RARE GEMS JEWELRY LIMITED

2026 Corporate Rating Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

Rare Gems Jewelry Limited

Long-Term Rating:

Bbb-

Short-Term Rating:

A3

Outlook: Stable
Issue Date: 10 August 2026
Expiry Date: 30 June 2027

Previous Rating: N/A

Industry: Precious Metals

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A Company with satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.

RATING RATIONALE

Agusto & Co. hereby assigns a **"Bbb-"** (long-term) and **"A3"** (short-term) rating to Rare Gems Jewelry Limited ("Rare Gems", "RGJL" or "the Company"). The ratings reflect the Company's low leverage, strong foreign currency earnings, and its status as a licensed Mineral Buying Centre and Exporter with established relationships with international off-takers across China, the United Arab Emirates, India and Italy. The ratings also take into cognisance the Company's growing presence in the Nigerian precious metals industry, expanding product portfolio of precious metals, including gold and silver, base metals, and critical minerals, as well as its increasing export footprint, which are expected to support business growth over the medium term. However, the ratings are constrained by the Company's weak working capital position, reflecting the inventory-intensive nature of its operations, as well as its exposure to commodity price volatility.

Rare Gems Jewelry Limited ("Rare Gems" or "the Company") is an indigenous company incorporated in May 2013 as a private limited liability company. The Company commenced operations as a jewellery trading business before expanding into the aggregation, processing and export of precious metals. Rare Gems is licensed by the Federal Ministry of Solid Minerals Development as a Mineral Buying Centre and Exporter. Historically, the Company's operations were concentrated in the aggregation, processing and export of precious metals, particularly gold and silver. In 2026, the Company broadened its product portfolio beyond precious metals to include base and industrial metals, namely aluminium alloy, tin ore and zinc ore, as well as solid minerals, namely columbite and lithium. The Company sources precious metals primarily as scrap from aggregators, while base and industrial metals are sourced as ores from licensed miners. Key suppliers include HJIL Limited, Chyco Glow Limited and AG & Sons Limited. The Company uses testing machines to assess the quality of precious metals before purchase. The Company exports principally to China, the United Arab Emirates, India and Italy and intends to expand into additional markets over the medium term.

Although the Company has historically traded in both gold and silver, its revenue in the financial year ended 31 December 2025 (FYE 2025) was entirely derived from gold sales. The Company's customers include domestic retailers such as Fair Dreams Limited, Hafsat Jewel Integrated and Ocean and Rayz Global Limited, which carry its jewellery products in their stores. The Company grants domestic customers credit terms of up to 90 days. The Company's foreign customers,

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including Zeakon Ind. Co. Limited, Royal Gold Limited and Benphylla Italia, settle invoices upon delivery. Given that gold exports are transported by air freight, delivery and payment collection are typically completed within two to three days, resulting in a short receivables cycle and supporting strong operating liquidity. Foreign customers account for approximately 70% of sales, while domestic customers account for the remaining 30%.

In the financial year ended 31 December 2025 (FYE 2025), Rare Gems' revenue increased by 61% to ₦2.6 billion, driven by higher gold prices and an 8% increase in the volume of gold sold to 15.6 kilograms. However, elevated input and logistics costs, coupled with the Company's inability to secure supplier discounts due to limited funding, resulted in the cost of sales-to-revenue ratio increasing to 70.1% (2024: 58%), leading to a decline in the gross profit margin to 29.9% (2024: 42.2%). Notwithstanding, the operating profit margin improved to 17.3% (2024: 8.5%), primarily due to lower operating expenses following the completion of its initial business development activities, which included extensive market research and international travel. The Company now uses a more cost-efficient broker-led model to access international commodity markets. Rare Gems' interest expense-to-revenue ratio increased to 5.2% in FYE 2025 (2024: 0.6%), reflecting higher borrowings utilised to finance the Company's working capital requirements. Overall, RGJL's pre-tax profit margin improved to 12.3% in FYE 2025 (2024: 8%) due to the substantial reduction in operating expenses. Consequently, its return on assets (ROA) and return on equity (ROE) ratios improved to 8.5% and 7.6%, respectively (2024: 2.8% and 3.3%). However, both ratios are weak with the ROE significantly lower than the average inflation rate of 23% in 2025, implying a negative real return to shareholders.

Rare Gems Jewelry Limited recorded revenue of ₦5.2 billion in the five months ended 31 May 2026, representing 52% of its full-year 2026 revenue forecast, supported by increased export volumes and an expanded product portfolio. The Company reported a much better gross profit and operating profit margins of 47% and 45% respectively. The stronger performance reflects additional funds raised towards the end of 2025, which enhanced the Company's purchasing capacity, enabling it to procure larger volumes and execute more transactions. In our opinion, the Company's profitability requires improvement. However, we expect the Company's profitability to strengthen, supported by sustained international demand for precious and critical minerals and continued growth in export volumes.

Rare Gems Jewelry Limited reported a negative operating cash flow of ₦61 million in FYE 2025 (2024: ₦212 million positive), primarily driven by an increase in trade receivables following higher year-end credit sales to dealers and a significant reduction in trade payables. Notwithstanding the negative operating cash flow, the Company generated EBITDA of ₦598.4 million (2024: ₦268.3 million), which provided adequate coverage of interest obligations of ₦138 million, reflecting satisfactory debt servicing capacity. Going forward, we expect operating cash flow generation to improve, supported by earnings growth and improved cash conversion as the Company scales its operations.

