUITY AND LIABILITIES			
Shareholder's Equity			
Issued Capital	18	2,130,969	2,130,969
Share Premium	19	1,242,082	1,242,082
Retained Loss	20	(2,769,794)	(2,084,030)
Total Shareholder's Equity		603,257	1,289,021
Non-current Liabilities			
Loans	21	298,015	367,265
Deferred Tax	9.2	922,812	922,812
Provisions	22	2,517	2,288
Total Non-current Liabilities		1,223,344	1,292,365

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (Cont'd)
AS AT 31 DECEMBER

	NOTE	2016 ₦'000	2015 ₦'000
Current Liabilities			
Interest-bearing Loans and Borrowings	21	2,145,081	1,484,593
Trade Payables and Other Payables	23	607,680	628,576
Income Tax Payable	7.2	17,409	39,883
Total Current Liabilities		2,770,170	2,153,052
Total Liabilities		3,993,514	3,445,417
Total Liabilities and Shareholder's Equity		4,596,771	4,734,437

The financial statements were approved by the Board of Directors on 17th March 2017.
Signed on its behalf by:

Ayedun Fasina
Managing Director
FRC/2013/ICAN/00000004147

John Bede Anthonio
Director
FRC/2013/NIAECHI/00000004145

Solomon Fasinu
Chief Accountant
FRC/2013/ICAN/00000004146

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	Share Premium	Retained Earnings	Total Equity
	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2015	2,130,969	1,242,082	(1,766,335)	1,606,716
Share of capital reserve from Joint Operations	-	-	32,176	32,176
Other Transfer	-	-	36,849	36,849
Loss for the Year	-	-	(386,721)	(386,721)
Balance at 31 December 2015	2,130,969	1,242,082	(2,084,031)	1,289,020
Correction of Prior Year error	-	-	(100,103)	(100,103)
Restated Balance	2,130,969	1,242,082	(2,184,134)	1,188,917
Share of capital reserve from Joint Operations	-	-	3,480	3,480
Other Transfer			(5,023)	(5,023)
Loss for the Year	-	-	(584,118)	(584,118)
Balance at 31 December 2016	2,130,969	1,242,082	(2,769,795)	603,256

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	NOTES	2016 ₦'000	2015 ₦'000
Cash Flows from Operating Activities			
Cash Receipt from Customers		68,690	69,598
Cash Paid to Suppliers, Employees and Operating Expenses		(142,474)	(68,638)
Net Cash Flows from Operating Activities	24	(73,784)	960
Cash Flows from Investing Activities			
Expenditures on Mine Properties	13	(2,624)	(20,521)
Expenditures on Property, Plant and Equipment	14	(133)	(2,748)
Mining Expenditure Recovered		-	57,500
Proceeds on Disposal of Property, Plant and Equipment		12,500	-
Proceeds from Joint Venture		33,066	38,860
Net Cash Flows from Investing Activities		42,809	73,091
Cash Flows from Financing Activities			
Interest Paid		(7,100)	(42,291)
Unpaid Dividend Warrant		-	3,439
Net Cash (used in)/from Financing Activities		(7,100)	(38,852)
Net Cashflows from Operations		(38,076)	35,200
Cash and Cash Equivalents at 1 January		42,445	7,245
Cash and Cash Equivalents at 31 December	17	4,369	42,445

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Multiverse Mining & Exploration Plc was incorporated as a Private Limited Liability Company, on 20th June 2002. It commenced business on 1st April 2005 and was converted to a Public Limited Liability Company on 18th April 2008. The Company's share was listed on the Nigerian Stock Exchange on 8th October, 2008.

The Company is engaged in the business of exploring, extracting, prospecting, boring, refining, drilling for, producing, and quarry mining of stones and other extractive solid minerals (mainly Lead and Zinc) into different configuration and classification.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). The financial statements is also prepared in the manner required by the Company and Allied Matters Act, and Financial Reporting Council of Nigeria Act.

2.2 Basis of Measurement

These financial statements are prepared on the historical cost basis.

2.3 Functional and Presentation Currency

The Company's functional and presentation currency is the Nigeria Naira. Except as indicated, the financial information presented in Naira has been rounded to the nearest thousand.

2.4 Composition of Financial Statements

These financial statements comprise:

- Statement of profit or loss
- Statement of comprehensive Income
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2.5 **Use of Estimates and Judgements**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

(a) **Mine Reserve and Mineral Resource Estimates**

Mine reserves are estimates of the amount that can be economically and legally extracted from the Company's mining properties. The Company estimates its reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgements made in estimating the size and grade of the mineral body.

The Company estimates and reports its mineral reserves using reasonable investment assumptions, as follows:

i. Future production estimates - which include proven and probable reserves, resource estimates and committed expansions
ii. Expected future commodity prices, based on current market price, forward prices and the Company's assessment of the long-term average price.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

iii. Future cash costs of production, capital expenditure and rehabilitation obligations

Consequently, management will form a view of forecast sales prices, based on current and long-term historical average price trends. For example, if current prices remain above long-term historical averages for an extended period of time, management may assume that lower prices will prevail in the future. As a result, those lower prices would be used to estimate reserve. Lower price assumptions generally result in lower estimates of reserves.

As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of reserves may change. Such changes may impact the Company's reported financial position and results which include:

i. The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.
ii. Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change.
iii. Capitalised stripping costs recognised in the statement of financial position as either deferred stripping or as part of inventory or charged to profit or loss may change due to changes in stripping ratios.
iv. Provisions for rehabilitation and environmental provisions may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
v. The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

(b) **Exploration and Evaluation Expenditure**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The determination of resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Company defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

(c) **Mine Rehabilitation Provision**

The Company assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable.

