

# Ethiopian Mineral Corporation

## Auditor's Report & Financial Statements

For the Year Ending July 7 , 2024



TOLESSA BEYENE  
CERTIFIED AUDIT FIRM

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**Ethiopian Mineral Corporation**  
**Contents**  
**For the year ended July, 2024**

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**Ethiopian Mineral Corporation**  
**Statement of management's responsibilities**  
**For the Year Ending July7, 2024**

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These financial statements are prepared in accordance with Financial Reporting Proclamation No. 847/2014

- a) exhibit clearly and correctly the state of its affairs;
- b) explain its transactions and financial position; and
- c) enable regulatory bodies such as AABE and Ethiopian Revenue and Customs Authority (ERCA) to determine whether the company had complied with the required reporting financial reporting framework and the relevant tax proclamations and regulations and directives issued for the implementation.

The corporation's management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards.

The management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the corporation.

The management further accepts 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 management 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 management by:

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General Manager

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Finance Director



## Tolessa Beyene Certified Audit Firm

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### INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF ETHIOPIAN MINERAL CORPORATION

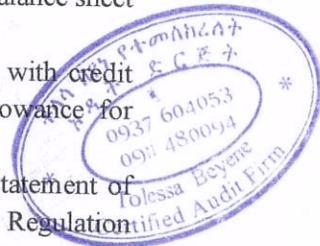
#### Qualified Opinion

We have audited the accompanying financial statements of **Ethiopian Mineral Corporation** set out on pages 9 to 40, which comprise the Statement of Financial Position as at 7 July 2024, and the Statement of Profit and Loss and Other Comprehensive Income, statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matters discussed in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view, in all material respects, the financial position of the Corporation as at 7 July 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Qualified opinion

1. Included in inventory items are stock adjustment items t with a balance of Birr 9,272,245.17 which has been long outstanding over a year and its existence is unverifiable.
2. We noted long outstanding loan balance of Birr 46,020,575whcih has been outstanding over years and we were unable to verify the actual existence of the stated loan balance as of the balance sheet date.
3. Included in trade and other receivables Birr 38,990,017.95 representing receivables with credit balance which has been long outstanding for which we believe the existing allowance for impairment loss is inadequate.
4. There is significant variation between the balances of paid-up capital stated in the statement of financial position and the paid-up capital stated in the establishment document, Regulation No.462/2020. The paid-up capital stated in the Regulation is Birr 4.175billion while the paid-up capital balance stated in the statement of financial position is Birr.462.76 million.
5. Details, such us cost, accumulated depreciation and carrying value of property, plant and equipment stated in the register book is not reconciled with their respective ledger balance and we were unable to verify completeness and accuracy of the reported Property, plant and equipment balance.



6. Projected credit method (actuarial assumption) was not used in calculating the severance pay of employee for the current period as it is required by IAS19 employee benefit.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Corporation in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

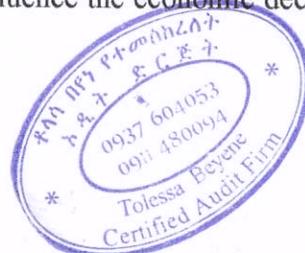
Management is responsible for the preparation and fair presentation the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from a material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Corporation'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 statement as a whole is 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## Independent Auditor's Report (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the 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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Corporation to express an opinion on the financial statements. We remain solely responsible for our audit opinion

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Tolessa Beyene (M.Sc., FCCA).

Tolessa Beyene  
Certified Audit Firm  
Addis Ababa, Ethiopia

20<sup>th</sup> September 2025



**Ethiopian Mineral Corporation**  
**Statement of profit or loss and other comprehensive income**  
**For the Year Ending July7, 2024**

Figures in Birr	Notes	July 07,2024	July 07,2023
Revenue	14	50,930,214	39,984,871
Less: Cost of Goods Sold	16 A	(33,465,604)	(30,510,692)
<b>Gross profit</b>		<b>17,464,610</b>	<b>9,474,179</b>
Other income	15	41,645,825	29,379,916
Impairment loss		(5,096,094)	(750,011)
General and administrative expenses	17	(111,290,789)	(114,936,057)
Selling and distribution expenses	19	(1,549,040)	(314,114)
Total operating expenses		(117,935,923)	(116,000,182)
<b>Operating profit/(loss)</b>		<b>(58,825,488)</b>	<b>(77,146,087)</b>
Finance costs	21	(3,218,657)	(770,126)
<b>Profit before taxation</b>		<b>(62,044,145)</b>	<b>(77,916,213)</b>
Taxation Income (Expense)	22.2	10,543,828	12,372,432
<b>Profit (Loss) for the year</b>		<b>(51,500,317)</b>	<b>(65,543,780)</b>

The notes on pages 9 to 40 are an integral part of these financial statements.



**Ethiopian Mineral Corporation**  
**Statement of Financial Position**  
**As At 7 July, 2024**

Figures in Birr	Notes	July 07,2024	July 07,2023
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment (Net)	3	222,188,640	259,060,112
Land Use Right (freehold land)	4	647,049,731	647,049,731
Intangible Assets	5	10	24,175
Right of use asset	6	12,555,091	-
Investments	7	61,276,000	61,276,000
<b>Non-current assets</b>		<b>943,069,472</b>	<b>967,410,019</b>
<b>Current assets</b>			
Non-current Assets Held for Sale	7	7,209,753	7,387,302
Inventories	9	115,228,803	103,583,533
Trade and Other Receivables	8.1b	47,613,363	27,629,946
Cash and Cash Equivalents	8.1a	134,076,167	56,322,186
<b>Current assets</b>		<b>304,128,086</b>	<b>194,922,967</b>
<b>Total assets</b>		<b>1,247,197,558</b>	<b>1,162,332,986</b>
<b>Shareholders' Equity and Liabilities:</b>			
<b>Shareholders' Equity:</b>			
Paid up capital	10.1	462,767,851	462,767,851
Legal reserve	10.3	2,169,599	2,169,599
IFRS Adoption Remeasurement Reserve	10.2	583,004,816	622,021,330
Retained Earnings	10.2	(575,222,416)	(561,343,618)
<b>Total Stockholders' Equity</b>		<b>472,719,850</b>	<b>525,615,163</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loan from Ministry of Finance	8.2b	227,969,923	227,969,923
Loan from Ethiopian investment holdings	8.2c	140,000,000	-
Lease obligation	8.2d	10,703,101	-
Deferred Tax Liabilities	20.1	196,305,726	206,849,554
Employee Benefits payable	11	6,081,895	5,633,142
<b>Total Non-current liabilities</b>		<b>581,060,645</b>	<b>440,452,620</b>
<b>Current liabilities</b>			
Trade & Other Payables	8.2e	105,835,382	112,737,398
Bank Loan	8.2a	46,020,575	46,020,575
Lease obligation- current maturity	8.2d	6,022,496	-
Employee benefits payable-leave	11	3,086,653	2,963,756
Current Tax Liabilities	18	32,451,955	34,543,474
<b>Total Current Liabilities</b>		<b>193,417,062</b>	<b>196,265,203</b>
<b>Total liabilities</b>		<b>774,477,707</b>	<b>636,717,823</b>
<b>Total Shareholders' Equity and liabilities</b>		<b>1,247,197,558</b>	<b>1,162,332,986</b>



The notes on pages 9 to 40 are an integral part of these financial statements.