As at 31 December 2025, Rare Gems Jewelry Limited reported a working capital need (measured

as the excess of trading assets over spontaneous financing) of ₦4 billion, primarily due to substantial inventory holdings, which consisted mainly of gold bars, gold jewellery, and silver jewellery. The Company had working capital available of ₦3.2 billion (representing the excess of long-term funding over long-term assets). However, this was insufficient to fully fund its working capital need, resulting in an overall deficiency of ₦0.9 billion at year-end, which was financed through short-term borrowings. We expect the Company's working capital requirements to remain elevated over the near term, reflecting its inventory-intensive operations and the continued need to maintain adequate stock levels to support business growth and trading activities.

As at 31 December 2025, Rare Gems Jewelry Limited's total liabilities stood at ₦1.2 billion, comprising 83% interest-bearing and 17% non-interest-bearing obligations. During the year, the Company raised ₦1 billion through a private placement at a 30% discount, with a one-year tenor, to support inventory build-up and other working capital requirements. Consequently, the Company's interest expense-to-revenue ratio increased to 5.2% (2024: 0.6%), exceeding our 5% maximum threshold. RGJL's interest-bearing debt-to-equity and net debt-to-total assets ratios increased to 20.6% and 21.0%, respectively (2024: 0.7% and 19.5%), reflecting higher borrowings utilised to support its operations during the year. However, both ratios remained below our benchmarks. In our opinion, Rare Gems has a low leverage position.

Looking ahead, we expect Rare Gems' financial performance to remain supported by sustained international demand for precious and critical minerals, an expanding product portfolio, and its established presence in key export markets. The Company's export licences, existing relationships with international off-takers should continue to underpin revenue generation, while management's planned expansion into additional export corridors is expected to provide further growth opportunities. However, the Company's ability to sustain this performance will depend on effectively managing working capital requirements, and navigating the regulatory and operational risks associated with the precious metals export industry.

Based on the foregoing, we attach a **stable** outlook to Rare Gems Jewelry Limited.

Figure 1: Strengths, Weaknesses, Opportunities and Challenges

Strengths

- Diversified product portfolio spanning precious metals, base metals and critical minerals.
- Established relationships with international off-takers across China, the United Arab Emirates, India and Italy.
- Licensed Mineral Buying Centre and Exporter with value-added precious metal processing capabilities.
- Stable and experienced management team
- Strong foreign currency earnings, with approximately 70% of revenue denominated in US dollars

Weaknesses

- Concentrated ownership structure
- Inadequate working capital
- Elevated receivables, resulting in prolonged cash conversion.

Opportunities

- Government reforms promoting the formalisation of Nigeria's solid minerals sector.
- Growing global demand for precious and critical minerals, driven by industrialisation and the energy transition.
- Expansion into new export markets.
- Increased investment in Nigeria's mining and mineral processing industry.

Challenges

- Commodity price volatility, which could compress trading margins.
- Foreign exchange volatility affecting profitability and working capital requirements.
- Regulatory changes in the solid minerals industry could increase compliance costs for licensed operators.
- Intense competition from other mineral aggregators, processors and exporters.
- Supply chain disruptions affecting the availability of raw mineral inputs.
- Security challenges within mining communities and transport corridors, which could disrupt sourcing of materials.
- Susceptibility of the precious metals industry to money laundering and illicit trade.

OVERVIEW OF THE NIGERIAN PRECIOUS METALS INDUSTRY

The Nigerian Precious Metals Industry ("the Industry") represents a relatively small yet steadily growing segment within the nation's broader mining and manufacturing sectors. The industry encompasses the exploration, mining, refining, trading, and fabrication of precious metals, with particular emphasis on gold, silver, platinum and gemstones. Among these, gold remains the predominant precious metal produced domestically. Nigeria possesses considerable mineral resources, with gold deposits found in states such as Zamfara, Osun, Kaduna, Kebbi, Niger, Kwara, Kogi and Oyo. Despite this resource base, commercial production remains modest due to limited investment, inadequate infrastructure, regulatory challenges and security concerns in some mining regions. Consequently, artisanal and small-scale miners account for a substantial share of domestic gold production, much of which is sold through informal channels.

The formalisation of the sector has gained momentum in recent years as the Federal Government seeks to diversify the economy away from crude oil. Reforms implemented through the Ministry of Solid Minerals Development have focused on improving regulatory oversight, attracting private sector investment, strengthening licensing processes, curbing illegal mining, and enhancing value addition through local processing and refining. Initiatives such as the Presidential Artisanal Gold Mining Development Initiative (PAGMI)[1] and the establishment of the Nigerian Mining Cadastre Office have also sought to improve transparency and increase formal participation within the sector.

The jewellery market in Nigeria is predominantly shaped by demand from urban consumers, with ceremonial occasions such as weddings and engagements serving as key drivers of growth. Gold jewellery accounts for the largest share of demand due to its cultural significance and investment appeal. Silver jewellery also enjoys steady demand owing to its affordability, while platinum and other precious metals cater to the premium segment.