These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

(d) **Impairment of Assets**

The Company assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use.

(e) **Inventories**

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

(f) **Fair Value Hierarchy**

If the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, then fair value is determined using valuation techniques such as discounted cash flow models. The inputs to these models are taken from observable markets where possible, but if this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Management of the company exercises this judgement when necessary. As at now, no need arises.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) **Interests in Joint Operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company incorporates its interest in joint operations as follows:

i. its assets, including its share of any assets held jointly;
ii. its liabilities, including its share of any liabilities incurred jointly;
iii. its revenue from the sale of its share of the output arising from the joint operation;
iv. its share of the revenue from the sale of the output by the joint operation; and
v. its expenses, including its share of any expenses incurred jointly.

If there is a change in facts and circumstances upon which the joint arrangement is previously classified, the Company shall reassess whether the type of joint arrangement has changed.

(b) **Foreign Currencies**

The financial statements are presented in Naira, which is the company's functional and presentation currency. Multiverse Plc does not have any foreign operations. Transactions in foreign currencies are initially recorded in the functional currency at the respective spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss or other comprehensive income, should specific criteria be met.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(c) **Mineral Exploration, Evaluation and Development Expenditure**

(i) **Pre-licence Costs**

Pre-licence costs are expensed in the period in which they are incurred.

(ii) **Exploration and Evaluation Expenditure**

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the directors conclude that a future economic benefit is more likely than not to be realised. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed. Costs expensed during this phase are included in "exploration and evaluation expenditure expensed" in profit or loss.

(iii) **Farm-outs in the Exploration and Evaluation Phase**

The Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the famor as a gain on disposal.

(iv) **Mines Under Construction**

Expenditure is transferred from "Exploration and evaluation assets" to "Mines under construction" in "Mine Properties" once the work completed to date supports the future development of the property and such development receives appropriate approvals.

Upon transfer of "Exploration and evaluation assets" into "Mines under construction" in "Mine properties", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in "Mines under construction". Development expenditure is net of proceeds from the sale of ore extracted during the development phase. After production starts, all assets included in "Mines under construction" are /transferred to"Producing mines" in "Mine properties".

(d) **Financial Instruments**

(i) **Non-derivative Financial Assets**

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has only loans and receivables as the non-derivative financial assets. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances, call and fixed deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) **Non-derivative Financial Liabilities**

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(ii) **Share Capital**

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Share Issue Costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Dividend on ordinary shares

Dividends on the Company's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

(e) **Property, Plant and Equipment and Mine Properties**

(i) **Initial Recognition**

Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment" or "Mine properties". Items of property, plant and equipment and producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Mine properties also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered being probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development.

(ii) **Depreciation**

Mobile mine equipment, is generally depreciated on a straight-line basis over their estimated useful lives as follows:

- Site Buildings	20 years
- Plant and Machinery	5 to 15 years
- Site Cost	20 years
- Furniture and Fittings	5 years
- Motor Vehicles	4 years
- Computer & IT Equipment	5 years
- Workshop Tools and Sundry Equipment	10 years
- Electrical Project	10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation/amortisation of property, plant and equipment are reviewed at each reporting period, and adjusted prospectively if appropriate.

(iii) **Major Maintenance and Repairs**

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalised.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. All other day-to-day maintenance and repairs costs are expensed as incurred.

(f) **Research and Development Costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to reliably measure the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied and therefore the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

(g) **Impairment**

i. Financial Assets (Including Receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by companying together receivables and held to- maturity investment securities with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to

time value are reflected as a component of interest income If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

ii. **Non-financial Assets**

The carrying amounts of the Company's non-financial assets, such as property plant and equipment, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. In addition, capitalized exploration and evaluation costs are assessed for impairment upon demonstrating the technical feasibility and commercial viability of a project.

Impairment is determined for an individual asset unless the asset does not generate cash

In flows that are independent of those generated from other assets or company of assets, in which case, the individual assets are grouped together into CGUs for impairment purposes. Impairment exists when the carrying amount of the asset, or company of assets, exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the profit or loss.

For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) **Employee Benefits**

i. Defined Contribution Plans

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value. Employees are entitled to join the Scheme on confirmation of employment. Employees and the Company's contributions are 8% and 10% respectively on employee's certain emolument as defined by the Pension Reform Act 2004 as amended.

ii. Termination Benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

iii. Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(j) **Provisions**

(i) A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(ii) **Restructuring**

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(iii) **Onerous Contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(iv) **Rehabilitation Provision**

The Company records the present value of estimated costs of legal and constructive

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

obligations required to restore mining and other operations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operations location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are expensed when the inventory item is recognised in cost of goods sold. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in profit or loss as part of finance costs. Additional disturbances or changes in rehabilitation costs are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If, the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36.

If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in profit or loss.

(k) Revenue

Revenue represents fair value of amounts received or receivable by the entity for the sales of goods and provision of services in the ordinary course of the entity's activities during the period and is stated net of value-added tax (VAT), returns, rebates and discounts.

(i) **Goods Sold**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

(ii) **Services**
Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) **Interest Income**
Is recognised on a time proportion basis using the effective interest method

(iv) **Dividends** are recognised as income in the period in which the right to receive payment is established.

(l) **Finance Income and Finance Costs**
Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets, Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(m) **Income Tax**
(i) Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(ii) Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where carrying amounts of assets carried at fair value are adjusted up or down for financial reporting purposes, tax base is not affected. Thus, revaluation or fair value will lead to temporary differences on these assets which will affect deferred tax. In Nigeria, however, fair valuation of equity instruments and certain debt instruments will not give rise to deferred tax.