**Ethiopian Mineral Corporation**  
**Statement of cash flows**  
**For the Year Ending 7 July 2024**

Figures in Birr	Notes	July 07,2024	July07,2023
<b>Cash flows from operating activities</b>			
Profit before tax		(62,044,145)	(77,916,213)
Adjustments:			
Depreciation	3	39,262,156	47,552,454
Amortisation	5	1,975,158	16,000
Gain on disposal		(1,465,236)	(4,355,038)
Foreign exchange gain	15	(1,262,759)	(980,714)
Impairment Loss		5,096,094	-
Prior year Adjustment		(1,394,996)	(3,793,494)
(Increase)/Decrease in inventories		(11,645,270)	(1,143,557)
(Increase)/Decrease in Trade and other receivables		(23,103,585)	-
Increase/ (Decrease) in trade & other payables		(6,902,016)	-
Increase /(Decrease) in Employee Benefits payable		571,650	-
Increase/ (Decrease) in current tax liabilities		(2,091,518)	-
2% income tax withheld at source	20.4	(3,120,168)	(2,145,048)
<b>Net cash generated from operating activities</b>		<b>(66,124,635)</b>	<b>(42,765,611)</b>
<b>Cash flows from investing activities</b>			
Cash from Disposal of PPE		10,586,283	4,355,038.11
Purchase of fixed asset		(2,418,683)	-
<b>Net cash utilised by investing activities</b>		<b>8,167,599</b>	<b>4,355,038</b>
<b>Cash flows from financing activities</b>			
Loan from Ethiopian investment holdings		140,000,000	-
<b>Net cash out flow from financing activities</b>		<b>140,000,000</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>82,042,964</b>	<b>(38,410,572)</b>
Cash and cash equivalents at the beginning of the year		52,033,203	90,443,775
<b>Net Cash and cash equivalents at the end of the year</b>		<b>134,076,167</b>	<b>52,033,203</b>
<b>Repsented by</b>			
Cash and cash equivalents at the end of the year		134,076,167	56,322,186
<b>Less: Bank Overdraft</b>			
<b>Net Cash and cash equivalents at the end of the year</b>		<b>134,076,167</b>	<b>56,322,186</b>



The notes on pages 9 to 40 are an integral part of these financial statements.

# Ethiopian Mineral Corporation

## Notes to the financial statements

### For the Year Ending July 07,2024

#### 1 Company information

The Ethiopian Mineral Corporation was re-established by council of Ministers Regulation No. 462/2020 on February 11, 2020. It was re-established with an authorized capital of Br birr 16.7 billion and from paid up capital of 4.175 billion stated in the regulation only Br 462.8 million has been paid.

The primary objective of the corporation is to explore, develop and exploit proven mineral resources, petroleum and Bio-fuel in its own or in association with others as appropriate. The corporation is also engaged in the provision of services including consultancy, drilling, laboratory, data acquisition, processing and interpretation, feasibility study and training in the field of mining, petroleum and bio-fuel operations.

The head office of the corporation is located in Addis Ababa where as it has mineral extraction and production sites at Kenichi and BuanbuaWeha in Oromia Regional state and office in Dire dewa and Shakiso.

#### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 2.1 New standards and interpretations

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the corporation's financial statements are disclosed below. These standards, amended standards and interpretations are not expected to have a material impact on the financial statements in future reporting periods, due to the nature of the corporation's business.

Details of amendment	Annual periods beginning on or after
IAS 1 — Presentation of Financial Statements (Amendment)- 'Classification of Liabilities as Current or Non-current	01-Jan-24
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	01-Jan-24
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	02-Jan-24



## **IAS 1 — Presentation of Financial Statements**

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022, however, their effective date has been delayed to 1 January 2024. Earlier application is permitted. The Company has opted not adopt early. No significant impact is expected.

### **Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)**

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. Effective for Annual reporting periods beginning on or after 1 January 2024. The Company opted to apply the amendments when due but no impact is expected.

### **Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)**

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. Effective for Annual reporting periods beginning on or after 1 January 2024. The Company opted to apply the amendments when due but no impact is expected. The Company has opted not adopt early. No significant impact is expected.

## **2.2 Basis of preparation**

The financial statements for the period ended 7 July 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements of the Corporation as at and for the year ended July 07, 2024 is its separate financial statement prepared in accordance with IAS 27 Separate Financial Statement. The Corporation has one subsidiary that would require consolidation in accordance with IFRS 3 Business combinations.

The financial statements for the year ended 7 July 2024 (including comparatives) were approved and authorized for issue by the management.

The corporation's financial statements have been prepared on an accrual basis and measured using cost model except, property, plant and equipment and right of use of land (whose fair value was used as deemed cost on transition date )



The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the corporation's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the corporation's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.20.

### 2.3 Going concern

The financial statements have been prepared on a going concern basis. The management have no doubt that the company would remain in existence after 12 months from financial statements date.

### 2.4 Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.



## 2.5 Foreign currency translation

### a) Functional and presentation currency

The financial statements are presented in Ethiopian Birr (Birr), which is also the functional currency of the company

### b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

## 2.6 Revenue from contracts with customers

Revenue arises mainly from the sale of Kaolin, (local markets). Revenues are recognized in the year in which it is earned regardless of when cash is actually received. To determine whether to recognize revenue, the company follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognizing revenue when/as performance obligation(s) are satisfied

Almost all sale contracts have a single performance obligation and thus transaction price is not allocated to performance obligations. The amount of revenue recognized is the amount the corporation expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

Revenue is recognized either at a point in time or over time, when (or as) the company satisfies performance obligations by transferring the promised goods or services to its customers.

The company recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as advances from customers under Trade and other payables in the statement of financial position. Similarly, if the company satisfies a performance obligation before it receives the consideration, the company recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

As the period of time between customer payment and performance for its products and services will always be one year or less, the company applies the practical expedient in IFRS 15.63 and does not adjust the promised amount of consideration for the effects of financing.