The industry remains highly fragmented, consisting of numerous small jewellers alongside a handful of organised retailers and manufacturers operating branded outlets across major cities such as Lagos, Abuja and Port Harcourt. Competition is based primarily on product quality, craftsmanship, design, brand reputation, authenticity certification, pricing and customer service. Businesses increasingly leverage digital platforms and social media to market products and expand their customer reach. Key players in Nigeria's precious metals industry include Thor Explorations (Segilola Gold Project), Kian Smith Refinery, Dukia Gold, Neveah Limited, Rare Gems Jewelry Limited, and Western Goldfields Group, alongside influential entrepreneurs such as Segun Lawson and Murtala Laushi.

Demand for precious metals is influenced by several macroeconomic factors, including household disposable income, exchange rate movements, inflation, consumer confidence, and global precious metal prices. Conversely, periods of economic uncertainty often increase the appeal of gold as a store of value, supporting investment demand for gold bars, bullion and high-value jewellery. While Nigeria's precious metals industry remains underdeveloped relative to its resource potential, ongoing regulatory reforms, increased formalisation of mining activities, improved investment in local refining capacity and rising consumer demand for branded jewellery present opportunities for long-term growth.

Based on the above, we attach a **stable** outlook to the Precious Metals Industry in Nigeria.

[1] *Presidential Artisanal Gold Mining Initiative (PAGMI) | NSIA*

PROFILE OF RARE GEMS JEWELRY LIMITED

Rare Gems Jewelry Limited ("Rare Gems", "RGJL" or "the Company") was incorporated in May 2013 as a private limited liability company. The Company commenced operations as a jewellery trading business before expanding into the aggregation, processing and export of solid minerals and metals, positioning itself as an integrated player within Nigeria's solid minerals value chain. Through its operations, Rare Gems facilitates market access for artisanal and small-scale miners by aggregating mineral products, undertaking beneficiation and other value addition processes where required, and supplying domestic customers and international off-takers. The Company does not engage in mining activities but operates as a non-extractive intermediary, sourcing minerals from suppliers and processing them prior to sale or export.

The Company is licensed by the Federal Ministry of Solid Minerals Development as a Mineral Buying Centre and Exporter and holds the requisite licences to purchase, possess and export solid minerals. The Company sources key inputs from Nigeria, Ghana, Uganda and Tanzania, and plans to further diversify its supply base as operations expand. The Company exports principally to China, the United Arab Emirates, India and Italy, with management indicating that export sales are evenly distributed across these markets.

Historically, Rare Gems' operations were primarily concentrated in the aggregation, processing and export of precious metals, particularly gold and silver. In 2026, the Company broadened its product portfolio as part of its strategy to diversify its revenue base and strengthen its participation across Nigeria's solid minerals value chain. The expanded portfolio now includes two additional product categories: base and industrial metals (such as aluminium alloy, tin ore and zinc ore), and solid minerals, including columbite and lithium. The Company sources ores from licensed miners and processes the base and industrial metals at its mineral processing site in Kogi State.

The Company has implemented a number of measures to manage the risks associated with its operations. Commodity price risk is mitigated through the use of futures contracts and back-to-back trading arrangements that match export commitments with available supply. Counterparty risk is managed through comprehensive Know Your Customer (KYC) and Anti-Money Laundering (AML) procedures, including verification of ultimate beneficial ownership and the use of escrow arrangements for selected high-value transactions. Foreign exchange risk is mitigated by denominating export contracts in United States Dollars (USD) and, where appropriate, utilising forward contracts arranged through banking partners.

Operational and regulatory risks are managed through documented standard operating procedures, internal compliance oversight and comprehensive insurance coverage over inventory and consignments in transit. The Company maintains compliance with the requirements of the Federal Ministry of Solid Minerals Development and other relevant regulatory authorities.

OWNERSHIP, MANAGEMENT & STAFF

As at 31 December 2025, Rare Gems Jewelry Limited's paid-up share capital stood at ₦10 million, comprising 10 million ordinary shares of ₦1 each. The Company is majority-owned by Mrs Talatu Ogunlana, who holds an 80% equity stake, while Mrs Amina Ahmed holds 20%. In our opinion, the Company has a concentrated ownership structure. The Company is governed by a five-member Board of Directors ("the Board"), chaired by Mr Abiodun Ohimai Ahanmisi. The Board carries out its oversight functions through the Audit and Risk Committee and the Strategy and Investment Committee. In our view, the Board's collective experience does not encompass the breadth necessary to deliver an unbiased and comprehensive perspective on strategic matters. Also, the presence of a familial relationship on the Board could compromise objectivity and undermine the independence required for sound governance.

Table 1: Current Board of Directors

Name	Designation
Mr Abiodun Ohimai Ahanmisi	Chairman
Mrs Talatu Ogunlana	Chief Executive Officer
Mr Mohammed Abdullahi	Non-Executive Director
Miss Emmanuella Ogunlana	Non-Executive Director
Mrs Rosemary Ishola	Independent Non-Executive Director

Source: Rare Gems Jewelry Limited

MANAGEMENT TEAM

Mrs Talatu Ogunlana is the Chief Executive Officer of Rare Gems Jewelry Limited and has over 20 years of experience in entrepreneurship, business development and scaling businesses. She has played a leading role in developing and executing the Company's growth strategy, supporting its expansion within Nigeria's solid minerals value chain. Mrs Ogunlana is a London Bullion Market Association (LBMA)-certified precious metals professional with expertise in investment-grade gold and silver. She holds a Bachelor of Science (B.Sc.) in Sociology from Bayero University, Kano.