Deferred tax is charged or credited to profit or loss for the period, except to the extent that the tax arises from (1) a transaction or event which is recognised, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity or (2) a business combination. Deferred tax is charged or credited outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(n) **Earnings Per Share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(o) **Contingencies**

a) **Contingent Assets**

Contingent Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset is disclosed when an inflow of economic benefit is probable. When the realisation of income is virtually certain, then the related asset is not a contingent and its recognition is appropriate.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statement.

b) **Contingent Liability**

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable is recognised, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

(p) **Borrowing Costs**

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred, except to those that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset. Qualifying assets include the cost of developing mining properties and constructing new facilities. Borrowing costs related to qualifying assets are capitalized up to the date when the asset is ready for its intended use.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred net of any investment income earned on the investment of those borrowings. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period. The amount of borrowing costs capitalised during a period shall not exceed the amount of borrowing costs incurred during that period.

4.0 ADOPTION OF NEW AND REVISED IFRS STANDARDS

4.1 New and Revised Accounting Standards and Interpretations in Issue But Not Yet Effective

The following revisions to accounting standards and pronouncements that are applicable to the company were issued but are not yet effective. Where IFRSs listed below permit early adoption, the company has elected not to apply them in the preparation of these financial statements.

The company will apply relevant Standards when they become effective.

Standard	Content	Effective year
IFRS 9	Financial Instruments	1-Jan-18
IFRS 15	Revenue from Contract with Customers	1-Jan-17
IFRS 16	Leases	1-Jan-19
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1-Jan-18
IAS 7	Disclosure Initiative (Statement of Cash Flows)	1-Jan-18
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Income Tax)	1-Jan-17
IAS 40	Investment Property	1-Jan-18

Commentaries on these new standards/amendments are provided below:

IFRS 9 - Financial Instruments

The issue of IFRS 9 completed the process of IAS 39 Financial Instruments: Recognition and Measurement. This standard provides full guidance for the classification, recognition and measurement, impairment, hedge accounting and de-recognition of financial instruments.

This standard introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. The standard allows financial assets to be categorised as "fair value through other comprehensive" in certain circumstance which is irrevocable. The requirements for financial liabilities were largely carried forward unchanged from IAS 39. The standard introduces a single impairment model to all financial instruments, based on "expected loss" instead of "incurred loss" under IAS 39, for the measurement of impairment loss on financial assets.

The standard also provides requirements for hedging accounting that aligns the accounting treatment with the risk management activities of an entity, in addition to enhanced disclosures which will provide better information about risk management and the effect if hedging accounting on the financial statement.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

IFRS 9 carries forward the de-recognition requirements of financial assets and liabilities from IAS 39. The standard will affect the manner with which the Company calculates and recognise impairment loss including its timing and also the classification of its financial assets. However, it is yet to assess the impact on the financial statement and do not intend to apply it earlier than the mandatory effective date.

IFRS 15 - Revenue from Contracts with Customers

This standard provides comprehensive model for all entities in accounting for revenue arising from contracts with customers. It replaced the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The core principle of the standard is that an entity should recognise revenue to show the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition which are as follows:

1. Identification of the contract with a customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contracts; and
5. Recognition of revenue when (or as) the entity satisfies a performance obligation

An entity recognizes revenue when (or as) a performance obligation is satisfied i.e. when "control" of the goods or services underlying the performance obligation is transferred to the customer. Far more prescriptive guidance is now added to deal with specific scenarios. Furthermore, the standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improved guidance for multiple-element arrangements.

The Company is yet to assess the impact on the financial statement and do not intend to apply it earlier than the mandatory effective date.

IFRS 16 - Leases

This is a new standard which sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a contract i.e. the customer (lessee) and the supplier (Lessor).

It replaces the previous leases standard, IAS 17 Leases, and related interpretations. Some of the highlights are as follows:

1) Carry forward of the lessor accounting requirements in IAS 17. Lessor continues to classify its leases as operating leases or finance leases, and account for those two types of leases differently.

2) Lessee will now recognize assets and liabilities for all leases i.e. no more operating leases, with a term of more than 12 months, unless the underlying asset is of low value e.g. lease of a personal computer; and depreciate the lease assets. Interest is calculated on all lease liabilities and recognized in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3) Separation of lease components from service components of the contract and applies lease accounting to only for lease components. But also, include an option for lessee to account for both components as a single lease, instead of separating those components.

Early application is permitted if IFRS 15 Revenue from Contracts with Customers is applied. Management are yet to assess the impact on this standard and does not intend to adopt same earlier than the effective date.

IFRS 2 - Classification and Measurement of Share-based Payment Transactions

This relates to the classification and measurement of share-based payment transactions. The amendments address three main areas:

1) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
2) The classification of a share-based payment transaction with net settlement features for withholding tax obligations
3) The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments are intended to eliminate diversity in practice, but are narrow in scope and address. Specific areas of classification and measurement.

IAS 7 Disclosure Initiative (Statement of Cash Flows)

This require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments are intended to provide information to help investors better understand changes in a company's debt.

IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses (Income Tax)

It seeks to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. It requires that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

It is also intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses.

IAS 40 Amendment in Investment Property

The amendment provides further guidance on the transfers into or of investment property.

Such a transfer is possible only when there is a change in use of the property and that happens only that property meets or ceases to meet the definition of investment property.

Consequently, a mere change in management's intentions is not sufficient evidence of change in use.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
5	**REVENUE**	**₦'000**	**₦'000**
	Sale of Goods		
	Granites	26,262	57,792
		26,262	57,792

Revenue from granites relate to the Company's share of the joint operation's sales of granites.