## 2.7 Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred. When inventories are sold, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized.



**2.8 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**2.9 Property, plant and equipment**

Property, plant and equipment are initially recognized at cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the company's management.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced at intervals, the company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives. Depreciation is added to the cost of the inventories or recognized in profit or loss based on the use of the asset.

The useful lives and residual value applied to the various categories of property, plant and equipment are as follows:

Property, plant and Equipment	Useful life (in years)	Residual Value (as % age of Cost)
Building and civil works	50	3%
Land Improvement	20	3%
Factory Plant & machinery	20	-
Heavy duty machinery	10	10%
Workshop equipment and Tools	10	10%
Field Materials	10	-
Motor Vehicles	10	10%
Furniture and Fixture	10	-
Household Equipment	10	-
Office Equipment	10	-
Computer and Accessories	7	-
Special Equipment	10	-
Medical Equip	10	-



The company commences depreciation when the asset is available for use.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) 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 and loss within other income or other expenses when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

## 2.10 Leases

### The company as a lessee

The company assessed at the date of transition to IFRS whether contracts contain a lease. A contract contains a lease if control of the use of an asset is obtained in exchange for a consideration.

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the company has the right to direct the use of the identified asset throughout the period of use.

The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

### Measurement and recognition of leases as a lessee

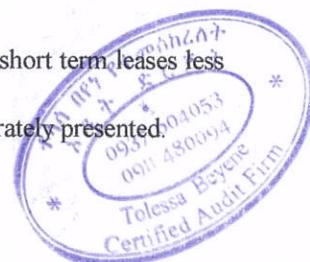
At lease commencement date, the company recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date. The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

The lease liability is measured at the present value of lease payments discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate. The lease liability is measured at amortized cost using effective interest rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The company has elected not to recognize right of use assets and lease liabilities for short term leases less than twelve months or low value assets which is in accordance with the standard.

On the statement of financial position, right-of-use assets and lease liabilities are separately presented.



## 2.11 Impairment of non-financial assets

The corporations' non-financial assets, including deferred tax assets, are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment.

The impairment loss charged to profit or loss is the excess of the carrying amount over the recoverable amount. Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash inflows independently, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

With the exception of goodwill, a previously recognized impairment loss will be reversed in so far as estimates change as a result of an event occurring after the impairment loss was recognized. 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 had no impairment loss been recognized.

## 2.12 Financial instruments

### Recognition and derecognition

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Any gain or loss on derecognition of financial assets or liabilities is recognized in profit or loss.

### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorized as FVTPL and FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.



## **Subsequent measurement of financial assets**

### **Financial assets at amortized cost**

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most of other receivables and investment in government bond fall into this category of financial instruments.

### **Impairment of financial assets**

The company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

### **Classification and measurement of financial liabilities**

The company's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs if any.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method .

All interest-related charges are reported in profit or loss within finance costs.

### **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.



## 2.13 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Manufacturing costs include an allocated portion of production overheads which are directly attributable to the cost of manufacturing such inventory, based on actual capacity since it approximates the normal operating capacity.

Cost is determined on a weighted average cost basis.

Management consider the condition and usability of inventories on an annual basis to determine whether an allowance for obsolete inventory is required. Amounts are determined based on the net realizable value of potentially obsolete inventory.

## 2.14 Other assets

Other assets are generally defined as claims held against other entities for the future receipt of money. The other assets in the corporation's financial statements include the following:

### Prepayment

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially recorded as asset in the reporting period in which the payment is made and subsequently amortized over the period in which the service is to be enjoyed.

### Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received. The corporation's other receivables are advance payments for purchase of goods and services and other receivables from debtors.

## 2.15 Income Tax

### (a) Tax Expense

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

### (b) Income tax assets and liabilities

Income tax for current and prior periods is, to the extent unpaid, recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

Income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the taxation rates (and taxation laws) that have been enacted or substantively enacted by the end of the reporting period. The amount of current taxation payable or receivable is the best estimate of the taxation amount expected to be paid or received that reflects uncertainty relating to income taxes.



**(c) Deferred taxation assets and liabilities**

Deferred taxation is provided by using the balance sheet method, on all temporary differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for taxation purposes.

The provision for deferred taxation is calculated using enacted or substantively enacted taxation rates at the reporting date that are expected to apply when the asset is realized or liability settled. A deferred taxation asset is recognized to the extent that it is probable that future taxable profits will be available against which the deferred taxation asset can be realized.

The provision of deferred taxation assets and liabilities reflects the taxation consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities. Deferred taxation assets and liabilities are offset when the related income taxes are levied by the same taxation authority, there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

**2.16 Cash and Cash Equivalents**

Cash and Cash Equivalents in the statement of financial position comprise cash on hand and cash at banks including account denomination in US\$.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalent, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management. Bank overdrafts are included within current liabilities on the statement of financial position.

**2.17 Equity, Reserves and Dividend payments**

Share capital represents the nominal (par) value of shares that have been issued. Retained earnings includes all current and prior period retained profits.

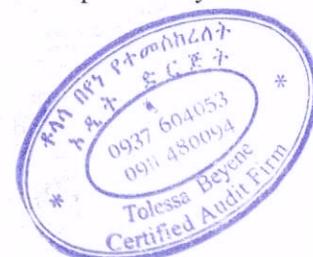
Dividends on ordinary shares are recognized as a liability in the year in which they are declared. Proposed dividends are not recognized until they have been declared by board of directors representing the owners.

Legal reserve represents 5% of annual net profit held, until the reserve reaches 20% of paid up capital.

**2.18 Employee benefits**

**Short-term employee benefits**

Remuneration of employees is charged to profit or loss or to carrying amount of an asset (inventory). Short-term employee benefits are those that are expected to be settled within 12 months after the end of the reporting period in which the services have been rendered. Short-term employee benefit obligations are measured on an undiscounted basis and are charged to profit or loss or to inventory as the related service is provided. An accrual is recognized for accumulated leave, incentive bonuses and other employee benefits when the company has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.



## **Post-employment benefit plans**

The company operates post-employment schemes which are defined benefit and defined contribution pension plans.

### **(a) Defined contribution plan**

All the employees of the company are under pension scheme in line with the provisions of Ethiopian Pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% of the employees monthly basic salary by employees and the company respectively.

The company has no legal or constructive obligations to pay contributions in addition to its fixed contributions to this scheme, which are recognized as an expense in the period that to related employee services received.

### **(b) Defined benefit plan**

The corporation's defined benefit plan is the statutory severance benefits in Ethiopia, which provides a promised one month salary for the first year of service and one-third of monthly salary for each addition year of service to employees on leaving the company after a minimum of five years service.