The Chief Executive Officer is supported by five other senior management personnel covering operations, compliance and finance. These individuals possess the requisite academic qualifications and relevant industry experience. We consider the management team to be adequately qualified and experienced.

Table 2: Other Members of Rare Gems Jewelry Limited's Management Team

Name	Position
Mrs Roberta Olowu-Yesu	Chief Operating Officer
Mr Ademola Aderibigbe	Chief Technical Officer
Mrs Omoyeni Oloyede	Chief Financial Officer
Mrs Jumai Ahmed	Chief Compliance Officer
Barrister Alfred Iduhon	Chief Legal Officer

Source: Rare Gems Jewelry Limited

As at 31 December 2025, Rare Gems Jewelry Limited's staff strength declined to 11 (2024: 14). The average cost per employee also declined to ₦2.6 million in FYE 2025 (2024: ₦5.2 million), reflecting lower staff costs. The average

contribution per employee, measured as pre-tax profit adjusted for staff cost, increased to ₦32.4 million (2024: ₦10 million), driven by stronger earnings during the year. The average contribution per employee covered the average cost per employee by 32.4x (2024: 10x), reflecting good staff productivity.

FINANCIAL CONDITION

ANALYSTS' COMMENTS

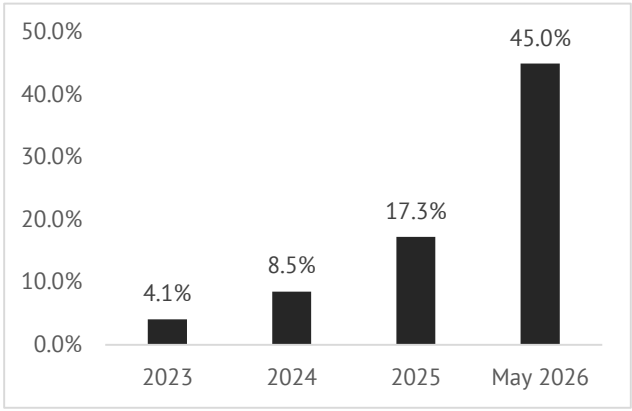
We have analysed the audited financial statements of Rare Gems Jewelry Limited ("Rare Gems", "RGJL" or "the Company") for the three years ended 31 December 2025 and its management account for the five months ended 31 May 2026.

PROFITABILITY

Rare Gems Jewelry Limited's principal revenue-generating activities comprise the aggregation, processing and sale of precious metals to both domestic and international customers. The global gold market recorded a strong performance in 2025, supported by heightened geopolitical uncertainty, sustained central bank purchases and robust investment demand, which reinforced gold's appeal as a safe-haven asset. Consequently, gold prices reached multiple record highs during the year, with the average annual gold price increasing by approximately 45%[2] compared with 2024. Against this backdrop, RGJL, whose operations during the review period were predominantly concentrated in the aggregation, processing and export of gold, benefited from the favourable pricing environment and strong international demand.

Historically, Rare Gems Jewelry Limited has operated across two product lines, namely gold and silver. However, in FYE 2025, the Company's revenue was entirely derived from gold sales. Revenue increased by 61% to ₦2.6 billion in FYE 2025 (2024: ₦1.6 billion), driven by higher gold prices and an 8% increase in the volume of gold sold to 15.6 kilograms**.** Export sales accounted for 70% of total revenue at FYE 2025, with the remaining 30% generated from domestic sales, resulting in a predominantly US dollar-denominated revenue base. Looking ahead, management's strategy to diversify the product portfolio beyond precious metals into base and industrial metals, as well as selected solid minerals, is expected to broaden the Company's revenue base and reduce concentration over the medium term. The Company's cost of sales primarily comprises the procurement of gold, beneficiation[3] and processing expenses, as well as logistics, insurance and export-related costs. The Company's cost-to-revenue ratio increased to 70.1% in FYE 2025 (2024: 58%), resulting in a decline in the gross profit margin to 29.9% (2024: 42%). Management attributed the margin compression to higher input, logistics and transportation costs, as well as working capital constraints, which limited the Company's ability to

Figure 2: Operating Profit Margin



[2] *The World Gold Council*

[3] *Beneficiation is the process of improving the quality or value of a mineral before it is sold or used. It involves removing impurities, increasing the concentration of the valuable mineral, or converting the raw mineral into a more refined product.*

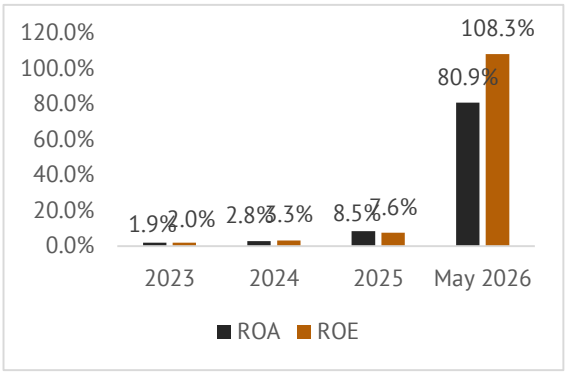
procure larger volumes of gold and benefit from volume-based supplier discounts. Consequently, procurement and logistics costs increased on a per-unit basis, exerting pressure on gross margins despite the growth in revenue.