		2016	2015
6	**OTHER INCOME**		
	Agency Commission (See Note 6.3)	-	7,792
	Profit on Sales of Property, Plant and Equipment	1,008	
	Income from Other Operations	44,829	50,343
		45,837	58,135
7	**IMPAIRMENTS**		
	Exploration & Evaluation assets	2,152	

Exploration & Evaluation assets relates to different mining Akiri, Kandele, Gashaka, Agorada, Ekiti sites for substantive expenditure on the exploration & evaluation of mineral resources was not budgetted & planned for in the current year.

		2016	2015
8	**FINANCE COSTS**		
	Interest on Bank Loans and Overdrafts	540,484	217,146
	Interest on Loan from Government Institution-NEXIM	-	38,065
	Interest obligation on BOI Restructured Loan	-	86,848
	Other Interest Expenses	156	381
	Unwinding of Discount on Rehabilitation Provision	229	208
	Total interest expense for financial liabilities not classified at fair value through profit or loss (FVTPL)	540,869	342,648

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦'000	₦'000
9	**TAXATION**		
9.1	**As per Profit or Loss:**		
	Current Tax		
	Income Tax Based on Minimum Tax	-	6,407
		-	6,407
	Deferred Tax:		
	Deferred Tax Written Back for Current Year	-	(25,541)
		-	(25,541)
	Total Income Tax Expense/(Income) Recognised in the Current Year	-	-

The income tax expenses can be reconciled to accounting profit as follows:

	2016	2015
Loss Before Tax	-	(405,854)
Income Tax Calculated at 30%	-	(121,756)
Effect of Dis-allowable Expenses	-	33,056
Reversal of prior period tax	-	-
Minimum Tax Adjustment	-	69,567
Income Tax Expense Recognised in the Current Year	-	(19,133)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦'000	₦'000
9.2	**As Per Statement of Financial Position**		
	Current Income Tax		
	At 1 January	39,883	33,476
	Provision During the Year	-	6,407
	Paid During the Year	(1,664)	
	Write back	(20,810)	-
	At 31 December	17,409	39,883

Corporation tax is calculated at 30 per cent (2015: 30 per cent) of the estimated taxable profit for the year. The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21, LFN, 2004 as amended. The charge for education tax of 2 per cent (2015: 2 per cent) is based on the provisions of the Education Tax Act, CAP E4, LFN, 2004.

Deferred Tax

The following are the major deferred tax liabilities recognised by the company and movements thereon during the current and prior reporting period.

	2016	2015
At 1 January	922,812	948,353
Charge/(Credit) to Profit or Loss	-	(25,541)
At December 31	922,812	922,812

The following is the analysis of the deferred tax liabilities as presented in the Statement of Financial Position:

2016	**Opening Balance**	**Recognised in Profit or Loss**	**Closing Balance**
Property, Plant and Equipment	922,812	-	922,812
	922,812	-	922,812
2015			
Property, Plant and Equipment	948,353	(25,541)	922,812
	948,353	(25,541)	922,812

According to IAS 12, deferred tax assets are to be recognised on all deductible differences and all unused tax losses to the extent that it is probable that taxable profits will be available against which they can be utilised in the future. At the year end, there is a deferred tax implication (at 30%) on unutilised losses and unabsorbed capital allowances which are yet to be recognised.The Company's directors have decided not to recognise the deferred tax asset until the indications that there would be sufficient future profit becomes more probable.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

10	**LOSS FOR THE YEAR**	**2016**	**2015**
	Loss for the Year is arrived at after Charging/(Crediting):	**₦'000**	**₦'000**
	Depreciation Expense	104,912	107,307
	Profit on Diposal of PPE	1,008	-
	Auditors' Fee	3,000	3,000
	Directors' Remuneration	23,140	23,140

11 **EARNINGS PER SHARE**

Earnings per share are calculated on the basis of profit after taxation and the number of issued and fully paid ordinary shares of each financial year.

11.1 **Basic/Diluted Earnings Per Share**

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are:

Earnings from Continuing Operations	**₦'000**	**₦'000**
(Loss)/Profit for the Year Attributable to Owners of the Company	(584,118)	(386,720)
Number of Shares		**Number**
Number of Ordinary Shares for the purpose of Basic Earnings per Share	4,261,939	4,261,939
Earnings Per Share (Kobo) - Basic	(14)	(9)

The denominator for the purpose of calculating basic earnings per share is based on issued and paid ordinary shares of 50 kobo each.

11.2 **Impact of Changes in Accounting Policies**

There were no changes in the company's accounting policies during the year that impacted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦'000	₦'000
12	**EXPLORATION AND EVALUATION ASSETS**		
	Cost At 1 January	2,152	2,152
	Additions	-	-
	Transfer to Mines Under Construction	-	-
	Cost At 31 December	2,152	2,152
	Provision for Impairment as at 1 January	-	-
	Impairment Charge for the Year	(2,152)	-
	Reversal of Previously Recognised Impairment	-	-
	Provision for Impairment as at 31 December	(2,152)	-
	Carrying Amount At 31 December	-	2,152

Exploration and evaluation expenditure immediately expensed in the profit or loss amounted to nil (2015- nil).

13 MINE PROPERTIES

	Mine Site Under Construction	Quarry Site	Total
COST	₦'000	₦'000	₦'000
At 1 January 2015	1,447,557	29,986	1,477,543
Additions	86,864	-	86,864
Transferred from Exploration and Evaluation Assets	(57,500)	-	(57,500)
At 31 December 2015	1,476,921	29,986	1,506,907
Additions	67,459	-	67,459
At 31 December 2016	1,544,380	29,986	1,574,366

13.1 Impairment Testing of Mine Properties

An impairment test was not performed during the year under review.