The liability recognized in the statement of financial position in respect of this unfunded defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation has been calculated by management with the assistance of external consultants using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using imputed yield on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year. The severance pay liability is reduced by settlements and also increased by unwinding finance costs.

### **(c) Termination benefits**

Termination benefits are payable to employees when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

### **(d) Bonus plans**

The company recognizes a provision for bonus where contractually obliged or where there is a past practice that has created a constructive obligation.



## 2.19 Provisions

### *General*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

## 2.20 Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Company, the directors make certain judgements and estimates that may affect the amounts recognized in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognized in the year in which the revision is made.

### **(a) Significant judgements made in applying the corporation's accounting policies**

The judgements made by the directors in the process of applying the corporation's accounting policies that have the most significant effect on the amounts recognized in the financial statements include:

**Fair value of Property, Plant and Equipment including of freehold land used as deemed cost on transition date to IFRS.**

### **Recognition of Defined Benefit Obligation- Severance Pay**

The recognition of severance pay involved a number of assumptions which depends on the judgment of the management.



**Recognition of deferred tax assets**

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized.

**(b) Key sources of estimation uncertainty**

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Defined benefit obligation (DBO)**

Management's estimate of the DBO is based on a number of critical underlying assumptions such as rates of inflation, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analyzed in Note 11.1).

**Revaluation of property, plant and equipment**

The company revalued its property, plant and equipment including freehold land and used these values as deemed cost with changes value being recognized in retained earnings on the transition date. The company engaged trained in-house values to measure fair value as at the transition date. The fair value of most of the subject asset are measured using depreciated replacement cost. However, the revaluations of motor vehicles and the freehold lands were made using open market value by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, make, condition and location of the assets.

The key assumptions used to determine the fair value of the property, plant and equipment are further explained in Note 3.1.

**Depreciation and carrying value of property, plant and equipment**

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

**Inventories**

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.





**Ethiopian Mineral Corporation**  
**Notes to the financial statements**  
**For the Year Ending July 07,2024**

**4 Freehold Land**

The freehold lands owned by the Corporation in Dire dawa, Shakiso and Addis Ababa. The free hold land is measured on the transition date ,01 January 2017, at fair value which is taken as deemed cost.

The carrying amount of the lands on 7 July 2024 and 7 July 2023 is stated are shown below:

Figures in Birr	July 07,2024	July 07,2023
Head Office (Addis Ababa)	619,569,078	619,569,078
Dire Dawa Shakiso Branch Adola	27,230,730	27,230,730
	80,932	80,932
	168,992	168,992
<b>Total</b>	<b>647,049,731</b>	<b>647,049,731</b>

**5 Intangible Assets**

Gem Com DEMB 6.2 Software used for exploration of minerals is measured at fair value and the fair value is used as deemed cost on the transition date. The software will be amortized over seven years on straight line basis. The carrying amount and amortization of the software is indicated below:

Figures in Birr	July 07,2024	July 07,2023
(Fair Value-Deemed Cost)	338,336	338,336
Annual Amortization	48,332	48,332
Accumulated Amortization	314,161	265,829
Charge for the period	24,164.73	48,332.26
Accumulated	338,326	314,161
Carrying Amount (net)	10	24,175

**6 Right of Use asset**

The Corporation has entered in to lease agreement with Ethiopian Airlines Group entered for lease of 25.4M2

premises at monthly repayment of Birr302,683 .33 for a period of 7 years. The present value of the Right of

Use Asset at 1.5% monthly increment borrowing rate is Birr 14, 486,643 and is amortized over seven years.

Figures in Birr	July 07,2024	July 07,2023
Cost	14,486,643	-
Less: amortization	(1,931,552)	-
<b>Carrying</b>	<b>12,555,091</b>	



## 7 Non-current Asset held for sale

Vehicles and heavy duty machineries not currently in use are classified as non-current asset held for sale by management. It is measured at fair value less cost of disposal. The fair value is determined by in-house values. The cost of disposal is estimated to be 2%. Therefore, the assets are measured at fair value less cost of disposal. Some Non Current asset held for sale has been sold during the reporting period.

Assets	Fair Value	Estimated Disposal cost	Fair value less cost of disposal SENE July 07,2024	Fair value less cost of disposal 31 December July 07,2023
Motor Vehicle	5,925,267	116,182	5,809,086	5,986,635
Heavy duty Machineries	1,429,252	28,585.04	1,400,667	1,400,667
<b>Total</b>	<b>7,354,519</b>	<b>144,767</b>	<b>7,209,753</b>	<b>7,387,302</b>

## 7 Investment in Afar Salt

The corporation has invested Br 61,276,000 in Afar Salt Production Share Company and owned 75.43% of the company. The corporation controls the share company and there is parent-subsidary relationship. Therefore, consolidated financial statements should be prepared for the group as per IFRS requirements. For this separate financial statements produced for the corporation the investment is measured at cost less impairment loss. The investment is reviewed for impairment as at 07 July 2024 and 07 July 2023 and found to be unimpaired.

## 8 Financial assets and liabilities

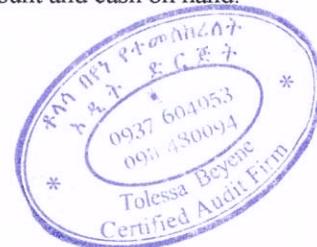
Note 2.12 provides a description of each category of financial assets and financial liabilities and the related accounting policies. All the financial asset and liabilities of the company are measured at amortized costs. Since all the financial assets and liabilities are current, no discounting is involved to account for the time value of money and are considered a reasonable approximation of fair value. The carrying amounts of financial assets and financial liabilities are as follows:

### 8.1 Financial assets

#### a Cash and cash equivalents

Figures in Birr	July 07,2024	July 07,2023
Cash on hand	321,326	266,254
Cash at Bank	133,754,841	56,055,931
	<b>134,076,167</b>	<b>56,322,186</b>

Cash and cash equivalents represent cash at commercial Bank of Ethiopia in current account and cash on hand.



**b Trade and Other Receivables**

Provision for impairment loss is estimated and recognized based on IFRS 9 simplified expected credit loss model. Lifetime expected credit loss based on age analysis of outstanding receivable balances are estimated. In the provision matrix indicated hereunder the default rate is estimated based on past experience and expected future credit and collection plan.