In contrast, RGJL's operating expense-to-revenue ratio improved to 12.4% in FYE 2025 (2024: 33.5%), primarily reflecting a significant reduction in business development expenses. The Company transitioned from a cost-intensive business development strategy, characterised by extensive market research and international travels to establish relationships with off-takers, to a more cost-efficient broker-led model that provides access to multiple international commodity exchanges and market participants. Consequently, operating expenses reduced resulting in an improvement in the operating profit margin to 17.3% (2024: 8.5%). Similarly, EBITDA margin improved to 22.8% in FYE 2025 from 16.4% in the prior year, reflecting better operating cost management during the year.

In FYE 2025, the Company's other income arising from jewellery cleaning services and the reversal of impairment on trade receivables was ₦8.1 million, and represented a meagre 0.3% of revenue. Meanwhile, the interest expense-to-revenue ratio increased to 5.2% in FYE 2025 (2024: 0.6%), reflecting higher borrowings utilised to support the Company's working capital requirements during the year. We expect finance costs to increase gradually as the Company takes on additional borrowings to fund its business expansion and working capital needs.

Overall, the Company's pre-tax profit margin improved to 12.3% in FYE 2025 (2024: 8%), reflecting stronger operating performance notwithstanding the increase in finance costs. Consequently, pre-interest, pre-tax return on assets (ROA) and pre-tax return on equity (ROE) increased to 8.5% and 7.6%, respectively, in FYE 2025 (2024: 2.8% and 3.3%). Despite the improvement, both ratios remained below our benchmark. In addition, ROE remained well below the average inflation rate of 23% in 2025, indicating a negative real return to shareholders during the year.

Figure 3: ROA & ROE



The Company's unaudited results for the five months ended 31 May 2026 (May 2026) showed revenue of ₦5.2 billion, representing approximately 52% of the Company's full-year forecast. Notably, the five-month revenue was approximately 198% of the Company's FYE 2025 revenue of ₦2.6 billion, reflecting higher sales volumes and favourable gold prices during the period. Gross and operating profit margins improved to 47% and 45%, respectively, in May 2026, reflecting the positive impact of the funding raised towards the end of 2025. The strengthened working capital position enhanced the Company's purchasing capacity, enabling bulk procurement at discounted prices, optimisation of logistics costs through economies of scale and improvements in overall operating efficiency. Consequently, the Company's annualised pre-interest, pre-tax return on assets (ROA) and return on equity (ROE) strengthened to 80.9% and 108.3%, respectively and were significantly above the average inflation rate of approximately 16% in May 2026.

Looking ahead, we expect profitability to improve, supported by the Company's expansion into the trading and export of base metals and industrial minerals, which should support earnings growth, alongside the continued growth of its gold and silver export sales. However, the Company's ability to sustain earnings growth will depend on its ability to effectively manage input costs and financing costs. In our opinion, Rare Gems Jewelry Limited's

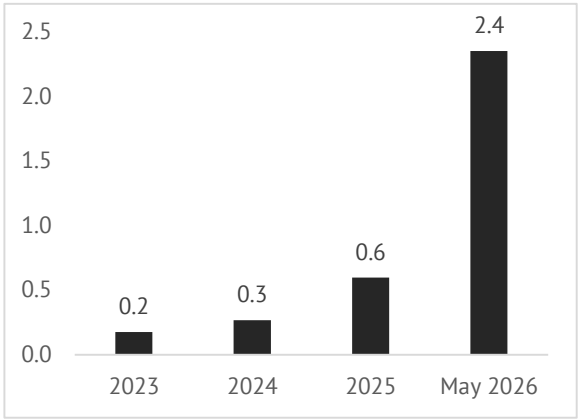
overall profitability requires improvement.

CASH FLOW

Rare Gems Jewelry Limited generates cash from the domestic sale and export of precious metals. While export sales are largely conducted on a cash basis with foreign customers, the Company extends credit terms of up to 90 days to selected domestic customers, primarily dealers. The Company's average trade receivables collection period of 186 days over the past three years (2023–2025) is above the stated credit terms, reflecting delays in customer settlements. The elevated collection period in FYE 2025 was attributable to significant credit sales made to domestic dealers close to the year end, with receivables remaining outstanding as at the reporting date. These customers represent established counterparties within the Company's distribution network, and management expects collections to be realised in the normal course of business.

In FYE 2025, Rare Gems reported a negative operating cash flow of ₦61 million (2024: ₦212 million positive), primarily due to higher trade receivables from significant year-end credit sales to dealers and a reduction in trade payables. The Company completed a private placement during the year to support working capital needs, with the proceeds paid directly to suppliers to settle outstanding obligations. As a result, the Company ended the year with lower trade payables, as the funds raised were immediately applied towards supplier settlements. However, the Company recorded an EBITDA of ₦598.4 million in FYE 2025, representing 22.8% of revenue. This level of operating earnings remained sufficient to comfortably service its interest obligations of ₦138 million, reflecting adequate debt servicing capacity despite the pressure on operating cash flow.