13.2 The quary site not yet operational, have no depletion or impaired, thine site under construction is yet to result under production estimates.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 **PROPERTY, PLANT & EQUIPMENT**

Figures in thousand ('000) of Naira

	Plant & Machinery	Site Cost	Site Building	Workshop Tools & Sundries Equipment	Motor Vehicle	Electricity Project	Office Equipment	Computer & IT Equipment	Furniture & Fittings	Total
COST	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
At 1 January 2015	3,674,655	247,378	7,132	45,333	83,719	9,703	12,234	11,792	8,707	4,100,654
Additions	7,000	2,689	-	-	-	-	-	59	-	9,748
Write off	(16,781)	-	-	-	-	-	-	-	-	(16,781)
At 31 December 2015	3,664,874	250,067	7,132	45,333	83,719	9,703	12,234	11,851	8,707	4,093,621
Additions	-	-	-	-	-	-	-	133	-	133
Disposal	(14,000)	-	-		-	-	-	-	-	(14,000)
At 31 December 2016	3,650,874	250,067	7,132	45,333	83,719	9,703	12,234	11,984	8,707	4,079,754
DEPRECIATION										
At 1 January 2015	704,945	43,363	2,178	45,333	83,709	7,969	11,700	11,782	7,538	918,517
Charge for the Year	91,868	12,400	356	-	-	972	534	8	1,169	107,307
Write off	(16,781)	-	-	-	-	-	-	-	-	(16,781)
At 31 December 2015	780,032	55,763	2,534	45,333	83,709	8,941	12,234	11,790	8,707	1,009,043
Charge for the Year	91,270	12,504	356	-	-	762	-	20	-	104,912
Disposal	- 2,508	-	-		-	-	-	-	-	(2,508)
At 31 December 2016	868,794	68,267	2,890	45,333	83,709	9,703	12,234	11,810	8,707	1,111,447
CARRYING AMOUNTS										
At 31 December 2016	2,782,080	181,800	4,242	-	10	-	-	174	-	2,968,307
At 31 December 2015	2,884,842	194,304	4,598	-	10	762	-	61	-	3,084,577

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦'000	₦'000
15	**INVENTORIES**		
	At 1 January	46,643	51,412
	Inventories expensed:		
	Consumed During the Year	(15,854)	(22,028)
	Addition in the Year	1,405	17,259
	At 31 December	32,194	46,643

Finished goods consist of different sizes of granites (0-5mm, 5-12mm, 12-19mm, 20-25mm aggregates). Work in progress relates to uncrushed blasted rocks at the Quarry pit. Costs include drilling, explosives, prima work that are used in getting the rocks to crushable state. At year end, the Directors consider that the realisable value of stock is not lower than the book value. No inventory is recognised in respect of ore during the year as the company is yet to commence production The cost of inventories recognised as expense is separately disclosed on the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	2016	2015
16 **TRADE AND OTHER RECEIVABLES**	**₦'000**	**₦'000**
Trade Receivables	1,464	12,026
Less: Provision for Impairment of Trade & Other Receivables	-	(3,144)
	1,464	8,882
Other Receivables	16,071	42,830
	17,535	51,712

Trade receivables are non-interest bearing and are generally on terms of 30 to120days. Due to their short term nature, the carrying amount of the trade and other receivables approximates their fair value. Movement in provision for impairment of trade receivables for the year is as detailed below:

Provision for Impairment of Receivables	**₦'000**	**₦'000**
At start of the Year	3144	265
Bad Debt	(3,144)	2,879
At End of the Year	-	3,144

Other classes within trade and other receivables do not contain any due, but not impaired assets. No receivable is pledged as security for borrowings.

As at year end, the analysis of trade receivables that were past not impaired is as follows:

Neither Past Due nor Impaired	**₦'000**	**₦'000**
Less than 30 days	-	-
30 to 60 days	-	-
61-90 days	-	-
91 to 120 days	-	-
Above 120 days	1,464	8,882
	1,464	8,882

In determining the recoverability of the trade and other receivables, the company performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparty.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
17	**CASH AND CASH EQUIVALENTS**	**₦'000**	**₦'000**
	Cash at Bank	4,369	42,445
		4,369	42,445

Included in these figure is N17.88 (2015:N42,445) the company's share of cash and cash equivalent from its interest in joint operations.

		2016	2015
18	**SHARE CAPITAL**		
	Authorised:		
	4,500,000,000 Ordinary Shares of 50k each	2,250,000	2,250,000
	Issued and Fully Paid:		
	At 1st January	2,130,969	2,130,969
	At 31 December	2,130,969	2,130,969
19	**SHARE PREMIUM**		
	At 1 January	1,242,082	1,242,082
	At 31 December	1,242,082	1,242,082
20	**RETAINED EARNINGS**		
	At 1 January	(2,084,030)	(1,773,335)
	Correction of prior period error	(100,103)	7,000
	Restated balance	(2,184,133)	(1,766,335)
	Share of Capital Reserve from Joint Operations	(5,023)	36,849
	Other Transfer	3,480	32,176
	Loss for the year	(584,118)	(386,720)
	At 31 December	(2,769,794)	(2,084,030)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦000	₦000
21	**LOANS**		
	The borrowings are made up as follows:		
	Non-current		
	Term Loans	298,015	367,265
	Current		
	Term Loan	648,110	539,530
	Bank Overdraft	1,496,971	945,063
		2,145,081	1,484,593
	Total Borrowings	2,443,096	1,851,858
	Non Current Term Loan is analysed as follows:		
	At 1 January	367,265	358,573
	Addition	-	65,818
	Payment	-	-
	Current Portion of Non-current Loan	(69,250)	(57,126)
	At 31 December	298,015	367,265
	Current Term Loan is analysed as follows:		
	At 1 January	539,530	304,510
	Current Portion of Non-current Loan	-	57,126
	Additions/Restructuring	108,579	235,020
	Transferred to Bank Overdraft	-	(57,126)
	At 31 December	648,109	539,530