Trade and other receivables (Net):

Figures in Birr	July 07,2024	July 07,2023
Trade	-	-
Staff	688,789	947,106
Sundry	40,365,696	20,509,102
Business Advances	162,829	-
Prepayments	113,515	113,515
Utility Deposits	96,715	96,715
Trade and other payables with debit balances	6,185,819.92	5,963,508.25
	<b>47,613,363</b>	<b>27,629,946</b>

Trade and other receivables (Gross):

Figures in Birr	July 07,2024	July 07,2023
Trade	376,953	376,953
Staff	7,319,920	7,190,734
Sundry	229,407,534	204,806,242
Business Advances	1,320,866	1,412,624
Prepayments	113,515	113,515
Utility Deposits	96,715	96,715
	<b>238,635,503</b>	<b>213,996,783</b>

Allowance for Impairment Loss:

Figures in Birr	July 07,2024	July 07,2023
Trade	376,953	376,953
Staff	6,631,131	6,243,628
Sundry	189,041,839	184,297,140
Business Advances	1,158,037	1,412,624
	<b>197,207,960</b>	<b>192,330,345</b>

All trade and other receivables are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

**Provision Matrix for estimating impairment loss on trade and other receivables:**

	Age category	
	Less than or equal to 1 year	Over due for more than 1 year
Default Rate	<b>10%</b>	<b>100%</b>



Allowance for impairment on sundry debtors of Adola Gold Enterprise Br 128,652,579.24 ( of which Br 47,082,966.68 had been recognized by Adola before combination and Br 81,569,612.56 additional were recognized upon combination (refer note 21)) was charged to retained earnings upon combination of Adola Gold Enterprise with the Corporation.

Impairment loss charged to Profit or loss:

Figures in Birr	July 07,2024	July 07,2023
Trade	-	-
Staff	387,503	88,800
Sundry	4,744,698	980,565
Business Advances	(254,587)	(318,886)
<b>Total Impairment Loss/Recovery of Impairment loss</b>	<b>4,877,614</b>	<b>750,479</b>

## 8.2 Financial Liabilities

### a Bank Loan

Figures in Birr	July 07,2024	July 07,2023
ADB BANK	17,528,960.77	17,528,960.77
PK DANKEN	25,743,284.60	25,743,284.60
PK BANK	2,748,329.89	2,748,329.89
	<b>46,020,575</b>	<b>46,020,575</b>

Loan from Development Bank of Ethiopia secured on the property of Legademi Gold Development project bearing interest at the rate of 8% p.a and repayable eight semi-annual installments of Birr 4,050,000 each through Tahisas 1990.

Loan from Ministry of finance is unsecured loan from African Development Bank, bearing interest at the rate of 8% p.a and repayable in seventeen semi-annual installments of Birr 2,676,340 each through Sene 1995.

Other loans are secured on property, bearing interest at rates between 0% and 9.5% p.a and repayable variously through Tahisas 1989.

Since all the loans are long overdue, it is classified as current Liabilities.

The loans were taken by Adola Gold Enterprise which is combined with the corporation in this period.

### b Loan Ministry of Finance

The Ministry of Finance provided Br 227,969.923 loan for the corporation over the last two years which is expected to be capitalized upon approval.

### c Loan from Ethiopian investment holdings

The Corporation has obtained working capital loan of Birr 140 Million from the Ethiopian Investment Holdings which is the owner of the Corporation



**d Lease obligation**

The lease obligation arise from lease of premises from Ethiopian Airline Group for a period of seven years. Please see not 6 for details.

Figures in Birr	July 07,2024	July 07,2023
Opening balance	-	-
Addition	14,486,643	-
Add;Accrued interest	2,390,296	-
Less:settlement	(151,341,66)	-
<b>Carrying value</b>	<b>16,725,597.49</b>	-
Current	6,022,496	-
Non current	10,703,101	-
<b>Carrying value</b>	<b>16,725,597</b>	-

**Lease obligation maturity analysis**

Figures in Birr	7July 2024	7July 2023
<b>Minimum lease payments due</b>		
within one year	3,632,200	-
in second to fifth year inclusive	14,528,800	-
in over five years	7,264,400	-
	25,425,400	-
<b>Less: Finance charge</b>	<b>8,699,802</b>	-
<b>Carrying value</b>	<b>16,725,597</b>	-

**d Trade and other payables:**

Figures in Birr	July 07,2024	July 07,2023
Sundry	27,099,913	24,457,392
Retention Payable	48,766	47,937
Customer paid in advance	5,852,620	16,136,449
Unclaimed Salaries(old)	1,477,228	1,129,221
Deposits and Bid Bond	95,052	95,052
Accrued Liabilities	18,510,702	18,149,495
Capital Charge payable	7,974,314	7,974,314
Trade & other receivables with credit balances	44,776,787	44,747,539
	<b>105,835,382</b>	<b>112,737,398</b>



## 9 Inventories

Figures in Birr	July 07,2024	July 07,2023
Finished Goods	5,929,393	5,026,647
Spare Parts	88,250,425	76,824,422
Products Supply	5,335,906	8,120,601
Consumables	8,241,735	8,793,389
Gemstone Product	14,012,532	1,242,680
	<b>121,769,990</b>	<b>100,007,739</b>
Allowance for Obsolescence	(7,957,977)	(7,957,977)
<b>Sub-total</b>	<b>113,812,013</b>	<b>92,049,762</b>
<b>Goods in transit (GIT)</b>	<b>1,416,790</b>	<b>11,533,771</b>
<b>Total</b>	<b>115,228,803</b>	<b>103,583,533</b>

The allowance for obsolete inventory is determined based on an assessment by management of the condition and sale ability of inventory at the reporting date. Such an allowance is normally required only when a significant change in technology or physical damage renders inventory unfit for purpose. Impairment review was conducted by management and the inventories were found to be unimpaired except those from Adola Gold Enterprise for which necessary allowance was provided.

## 10 Equity

### 10.1 Share capital

The corporation is owned by Federal Democratic Republic of Ethiopia. The Ethiopian Corporation (EMC) was re-established by council of Ministers Regulation No. 462/2020 on February 11, 2020. It was re-established with an authorized capital of Br birr 16.7 billion and from paid up capital of 4.175 billion stated in the regulation only Br 462.8 million has been paid.

Figures in Birr	July 07,2024	July 07,2023
<b>Name of Shareholder:</b> -		
Federal Democratic Republic of Ethiopia	462,767,851	462,767,851
	<b>462,767,851</b>	<b>462,767,851</b>



## 10.2 Retained earnings

Figures in Birr	July 07,2024	July07,2023
Beginning of the year	114,828,904	165,659,204
Prior Period Adjustment	(1,394,996)	(3,793,494)
Profit (loss) for the year	(51,500,317)	(65,543,780)
Transfer from IFRS Adoption Remeasurement Reserve	39,016,514	18,506,975
Transfer to Legal Reserve	-	-
<b>End of the year</b>	<b>100,950,106</b>	<b>114,828,904</b>
Retained Earnings-Non-distributable (IFRS effect)	583,004,816	622,021,330
Retained Earnings-Distributable/capitalizable	(482,054,710)	(507,192,426)

As per Accounting and Auditing Board of Ethiopia, the retained earnings resulted from IFRS adjustments should not be capitalized or distributed to shareholders. Therefore, the retained earnings - non-distributable stated above are resulted from adjustments on adoption of IFRS.