Figure 5: EBITDA (₦'billion)



In the five months ended 31 May 2026 (unaudited), Rare Gems Jewelry Limited reported an EBITDA of ₦2.4 billion, primarily supported by increased earnings during the period. This was sufficient to meet interest payments of ₦130 million. We expect operating cash flow generation to remain supported by improved earnings; however, maintaining efficient working capital management, particularly the timely collection of receivables, will be important for positive cash generation.

In our view, Rare Gems Jewelry Limited's overall cash flow position is satisfactory.

LIQUIDITY PROFILE

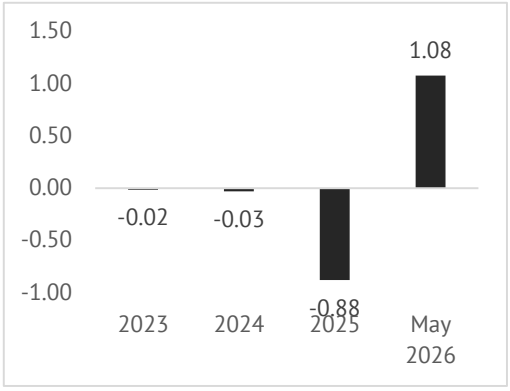
Rare Gems Jewelry Limited's liquidity assessment is based on its cash holdings of ₦104 million and liquid

inventories[4] of ₦2.6 billion as at 31 December 2025. This translated to an internally generated liquidity coverage ratio of 2.7x, indicating sufficient internal cash generation to cover short-term obligations. Furthermore, the Company maintains good relationship with five commercial banks, which are reliable sources of external liquidity support for its operations, if needed.

FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at 31 December 2025, the Company's trading assets was ₦4.2 billion (2024: ₦4.4 billion), with inventory accounting for 76% of the total, followed by trade debtors (20%) and other debtors and prepayments (4%). As at FYE 2025, the Company's spontaneous financing declined to ₦0.2 billion (2024: ₦0.9 billion), reflecting a reduction in supplier credit during the year. Consequently, spontaneous financing was insufficient to fund its trading assets, resulting in a working capital need of ₦4 billion as at year-end. Rare Gems has consistently recorded a working capital need, and we expect this trend to persist, given the Company's inventory-intensive business model.

Figure 6: Working Capital Surplus/Deficiency (₦'billion)



In FYE 2025, Rare Gems developed an online B2B platform, resulting in an increase in intangible assets. Consequently, long-term assets grew to ₦1.1 billion (2024: ₦0.6 billion), primarily driven by the recognition of the developed platform as an intangible asset. Long-term funds totalled ₦4.3 billion, comprising entirely shareholders' equity. These funds were sufficient to fully finance the Company's long-term assets, leaving ₦3.2 billion available working capital. However, this amount was insufficient to fully meet the Company's working capital need, resulting in an overall working capital deficiency of ₦0.9 billion at year-end, which was funded through short-term borrowings.

As at 31 May 2026 (unaudited), the Company recorded a working capital need of ₦2.8 billion, primarily driven by substantial inventory holdings during the period. However, working capital available stood at ₦3.8 billion, resulting in an overall working capital surplus of ₦1.1 billion. The Company's working capital position was supported by higher profit accretion during the period. We expect the Company's working capital requirements to remain elevated over the near term, reflecting its inventory-intensive business model and the need to maintain adequate stock levels to support trading activities.

In our opinion, Rare Gems Jewelry Limited's working capital position requires improvement.

LEVERAGE

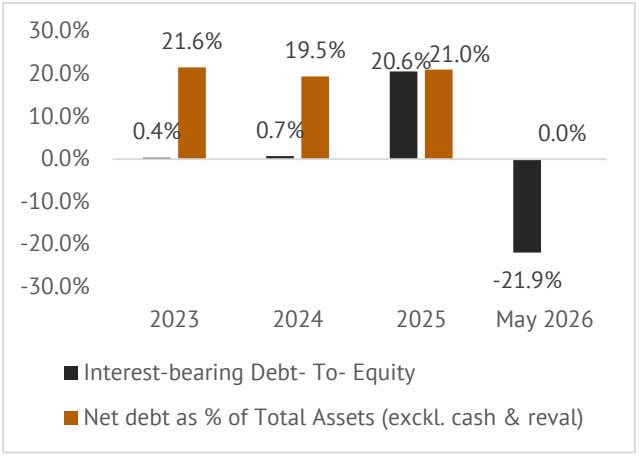
As at FYE 2025, Rare Gems Jewelry Limited's total liabilities increased to ₦1.2 billion (2024: ₦1 billion), comprising interest-bearing liabilities (83%) and non-interest-bearing liabilities (17%). Interest-bearing debt rose significantly

[4] *In arriving at the value of the liquid inventories, we applied a 20% haircut to the Company's inventory.*

to ₦983 million as at 31 December 2025 (2024: ₦48 million), reflecting a one-year private placement raised during the year to support the Company's working capital requirements. In August 2025, Rare Gems issued a ₦1 billion fixed-rate secured private placement at a 30% discount rate, arranged by FCSL Asset Management Company Limited, alongside Norrenberger Advisory Partners Limited and BAS Capital Limited. The debt instrument is scheduled to mature on 14 August 2026. As at FYE 2025, shareholders' equity funded 83% of total assets, reflecting a strong equity cushion despite the increase in debt.