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21.1 **Components of Current Portion of Non-current Borrrowing**

Non-current	**NEXIM Bank (1)**	**NEXIM Bank (2)**	**Access Bank**	**Unity/BOI**	**Unity Term Loan/BOI**	**UBN-Term Loan**	**Total**
Figures in thousand ('000) of Naira	**₦**		**₦**	**₦**	**₦**	**₦**	**₦**
Non-current term loan is analysed as follows:							
At 1 January	-	-	127,267	55,263	184,735	-	367,265
Addition	-	-	-	-	-	-	-
Payments	-	-	-	-	-	-	-
Current Portion of Non-current Loan	-	-	(30,303)	(10,526)	(28,421)	-	(69,250)
At 31 December	-	-	96,964	44,737	156,314	-	298,015
Current:							
Facility Type/Purpose							
Opening Balance	539,530	107458	58,298	347,001	-	539,764	1,592,051
Interest Capitalised during the year	-	-		97,931	-	245,273	343,204
Addition/Restructuring	108,579	-	31,996	-	-	-	140,576
Current Portion of Non-current Loan	-	-	30,303	10,526	28,421	-	69,250
	648,109	107,458	120,597	455,458	28,421	785,037	2,145,081

Current obligation includes obligations which are due within 12 months after the reporting year end.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21.2 **Bank Loans is Further Analysed Below:**

Facility Type/Purpose	Tenure	Interest Rate	Security	Facility Amount	Draw Down/Balance December 2016	Draw Down/Balance December 2015
				₦	₦	₦
Nexim	5 years	10.50%	Legal Mortgage over Assets	524,636	648,109	539,530
Other Term Loan: Unity Bank /Boi Refinancing Facility	12mths	5%	Legal Mortgage over quarry site and personal guarantees of all Directors	100,000	44,737	52,626
Access Bank Plc	10 years	7%	-	242,417	96,964	121,209
Term Loan- BOI	9yrs, 6 mths	5%	Legal Mortgage over Assets	270,000	156,314	184,737
Total Term Loan					946,124	898,102
Less: Non-Current Portion of Term					(298,015)	(358,572)
Current Portion					648,109	539,530

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21.3 Liquidity Profile of Borrowings

The analysis depicts the maturities of various term loans outstanding as at 31 December, 2016:

Facility Type/Purpose	Less Than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	Above 5 Years	Carrying Amount
	₦	₦	₦	₦	₦
Unity Bank /BOI Term Loan	156,314	42,630	49,737	63,947	156,314
Access Bank Plc	96,964	48,481	36,363	12,120	96,964
Unity Bank /BOI	44,737	21,053	18,421	5,263	44,737
	298,015	112,164	104,521	81,330	298,015

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22	**PROVISIONS**	**2016**	**2015**
	Rehabilitation	**₦'000**	**₦'000**
	At 1 January	2,288	2,080
	Unwinding of Discount	229	208
	At 31 December	2,517	2,288
	Comprising:		
	Current	-	-
	Non-current	2,517	2,288
		2,517	2,288

The company makes full provision for the cost of rehabilitating mining sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation cost relating to mine sites, which are expected to be incurred up to 2042. These provisions have been created based on the companyis internal estimates. Assumptions based on current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assunptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine cease to produce at economically viable rates. This, in turn, will depend upon future lead and barite prices, which are inherently uncertain.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
23	**TRADE AND OTHER PAYABLES**		
		₦'000	**₦'000**
	Trade Payables	323,289	409,029
	Other Payables (Note 23.1)	284,391	219,547
		607,680	628,576
23.1	**Other Payables**		
	Accurals	1,634	3,375
	Interest Payable- NEXIM	74,027	24,411
	PAYE Payable	4,829	5,373
	WHT Payable	3,857	3,857
	VAT Payable	1,867	8,417
	Pension Payable (Note23.2)	46,353	45,494
	Salary Payable	148,385	125,181
	Unpaid dividend (Note 23.3)	3,439	3,439
		284,391	219,547
23.2	**Staff Pension Scheme**		
	At 1 January	45,494	43,937
	Contributions During the Year	859	1,557
	At 31 December	46,353	45,494

23.3 The company received unpaid dividend from its Registrar, Mainstreet Bank Registrar Limited, a mainstreet bank cheque for the dividend that were uncollected for 15 months and above.

Trade and other payables are non-interest bearing and are normally settled on 15 to 45 days term.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	2016	2015
	₦'000	**₦'000**
24 CASH GENERATED FROM OPERATIONS		
Reconciliation of profit after tax to net cash generated by operating activities:		
Operating Loss for the Year	(43,249)	(63,207)
Adjustments for Non Cash Flow Items:		
Depreciation	104,912	107,308
(Profit)/Loss on Disposal of Property, Plant and Equipment	(1,008)	-
Inventory Consumed by Joint Operation	(15,854)	(22,028)
Impairment on Exploration & Evaluation	2,152	-
Changes in Rehabilitation Provision	229	208
Tax Paid	(5,286)	-
Operating Cash Flows Before Movements in Working Capital	41,896	22,281
Decrease/(Increase) in Inventories	(14,449)	(17,259)
increase in Trade and Other Receivables	34,178	(31,639)
Increase in Trade and Other Payables	(135,409)	27,577
Net Cash Generated from Operations	(73,784)	960