## 10.3 Legal Reserve

Figures in Birr	July 07,2024	July07,2023
Beginning of the year	2,169,599	2,169,599
Reserve from current profit	-	-
<b>End of the year</b>	<b>2,169,599</b>	<b>2,169,599</b>

## 11 Employee Benefit obligations

Figures in Birr	July 07,2024	July07,2023
Defined Benefit Obligation (severance Pay)(note 11.1)	6,081,895	5,633,142
Annual Leave Accrued	3,086,653	2,963,756
<b>Total Employee Benefit Obligation</b>	<b>9,168,547</b>	<b>8,596,898</b>
Employee Benefit Obligations-Current	3,086,653	2,963,756
Employee Benefit Obligations-Non-current	6,081,895	5,633,142
<b>Total</b>	<b>9,168,547</b>	<b>8,596,898</b>



### 11.1 Defined Benefit Obligation (severance Pay)

The corporation operates an unfunded severance pay plan for its employees who have served the corporation for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months final monthly salary.

A reconciliation of the corporation's defined benefit obligation to the amounts presented in the financial statement for each of the reporting periods is presented below:

Figures in Birr	July 07,2024	July 07,2023
At the beginning of the year	5,633,142	5,500,899
Current service cost	835,682	925,767
Interest expense	828,361	770,126
Benefits paid	(1,215,291)	(1,563,650)
<b>At the end of the year</b>	<b>6,081,895</b>	<b>5,633,142</b>
<b>Charged to Profit or loss as administrative expenses:</b>		
Current service cost	835,682	925,767
Interest cost	828,361	770,126
<b>Total defined benefit expenses</b>	<b>1,664,044</b>	<b>1,695,893</b>

The defined benefit obligation was measured using the projected unit credit method.

#### Estimates and assumptions

The significant actuarial assumptions used for the determination of the defined benefit obligation are as follows. These assumptions were developed by management with the assistance of independent external consultants .

#### i) Financial Assumption Long term Average

Discount rate to determine the present value of defined benefit obligation is estimated to be 14% per annum. The discount factors are determined by reference to yield of Ethiopian international bonds adjusted for inflation because it is denominated in foreign currency. Long term salary increase rate is estimated to be 16.5%.



**iii) Withdrawal from Service**

The withdrawal rates are estimated based previous employee turnover experience adjusted for expected retention target of the corporation. The valuation assumed that resignation rates of 2.5% for employees served for at least five year and eligible for severance pay; and 9.5% probability of serving for at least five years for employees with service of less than five years and not currently eligible for severance pay.

**Changes in the significant actuarial assumptions**

The calculation of the net defined benefit liability is sensitive to the significant actuarial assumptions mentioned above. The following table summarizes the effects of changes in these actuarial assumptions on the defined benefit liability at 7 July 2024.

Figures in Birr	Change in assump	Increase (decrease) in the defined obligation			
		Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
Discount rate	1.0%	(338,302)	379,068	(338,302)	379,068
Long term salary increas	1.0%	367,129	(334,146)	367,129	(334,146)
Employee turnover rate	0.5%	304,089	(429,251)	304,089	(429,251)

The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The defined benefit plan exposes the corporation to actuarial risks such as interest rate risk, employee turnover risk and salary growth risk



**12 Provision, Contingent Liability & Contingent Asset**

The corporation has no liability to be provided or disclosed as contingent liability. There is no contingent asset to be disclosed as well.

**13 Revenue from contracts with customers**

The corporation generates revenues from sales of mineral resources to local and foreign markets. Export of Tantalum is the major revenue source of the company. However, there was no such sales during the period.

**14 Revenue from contracts with customers**

The corporation generates revenues from sales of mineral resources for local company as indicated here under the table.

Figures in Birr	July 07,2024	July07,2023
<b>Local Sales:</b>		
Kaolin	49,918,474	36,339,198
Gold		3,645,673
Gemstone	1,011,740	-
<b>Sub-total</b>	<b>50,930,214</b>	<b>39,984,871</b>

**15 Other income**

Figures in Birr	July 07,2024	July 07,2023
Income from investment	3,200	245,466
Rent Income	12,332,676	13,193,456
Sample Test Service/Professional Income	4,368,481	1,395,925
Professional service income	-	335,334
Sales of Electricity	895,642	1,250,147
Foreign Exchange Gain	1,262,759	980,714
Others	6,658,675	1,449,836
Drilling Income	3,311,890	4,860,163
Gold melting	39,601	-
Other	-	252,847
Repair and maintenance	141,130	-
Gain on disposal of fixed asset	12,569,867	4,355,038
Sales Of S/part	61,903	1,060,990
	<b>41,645,825</b>	<b>29,379,916</b>



**16 A Cost of Sales**

Figures in Birr	July 07,2024	July 07,2023
Salary & Wages	5,611,604	5,195,613
Employee Benefit	1,071,097	1,277,924
Royalty	1,769,765	1,553,488
Insurance	54,564	60,324
Communication	76,768	17,500
Travelling and peridium	546,108	565,853
Repair and maintenance	913,743	74,375
Fuel And Lubricant	16,572,201	8,439,461
Spare Parts And workshop Tools	847,482	1,099,865
Stationery & Office Su	61,294	49,187
Utilities	608,445	508,486
Free Meal	2,239,466	1,101,567
land rent	43,630	43,630
Entertainment	14,518	105,904
Penalty	-	4,848
Donation	340,690	1,116,606
Rent	53,000	102,000
Construction And Elec	46,483	59,904
Uniform	18,421	632,105
Bank charge	3,511	2,732
Cleaning And Sanitation	232,957	199,123
Miscellaneous	34,172	46,983
Others	185,366	-
Depreciation	2,382,861	3,320,227
	<b>33,728,147</b>	<b>25,577,704</b>
Cost of production incurred in current period	33,728,147	25,577,704
Add : Finished Goods at the beginning of the year	47,091	4,980,078
Cost of goods Available for sale	33,775,238	30,557,782
Deduct: Finished Goods at the end of the year	949,837	47,091
<b>Cost of Sales</b>	<b>32,825,401</b>	<b>30,510,692</b>

**16 B Cost of Sales Gold**

There was no production and sales during the reporting and comparative periods. But the fixed production costs incurred during the periods are added to administrative expenses in statement of profit or loss and disclosed under note 16.