RGJL's interest expense-to-sales ratio increased to 5.2% in FYE 2025 (2024: 0.6%), exceeding our 5% maximum benchmark, due to the increase in borrowings during the year. Similarly, the Company's interest-bearing debt-to-equity and net debt-to-total assets ratios increased to 20.6% and 21.0%, respectively, as at FYE 2025 (2024: 0.7% and 19.5%). Nevertheless, leverage remained moderate, supported by the Company's strong equity base.

Figure 7: Interest- bearing Debt to Equity & Net Debt to Total Asset Ratios



As at 31 May 2026 (unaudited), Rare Gems Jewelry Limited's total liabilities increased to ₦2 billion (FYE 2025: ₦1.2 billion), primarily reflecting additional borrowings and higher taxation payables during the period. Despite the increase in liabilities, substantial cash balances at period-end resulted in both the interest-bearing debt-to-equity ratio and the net debt (total debt less cash and cash equivalents)-to-total assets ratio remaining below 1%. The Company recorded an EBITDA coverage ratio of 18.2x in May 2026 YTD, significantly exceeding our 3x benchmark, supported by stronger earnings during the period. We expect the Company's leverage metrics to remain within acceptable levels, supported by its strong equity base and improved cash generation, although additional debt-funded expansion could place pressure on these metrics.

In our view, Rare Gems Jewelry Limited currently maintains a low leverage position.

OUTLOOK

The Nigerian solid minerals industry is expected to remain on a steady growth trajectory, supported by the Federal Government's continued reforms aimed at formalising the sector, promoting local beneficiation and attracting private investment. The implementation of the "no value addition, no licence"[5] policy, the revocation of inactive mining licences, and increasing investment in domestic mineral processing are expected to strengthen the operating environment for licensed aggregators, processors and exporters. In addition, robust global demand for precious and

[5] *Nigeria Issues 867 Mining Licences, Urges Value Addition*

critical minerals, particularly gold, lithium and tin, driven by jewellery demand, industrial applications and the global energy transition, is expected to continue supporting export opportunities for Nigerian operators.

Rare Gems Jewelry Limited is well positioned to benefit from these favourable industry dynamics, supported by its licences as a mineral buying centre and exporter, expanding beneficiation capabilities, established relationships with domestic suppliers and international off-takers, and diversified export footprint across China, the United Arab Emirates, India and Italy. Management projects revenue of approximately ₦10 billion in 2026, underpinned by higher export volumes, increased funding capacity, and an expanded product portfolio comprising base metals and critical minerals. The Company's plans to expand into additional export corridors are also expected to enhance market access. While execution risk remains, successful implementation of these initiatives is expected to support earnings growth and positive operating cash flow generation.

Notwithstanding these favourable prospects, the Company's working capital requirements are expected to remain elevated, reflecting the inventory-intensive nature of its business model and the need to maintain adequate stock to support business activities. In addition, operations remain exposed to fluctuations in international commodity prices, foreign exchange movements, and changes in mining and export regulations. Although prompt collections remain an area requiring improvement, we expect the Company's liquidity profile to benefit from stronger operating earnings and positive operating cash flow generation. Leverage is expected to increase moderately as the Company executes its expansion plans. Nevertheless, overall indebtedness is projected to remain within tolerable thresholds, supported by strengthening earnings.

Overall, Rare Gems is expected to strengthen its position within Nigeria's solid minerals value chain, supported by favourable industry fundamentals, increasing export opportunities, an expanding product offering and continued investment in value-added mineral processing.

Based on the foregoing, we attach a **stable** outlook to Rare Gems Jewelry Limited.

FINANCIAL SUMMARY

STATEMENT OF COMPREHENSIVE INCOME	31-DEC-23		31-DEC-24		31-DEC-25		31-MAY-26 (UNAUDITED)	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
REVENUE	1,287	100%	1,636	100%	2,630	100%	5,215	100%
GROSS PROFIT	669	52%	687	42%	786	30%	2,452	47%
OPERATING PROFIT	53	4%	140	9%	454	17%	2,345	45%
INTEREST EXPENSE	(15)	-1%	(10)	-1%	(138)	-5%	(130)	-2%
PROFIT BEFORE TAXATION	77	6%	131	8%	324	12%	2,216	42%
TAX (EXPENSE) BENEFIT	(21)	-2%	(48)	-3%	(74)	-3%	(665)	-13%
PROFIT AFTER TAXATION	57	4%	83	5%	250	10%	1,551	30%
DIVIDEND	-		-		-		-	
PROFIT RETAINED FOR THE YEAR	57	4%	83	5%	250	10%	1,551	30%
OTHER APPROPRIATIONS/ ADJUSTMENTS	-		-		-		-	
PROFIT RETAINED B/FWD	182		238		322		572	
PROFIT RETAINED C/FWD	**238**		**322**		**572**		**2,123**	