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25 RELATED PARTY TRANSACTIONS

Details of transactions and outstanding balances between the company and its related parties during the period are disclosed below:

25.1 Trading Transactions

The Company entered into transactions with its related parties during the year and transactions conducted resulted to the balances analyzed below:

	Nature of Transaction	2016	2015
		₦'000	₦'000
Treasuremix Construction Limited	(Repayment) / Loan	800	-
		800	-

Analysis of the outstanding at the reporting date:

	Nature of Transaction	Due to Related Parties	
		2016	2015
		₦'000	₦'000
Treasuremix Construction Limited	Payables	300	-
Heritage Capital Markets Limited	Payables	15,993	15,993
Ayedun Fasina	Deposit	115,000	115,000
Wenberg Construction Limited	Loan & Interest	-	107,549
		131,293	238,542

There were no sales of goods to related party during the year under review.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 DIRECTORS AND EMPLOYEES

26.1 Directors

	2016	2015
	₦'000	₦'000
Emoluments:		
Fees	1,040	1,040
Other Remuneration and Allowances	500	500
	1,540	1,540

The number of Directors whose gross emoluments were within the following ranges are:

Range (N)	Number	Number
1,000,001 - 2,000,000	-	-
3,000,001 and above	2	2
	2	2

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26.2 **Employees**	**2016**	**2015**
The average number of employees employed during the year:		
	Number	**Number**
	5	5
	5	5

The aggregate payroll costs:		
	N'000	**N'000**
Wages, Salaries, and Allowances:		
Administrative Expense	6,083	8,901
Pension Cost	954	1,725
	7,037	10,626

The number of higher paid employees with gross emoluments within the ranges below were:

Range (N)	**Number**	**Number**
100,000 - 200,000	-	-
200,001 - 300,000	-	-
300,001 - 400,000	-	-
400,001 - 500,000	2	2
500,001 - 1,000,000	-	-
1,000,000 - 2,000,000	3	3
Above 2,000,000	2	2

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 FINANCIAL INSTRUMENTS

27.1 Capital Risk Management

The Company manages its capital to ensure that the company will be able to continue as going concern while maximising the return to stakeholders through the optimisation equity. The Company's overall strategy remains unchanged The capital structure of the company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Company is not subject to any externally imposed capital requirements. Equity includes all capital and reserves of the Company that are managed as capital.

27.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

27.3 Categories of Financial Instruments

	2016	2015
	₦'000	**₦'000**
Financial Assets		
Cash and Bank Balances	4,369	42,445
Trade and Other Receivables	17,535	51,712
	21,904	94,157
Financial Liabilities		
Financial Liabilities at Amortized Cost	2,443,096	1,851,858
Trade and Other Payables	607,680	664,431
	3,050,776	2,516,289

27.4 Financial Risk Management Objectives and Policies

The Company's principal financial liabilities, comprise accounts payable, bank loans and and overdrafts. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the Company's capital expenditure programme. TheCcompany has various financial assets such as trade and other receivables and cash, that arise directly from its operations.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27.5 Risk Exposures and Responses

The company manages its exposure to key financial risks in accordance with the company's financial risk management policy. The objective of the policy is to support the delivery of the company's financial targets while protecting future financial security. The main risks that could adversely affect the company's financial assets, liabilities or future cash flows are market risks, comprising cash flow interest rate risk, liquidity risk and credit risk.

The company's senior management oversees the management of financial risks. The company's senior management is supported by a Audit Committee that advises on financial risks and governance framework for the company. The Audit committee provides assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the company's policies and risk objectives. Currently, the company does not currently apply any form of hedge accounting. The Board of Directors reviews and agrees policies for managing each of these risks.

27.6 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to only interest rate risk

The sensitivity of the relevant profit before tax item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2016. The impact on equity is the same as the impact on profit before tax.

27.7 Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with bank loan interest rate subjects to charges to the prvailing monetary policy rate.

27.8 Foreign Currency Risk

The Company has transactional currency exposures arising from sales or purchases in currencies other than the respective functional currencies. The Company manages this risk by matching receipts and payments in the same currency and monitoring movements in exchange rates.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. GOING CONCERN

The financial statements have been prepared under the assumption that the Company will continue as a going concern.

The Company has net current liabilities of N2,770,169,000 (2015: N2,012,252,000), net loss of ₦584,118,000 for the year ended 31 December 2016 (2015: ₦386,721,000 and accumulated losses of N2,084,031,000 (2015: N2,084,031,000). The net current liability is due to backlog of trade and other liabilities and substantial current portion of loan-term borrowings which were due for repayment but remained unpaid.

The accumulated losses for over three years running were primarily caused by no production and sales (except commissions earned from its agency relationship with its joint venture partner) during the year, massive finance costs of N540,869,000 (2015: N342,648,000) arising from non-payment of overdue long-term borrowings and poor performance of the Company over years.

During the reporting year, the Company has undertaken a thorough review of its financial position and its business strategy to improve the position in near future.

The directors confirmed that it has successfully restructured its loan from Nigeria Export-Import Bank to allow for longer repayment that will improve cash flows and have reached significant stages in the negotiation process for the restructuring of the other bank loans, hence, it believes that none of its loans/overdraft facilities will crystallize into any legal claim against the company.

To boost revenue and cash flows in the short-term period, the company acquired Nurex Global Business Nigeria Limited thereby taking over the contract of services with LafargeHolcim for the hire of Dozer machine for material stockpiling, hiring of Grade for factory road cleaning, mobilization etc. Additional equipment has been deployed to LafargeHolcim at Sagamu site for maximum utilization and profitability.