16C Cost of Geme stone

Figures in Birr	July 07,2024	July07,2023
Salary & Wages	457,660	-
Employee Benefit	71,876	-
Constraction & Cleaning And Sanitation	30,356	-
Entertainment	57,349	-
'Machenery &Equbment	10,514	-
Stationery & Office Supplies	3,598	-
Travelling And Perdiem	8,850	-
	<b>640,203</b>	-
<b>Total cost of sales(A+C)</b>	<b>33,465,604</b>	

17 General and Administrative Expenses

Figures in Birr	July 07,2024	July07,2023
Salary, wage and related benefit	21,806,391	21,867,348
Uniform and Protective Devices	82,449	964,712
Education & Training Fee	217,965	2,640
Accrued Annual Leave Expense	174,722	2,019,384
Severance Pay Expense	1,664,045	925,767
Telephone, Fax, Internet, Postage	426,405	326,920
Rent	98,975	226,666
Donation and contribution	112,000	-
Other & Washing & Greasing	571,897	86,739
Fuel, Oil & Lubricant	1,839,574	2,053,049
Bank Service Charge	480,262	3,049
Consultancy and supervision	149,730	1,888,929
Legal fee and professional fee	39,669	743,720
Utilities	484,616	569,383
Repair and Maintenance	1,120,921	1,733,334
Spare Part	454,940	220,942
Electric Items and Construction Materials	49,391	140,418
Stationery & Office Supplies	741,052	440,989
Cleaning and Sanitation	117,337	-
Chemicals	-	58,148
Workshop and Tools Ex.	-	1,664
License & Registration	1,079,603	436,989
Insurance	1,440,382	1,127,731
Depreciation	11,010,016	13,179,429
Travelling & Per diem ( Transport Cost)	1,634,630	1,712,637



Advertising and Promotion	146,773	103,330
Entertainment	363,261	206,646
Loading & Unloading	10,200	18,324
Radiation Protection Sample	32,365	120,575
Directors Fee/Board Fee	294,500	158,639
Miscellaneous	48,773	12,358
Membership	-	421,669
Amortization of intangible asset	43,605	16,000
Penalty	517	28,473
Project expense	2,946,798	-
Audit Fee Consultancy and supervision	147,106	359,923
Reduction costs incurred	61,459,921	62,759,533
	<b>111,290,789</b>	<b>114,936,057</b>

### 18 Production Costs incurred for mining and production

Figures in Birr	July 07,2024	July 07,2023
Salary & Wages	18,011,172	18,357,038
Employee Benefit	4,428,290	5,390,547
Audit Fee	-	45,000
Communication	25,890	7,504
Printing And Stationerie	165,635	81,752
Travelling And Peridium	2,439,963	3,125,097
Repair And Maintenanc	177,583	42,230
Fuel And Lubricant	1,402,799	1,810,432
Advertising & Promotior	-	9,857
Funeral	20,000	30,000
Insurance	-	(3,200)
Free meal	913,945	453,674
Spare Parts And Workst	1,410,262	1,110,065
Education & Training Fee	-	3,800
Utilities	3,575,900	90,968
Tax Registration	36,343	1,000
Legal And Professional	33,616	41,795
Entertainment	72,173	36,214
Rent	-	402,075
Construction And Electric Materials	352,357	189,776
Bank Charges	11,962	4,387
Chemical	20,479	226,296
Uniform	17,563	155,343
Municipality tax	332,490	-
Cleaning And Sanitation	55,846	24,565
Miscellaneous	195,224	70,521
Amortisation	1,931,552	-
Depreciation	25,828,878	31,052,799
	<b>61,459,921</b>	<b>62,759,533</b>



The mining and production have been interrupted since November 2017. This costs were incurred without generating income, so it is separately disclosed and add to administrative expenses in the statement of profit or loss.

## 19 Selling and Distribution Expenses

Figures in Birr	July 07,2024	July07,2023
Salary, and wages	820,184	189,458
Benefit	70,086	22,796
Loading and unloading	10,435	2,000
Entertainment	20,500	9,900
Advertising	305,869	46,431
Bank charge	-	50
Membership	16,000	43,478
Uniform	43,304	-
Electricity	1,942	-
Rent	175,689	-
Miscellaneous	435	-
Traveling and accommodation	5,200	-
Stationery and office supplies	79,397	-
	<b>1,549,040</b>	<b>314,114</b>

## 20 Employee benefits expense

Figures in Birr	July 07,2024	July07,2023
<b>Included in cost of production:</b>		
<b>Short term employee benefits:</b>		
Short term employee benefits:	21,018,162	22,326,285
	<b>21,018,162</b>	<b>22,326,285</b>
<b>Post-employment benefits:</b>		
Defined contribution -Pension 11%	1,421,300	1,421,300
	<b>22,439,462</b>	<b>23,747,584</b>
<b>Included in General and Administrative expense:</b>		
<b>Short term employee benefits:</b>		
Short term employee benefits:	20,176,767	20,237,724
	<b>20,176,767</b>	<b>20,237,724</b>
<b>Post-employment benefits:</b>		
Defined contribution -Pension 11%	1,607,709	1,607,709
Defined contribution -Severance pay	-	-
	<b>21,784,475</b>	<b>21,845,433</b>
<b>Total employee benefits expense</b>		



## 21 Finance costs

Finance costs for the reporting periods consist of the following:

Figures in Birr	July 07,2024	July 07,2023
Interest Expense for LTL	-	-
Interest cos on lease obligation	2,390,296	-
Interest on Defined Benefit Obligations	828,361	347,296
<b>Total finance costs</b>	<b>3,218,657</b>	<b>347,296</b>

## 22 Deferred and Current Income Tax

### 22.1 Deferred tax assets and liabilities

Deferred Tax as at 7 July 2024 is shown on the table below:

Items	IFRS Carrying Amount	"GAAP" Book Value (Tax Base)	Deductible/(Taxable) Temporary Difference	Deferred Tax Asset/(liability)
Annual Leave Liability	3,086,653	-	3,086,653	771,663
Severance Pay Liability	6,081,895	-	6,081,895	1,520,474
Lease obligation-shop	16,725,597	-	16,725,597	4,181,399
Non-Current Asset Held for Sale	7,209,752.72	-	(7,209,753)	(1,802,438)
Property, Plant and Equipment	222,188,640	48,380,761	(173,807,879)	(43,451,970)
Right of use asset- Shop	12,555,091	-	(12,555,091)	(3,138,773)
Land Use Right	647,049,731	-	(647,049,731)	(161,762,433)
Intangible Asset	10	-	(10)	(3)
Royalty Liability	29,505,415	-	29,505,415	7,376,354
<b>Deferred Tax Liability</b>				<b>(196,305,726)</b>