STATEMENT OF FINANCIAL POSITION	31-DEC-23		31-DEC-24		31-DEC-25		31-MAY-26 (UNAUDITED)	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
ASSETS								
CASH & EQUIVALENTS	46	1%	19	0%	104	2%	2,460	35%
TOTAL TRADING ASSETS	4,357	89%	4,384	88%	4,249	78%	3,426	50%
TOTAL LONG-TERM ASSETS	481	10%	579	12%	1,094	20%	1,074	15%
TOTAL ASSETS	**4,883**	**100%**	**4,982**	**100%**	**5,448**	**100%**	**6,960**	**100%**
GROWTH	*40.4%*		*2.0%*		*9%*		*28%*	
LIABILITIES & EQUITY								
TOTAL INTEREST-BEARING LIABILITIES	61	1%	48	1%	983	18%	1,383	20%
TOTAL NON-INTEREST-BEARING LIABILITIES	877	18%	924	19%	204	4%	665	29%
TOTAL LIABILITIES	**938**	**19%**	**973**	**20%**	**1,188**	**22%**	**2,048**	**29%**
SHAREHOLDERS' EQUITY	3,945	81%	4,010	80%	4,260	78%	4,912	71%
TOTAL LIABILITIES & EQUITY	**4,883**	**100%**	**4,982**	**100%**	**5,448**	**100%**	**6,960**	**100%**

CASH FLOW STATEMENT	31-DEC-23	31-DEC-24	31-DEC-25	31-MAY-26 (UNAUDITED)
	₦'MILLION	₦'MILLION	₦'MILLION	₦'MILLION
OPERATING ACTIVITIES				
POTENTIAL OPERATING CASH FLOW	1,281	192	524	790
WORKING CAPITAL CHANGES:				
CASH FROM (USED BY) SPONTANEOUS FINANCING	211	47	(720)	460
CASH FROM (USED BY) TRADING ASSETS	(1,195)	(27)	134	824
CASH FROM (USED IN) OPERATING ACTIVITIES	**296**	**212**	**(61)**	**2,074**
RETURNS TO PROVIDERS OF FINANCING (RTPOF)				
INTEREST PAID	(15)	(10)	(138)	(130)
DIVIDEND PAID	-	-	-	-
OPERATING CASH FLOW AFTER RTPOF	**282**	**202**	**(199)**	**1,945**
CASH FROM (USED IN) INVESTING ACTIVITIES	**(293)**	**(226)**	**(651)**	**10**
CASH FROM (USED IN) FINANCING ACTIVITIES	**13**	**(4)**	**935**	**400**
CHANGE IN CASH INC/(DEC)	1	(27)	85	2,355
OPENING CASH & MARKETABLE SECURITIES	45	46	19	104
CLOSING CASH & MARKETABLE SECURITIES	**46**	**20**	**104**	**2,460**

Rare Gems Jewelry Limited

KEY RATIOS	31-DEC-23	31-DEC-24	31-DEC-25	31-MAY-2026 (UNAUDITED)
PROFITABILITY				
SALES GROWTH	7%	27%	61%	376%
OPERATING PROFIT MARGIN	4%	9%	17%	45%
RETURN ON ASSETS (PRE-INTEREST PRE-TAX)	2%	3%	9%	81%
RETURN ON EQUITY (PRE-TAX)	2%	3%	8%	108%
CASH FLOW				
OCF AS % OF RETURNS TO PROVIDER OF FINANCING	1998%	2177%	-44%	1600%
OCF AS % OF SALES	23%	13%	-2%	40%
WORKING CAPITAL				
WORKING CAPITAL NEED (DAYS)	987	772	561	193
OVERALL WORKING CAPITAL DEFICIENCY (DAYS)	-	-	-	-
LEVERAGE				
NET DEBT AS % OF AVERAGE TOTAL ASSETS	22%	19%	21%	0%
TOTAL LIABILITIES TO EQUITY	24%	24%	28%	42%
OTHER ADDITIONAL INFORMATION				
STAFF COSTS (₦' MILLION)	71	73	36	6
AVERAGE NUMBER OF STAFF	14	14	14	14
STAFF COSTS PER EMPLOYEE (₦' MILLION)	5	5	3	0.4
CAPITAL EXPENDITURE (₦' MILLION)	293	226	176	-
DEPRECIATION AND AMORTISATION (₦' MILLION)	85	128	136	9
AUDITORS	SIAO	SIAO	SIAO	UNAUDITED
OPINION	CLEAN	CLEAN	CLEAN	N/A

LONG-TERM RATING DEFINITIONS

Aaa	A Company with the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Aa	A Company with very good financial condition and a strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
A	A Company with good financial condition and strong capacity to meet its obligations relative to all other issuers in the same country.
Bbb	A Company with satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
Bb	A Company with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
B	A Company with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.

C	A Company with very weak financial condition and very weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

SHORT-TERM RATING DEFINITIONS

A1+	A company with the strongest capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
A1	A company with a strong capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
A2	A company with adequate capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
A3	A company with limited capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
B	A company with weak capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
C	A company with very weak capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
D	A company in default

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