With respect to strategies to boost mining activities through the mining sector value chain, the directors signed memorandum of understanding with Novastar Enterprises, Hongkong for mining operations with about $5million expected as investment into its mining operations.

The directors also executed an agreement with Shandong Xinhai Mining Technology & Equipment, China for mining, processing and stockpile within the Production Requirement Range of 17,000MT of Lead/Zinc for a period of 20 years.

Furthermore, the directors secure purchase and sales order contract with Anhui Xina International Trading Company Limited, China as off takers of its mine outputs with expiration date for July 11, 2035.

Based on the foregoing above, the directors affirm that the company will continue as a going concern, having considered expectations and intentions for the next 12months and many more years to come. The directors expect a turnaround in the Company's performances, financial portion and cash flows position because of the change in its business model which has brought significant transformation into the operations of the Company. The Directors further assert that the Company's Lead/Zinc Ore mining activities in Abuni, Awe Local Government Area, Nasarawa State which was planned to commence production in October 2016 was delayed due to the impact of the economic recession in the country in 2016. This necessitated the review of the operational and financial strategies and revised business model agreement between the company and its technical partners. The Directors are happy to report that the technical partners have shown strong commitment, already on site and planned production will now commenced in September 2017. Consequently, the Directors are optimistic that its anticipated monthly profit from the sale of Lead Ore from this site would return the negative positions of the Company to positive. It also believes that the current activities in production of Lead/Zinc would enable the company achieve the required cash flows to liquidate outstanding debts of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 CAPITAL COMMITMENT AND OTHER CONTIGENCIES

At 31 December 2016, the company had no contractual commitments for the acquisition of property, plant and equipment or other contingencies.

30 EVENT AFTER REPORTING DATE

No material transactions occurred between 31 December 2016 and the date the financial statements were signed requiring disclosure in or adjustment to the annual financial statements for the period ended 31 December 2016.

31 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorised for issue on 17th March, 2017.

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUE ADDED

	2016 ₦'000	%	2015 ₦'000	%
Revenue	26,262		49,169	
Value of Services (Local)	(3,399)		(72,102)	
Other Income	45,837		58,136	
Value Added for Disribution	68,700	100	35,203	100
Apply as follows:				
In payment to Government				
Income Tax Expenses	-	-	19,134	54
In Payment to Employees				
Salaries, Wages and Pension	7,037	10	10,626	30
Capital Provider				
Finance Charges	540,869	787	342,648	973
Retained in Business for Expansion & Development				
Depreciation	104,912	153	107,308	306
Retained Loss	(584,118)	(850)	(444,513)	(1,263)
	68,700	100	35,203	100

OTHER NATIONAL DISCLOSURES (Cont'd)

FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000
ASSETS					
Non-current Assets					
Exploration and Evaluation Assets	-	2,152	2,152	39,434	115,814
Mine Properties	1,574,366	1,506,907	1,477,543	1,408,890	888,509
Property, Plant & Equipment	2,968,307	3,084,577	3,182,136	3,334,731	3,821,041
Intangible Assets	-	-	-	-	318
Total Non-current Assets	4,542,673	4,593,636	4,661,831	4,783,055	4,825,682
Current Assets					
Inventories	32,194	46,643	51,412	156,778	553,725
Trade and Other Receivables	17,535	51,712	20,073	23,413	53,828
Cash and Cash Equivalents	4,369	42,445	7,246	23,503	54,888
Total Current Assets	54,098	140,800	78,731	203,694	662,441
Total Assets	4,596,770	4,734,436	4,740,562	4,986,749	5,488,123
EQUITY AND LIABILITIES					
Shareholders' Equity					
Issued Capital	2,130,969	2,130,969	2,130,969	2,130,969	2,130,969
Share Premium	1,242,082	1,242,082	1,242,082	1,242,082	1,242,082
Retained (Loss)/ Earnings	(2,769,794)	(2,084,030)	(1,773,334)	(1,220,927)	(671,599)
Total Shareholders' Equity	603,257	1,289,021	1,599,717	2,152,124	2,701,452
Non-current Liabilities					
Interest-bearing Loans and Borrowings	298,015	367,265	358,573	511,189	532,951
Deferred Tax Liabilities	922,812	922,812	948,353	983,881	1,065,108
Provisions	2,517	2,288	2,080	1,891	1,719
Total Non-current Liabilities	1,223,344	1,292,365	1,309,006	1,496,961	1,599,778

FINANCIAL SUMMARY (Cont'd)

	2016	2015	2014	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000
Current Liabilities					
Interest-bearing Loans and Borrowings	2,145,081	1,484,593	946,755	794,139	910,349
Accounts Payables and Accrued Liabilities	607,680	628,576	851,609	517,971	256,544
Income Tax Payable	17,409	39,883	33,476	25,554	20,000
Total Current Liabilities	2,770,170	2,153,053	1,831,840	1,337,664	1,186,893
Total Liabilities	3,993,515	3,445,417	3,140,846	2,834,625	2,786,671
Total Liabilities and Shareholder's Equity	4,596,771	4,359,827	4,740,563	4,986,749	5,488,123
Profit or Loss and Other Comprehensive Income					
Turnover	26,262	-	49,169	289,184	674,482
(Loss)/Profit Before Taxation	(584,118)	(463,647)	(580,014)	(612,733)	34,686
Taxation	-	19,134	27,607	63,406	(4,038)
Loss/Profit After Taxation	(584,118)	(444,513)	(552,408)	(549,327)	30,648
Per Share Data (Kobo):					
Loss-Basic	(13.71)	(10.43)	(12.96)	(12.89)	0.72
Net Asset	(96.83)	(48.61)	(34.53)	(25.52)	1.13

CONTENT **PAGES**