Deferred Tax as 7 July 2023 is shown on the table below:

Items	IFRS Carrying Amount	"GAAP" Book Value (Tax Base)	Deductible/(Taxable) Temporary Difference	Deferred Tax Asset/(liability)
Annual Leave Liability	2,963,756	-	2,963,756	740,939
Severance Pay Liability	5,633,142	-	5,633,142	1,408,286
Trade Receivables	-	-	376,953	94,238
Non-Current Asset Held for Sale	7,387,301.68	-	(7,387,302)	(1,846,825)
Property, Plant and Equipment	259,060,112	47,643,837	(211,416,275)	(52,854,069)
Land Use Right	647,049,731	-	(647,049,731)	(161,762,433)
Intangible Asset	24,175	-	(24,175)	(6,044)
Royalty Liability	29,505,415	-	29,505,415	7,376,354
<b>Deferred Tax Liability</b>				<b>(206,849,554)</b>



**Deferred income tax assets and liabilities and deferred income tax Credit/ (charge) in profit or loss (P/L)**

Figures in Birr	July 7, 2024 Deferred Tax Asset (liability)	Credit/ (Charge) to profit or loss	7 July 2023 Deferred Tax Asset (liability)
<b>The balance comprises</b>			
Annual Leave Liability	771,663	30,724	740,939
Severance Pay Liability	1,520,474	112,188	1,408,286
Lease obligation	4,181,399	4,181,399	-
Trade Receivables	-	(94,238)	94,238
Non-Current Asset Held for Sale	(1,802,438)	44,387	(1,846,825)
Property, Plant and Equipment	(43,451,970)	9,402,099	(52,854,069)
Right of use asset shop	(3,138,773)	(3,138,773)	-
Land Use Right	(161,762,433)	-	(161,762,433)
Intangible Asset	(3)	6,041	(6,044)
Royalty Liability	7,376,354	-	7,376,354
<b>Total deferred tax assets/(liabilities)</b>	<b>(196,305,726)</b>	<b>10,543,828</b>	<b>(206,849,554)</b>

**Deferred income tax assets and liabilities and deferred income tax Credit/ (charge) in profit or loss (P/L) for year ended July 7, 2023**

Figures in Birr	7 July 2023 Deferred Tax Asset (liability)	Credit/ (Charge) to profit or loss	7 July 2022 Deferred Tax Asset (liability)
<b>The balance comprises</b>			
Annual Leave Liability	740,939	457,997	282,941
Severance Pay Liability	1,408,286	33,061	1,375,225
Trade Receivables	94,238	-	94,238
Non-Current Asset Held for Sale	(1,846,825)	851,628	(2,698,453)
Property, Plant and Equipment	(52,854,069)	11,017,663	(63,871,732)
Land Use Right	(161,762,433)	-	(161,762,433)
Intangible Asset	(6,044)	12,083	(18,127)
Royalty Liability	7,376,354	-	7,376,354
<b>Total deferred tax assets/(liabilities)</b>	<b>(206,849,554)</b>	<b>12,372,432</b>	<b>(219,221,987)</b>

**22.2 Income tax expense**

Figures in Birr	July 07, 2024	July 07, 2023
<b>Current Income tax:</b>		
Income tax Provision for the current year		
Prior year (over)/under provision		-
(Decrease)/increase in deferred tax liabilities (note 20.1)	10,543,828	-
<b>Tax expense/(Income) charged to the statement of profit or loss</b>	<b>10,543,828</b>	<b>-</b>



### 22.3 Current tax payable on profits for the year

Figures in Birr	July 07,2024	July 07,2023
Accounting profit before income tax	(62,044,145)	(77,916,213)
<b>Add : Disallowed expenses</b>		
Entertainment	363,261	206,646
Annual Leave Expense	3,086,653	2,963,756
Severance expense	835,682	925,767
Amortization of intangible asset	-	48,332
Impairment Loss-Trade and other receivables	5,096,094	750,011
Finance Costs on lease	2,390,296	-
Amortisation Right of use asset	1,931,552	-
Finance Costs on Severance pay Liability	828,361	770,126
Depreciation on Production Facilities Expensed-IFRS	2,382,861	3,320,227
Depreciation for IFRS accounting purpose-Administrative	36,838,894	44,232,227
	<b>53,753,654</b>	<b>53,217,092</b>
<b>Less :</b>		
Depreciation for tax purpose-Administrative	(245,641)	35,735
Other Income taxed at source	-	-
Severance paid	(1,215,291)	(1,563,650)
	<b>(1,460,933)</b>	<b>(1,527,915)</b>
<b>Taxable profit/(loss)</b>	<b>(6,829,558)</b>	<b>(23,171,206)</b>
<b>Current tax Income/ (Expense) at 25%</b>	<b>1,707,389</b>	<b>5,792,802</b>

Since the corporation has utilized the tax loss carried forward advantage in the past, no deferred tax asset is recognized for tax income computed above.

### 22.4 Current Tax Liabilities

Figures in Birr	July 07,2024	July 07,2023
Profit Tax payable	2,000,000	2,615,342
Tax Penalty and Interest	-	-
Royalty Tax Payable	29,505,415	30,445,535
Employee Income Tax	827,641	756,268
Pension	674,647	456,793
Graduate Tax	(23,429)	(23,429)
Other Tax Liabilities	10,332	2,227,226
VAT payable	2,242,875	93,194
Withholding Tax	334,642	117,592
Balance at the end of the year	<b>35,572,123</b>	<b>36,688,522</b>
Less: Withholding Tax Receivable	(3,120,168)	(2,145,048)
	<b>32,451,955</b>	<b>34,543,474</b>

### Remuneration for Key Management Personnel (Related party)



Key management of the corporation are the board of directors and senior management members . Key management personnel remuneration includes the following expenses:

Figures in Birr	July 07,2024	July 07,2023
<b>Short-term employee benefits:</b>		
Salaries	4,150,330	4,042,880
Allowance	3,039,732	2,271,192
	7,190,062	6,314,072
<b>Post-employment benefits:</b>		
Defined contribution pension plan (11%)	456,536	420,534
<b>Total remuneration</b>	<b>7,646,598</b>	<b>6,734,607</b>

The corporation has no related party transactions except remunerations paid to senior management.

#### Going concern

The management has the opinion that nothing has come to their attention to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement

