

**COMPANY REGISTRATION NUMBER 07496976
(England and Wales)**

EQUATORIAL MINING AND EXPLORATION PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

EQUATORIAL MINING AND EXPLORATION PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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EQUATORIAL MINING AND EXPLORATION PLC
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	N Nelson A Evans (Resigned 14 March 2016) S Retter (Appointed 5 June 2015)
Company registration number	07496976
Company secretary	International Registrars Limited
Registered office	Finsgate 5-7 Cranwood Street London EC1V 9EE
Auditor	Jeffreys Henry LLP Chartered Accountants Finsgate 5-7 Cranwood Street London EC1V 9EE
ISDX Advisor	Alexander David Securities Limited 49 Queen Victoria Street London EC4N 4SA

EQUATORIAL MINING AND EXPLORATION PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

Equatorial Mining and Exploration Plc (the "Company" and "EME") made excellent progress during the year in the face of testing conditions in Nigeria and limited available funding from UK investors. As a result of multiple Nigeria trips to Abuja and Edo State, the directors oversaw the renewal of the exploration licences (ELs) owned by Desert Rock Exploration Limited (Desert Rock), EME's operating company.

The Company also invested considerable time in developing relationships with potential coal customers such as Lafarge Holcim, Dangote Cement and multiple smaller players. In the production of cement, which is formed from limestone and other materials baked at an extremely high temperature in ovens heated by electricity, the power consumption is enormous and typically, each factory has its own coal or gas fired power station. At present most coal is imported and consequently discussions with EME continue.

Last August, a limited exploration programme, including the drilling of five core holes across about 5% of a single 25 km² EL (EL7729) close to the town of Auchi was completed. The Directors, faced with an extremely tight budget, believed that with old coal mine workings in this EL, it would be a natural starting point for exploration and could lead to coal production in the short term. The resulting exploration report was extremely encouraging.

Accordingly, in anticipation that production could start in 2016, the directors placed the role of Contract Miner out to tender and following exhaustive interviews, agreed provisional terms with a local Chinese mining and quarrying company which had its own machinery and strong connections within the expansive Chinese mining community in West Africa. The directors felt that this placed EME in a strong position for the future.

As part of a mining lease (ML) application, it is necessary to complete an environmental impact assessment and a "community development agreement" with the community close to a planned mine site. Such an exercise requires careful handling and not insubstantial professional consultancy fee payments and land rental charges. However, the Directors were delighted that through Desert Rock's skilled and committed management team, both agreements were concluded successfully.

Concurrently with the above, early this year, the Chinese contractor was engaged to open an access road into the centre of EL7729 in anticipation of additional exploration and its conversion into an ML. The ML application should be a routine process requiring the employment of consultants to deliver paperwork against a set list. Despite frustrating delays to the process, the directors were encouraged by the receipt of a letter from the Mining Cadastre Office stating that the application had been successful subject to a final fee payment. In other words, once this fee is paid, the Minister of Mining would sign and authorise the ML itself.

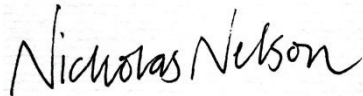
Under these circumstances, the Directors believe that a prudent course of action is to invest in additional drilling on the basis that the five holes drilled last year could not reasonably define how Desert Rock should move into coal production. Consequently, the Company is presently in discussions with investors with a view to releasing additional funding for this precise purpose.

EQUATORIAL MINING AND EXPLORATION PLC

CHAIRMAN'S STATEMENT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

Following the departure of Alyn Evans last month, the Directors are conscious that a replacement mining engineer is needed and they have identified a number of excellent potential candidates for this purpose. An appointment will coincide with the continuation of a well funded exploration plan and subject to this, we look forward with confidence to the year ahead.



N C P Nelson
Chairman
31st May 2016

EQUATORIAL MINING AND EXPLORATION PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

PRINCIPAL ACTIVITIES

Equatorial Mining and Exploration plc is an investment vehicle, admitted to trading on ISDX. Since admission, the board has been evaluating a number of acquisition possibilities.

KEY PERFORMANCE INDICATORS

Given the straightforward nature of the business at this time, the Directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business. The Directors will look to introduce suitable KPI's following any acquisition.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The Company is at an early stage of development and is dependent upon the continuing ability of the Directors to identify suitable investment or acquisition opportunities and implement the Company's Strategy. During the identification process the Company's resources may be extended without return on investigative effort and due diligence. The company may face competition to acquire particular companies or investments. Competing acquirers may have greater financial resources than the Company.

The company will need to raise further funds in the future, either to complete a proposed acquisition or investment, or to raise additional working capital for such an acquisition or investment. There can be no guarantee that additional funds can be raised when necessary. In these circumstances the company would need to secure additional funding from other sources and/or scale back its future plans. We refer to the paragraph on going concern which is included in the Directors report for further details.

BUSINESS REVIEW

In the Admission Document issued on 28 April 2011, the Company's stated investment criteria were summarised as follows:

- the target acquisition or investment will be in the prospecting or mining of valuable minerals;
- the target acquisition or investment should be profitable or have a significant asset value and may have opportunities for consolidation or further development. The Directors will, on an exceptional basis, also consider loss-making targets where, in the Directors' opinion, there is clear opportunity to develop a profitable and attractive business; and
- the owners of the target acquisition or investment should accept part of the consideration for any acquisition in new ordinary shares or other securities to be issued by the Company.

Since the Company's admission, and as made clear in subsequent announcements, the Directors have widened their search for the optimal investment beyond rare earth metals into the full range of precious and industrial metals, and other natural resources such as fossil fuels..

In the meantime, the Company has maintained its ISDX listing on minimal overhead and maintains a small cash balance.

The Company looks forward to keeping shareholders informed of developments and express my gratitude for their patience to date.

EQUATORIAL MINING AND EXPLORATION PLC

STRATEGIC REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

RESULTS AND DIVIDENDS

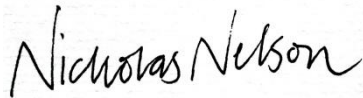
The Company incurred an operating loss of £808,997 for the year (2014 - £1,030,404). Interest income was £195 (2014 - £NIL), interest paid was £1,995 (2014 - £1,408), resulting in a loss for the year before and after tax of £810,992 (2014 - £1,031,524).

The directors do not recommend the payment of a dividend for the period.

FUTURE DEVELOPMENTS

In the financial year to 31 December 2015, the company engaged the services of a mining geological contractor to conduct exploration studies on part of the Company's tenement in Nigeria. These studies will be overseen by the Board and will lead to an expert report into the existence and commercial viability of hydrocarbon minerals.

If this report suggests hydrocarbon minerals do exist in commercial quantities, the Company will endeavour to source additional funding to increase the scale of the exploration leading to the eventual production of a JORC Inferred Resource Estimate. The Resource Estimate will provide the Company with the means to generate income via an outright sale of the tenement or a move into production.



N C P Nelson
Director
31st May 2016

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

INTRODUCTION

The Board is pleased to present the results for the Company for the year ended 31 December 2015. The company is incorporated in the United Kingdom.

SUBSTANTIAL INTERESTS

As at the date of this report, the following parties had notified the Company of a beneficial interest that represents 3% or more of the Company's issued ordinary share capital at that date

	No. of shares	% held
C A Potts	1,099,875,000	23.12
Grandinex International Corp	800,000,000	16.82
GTI International	800,000,000	16.82
First Names Trust Company (Isle of Man) Limited	792,400,000	16.66
The Bank of New York (Nominees) Limited	314,466,667	6.61
Jim Nominees Limited	200,366,667	4.21
N C P Nelson	153,500,000	3.23
S G Moloney	150,000,000	3.15

BENEFICIAL INTEREST IN EMPLOYEE BENEFIT TRUST

The Company has a beneficial interest in its own shares which have been acquired during the accounting period through a nominee company. The shares are held in an Employee Benefit Trust (the Equatorial EBT) for the benefit of its employees. This is intended to constitute an employee's share scheme within the meaning of section 1166 of the Companies Act 2006. The shares are held by First Names Trust Company (Isle of Man) Limited and total 792,400,000 as detailed in the above table. The shares have a nominal value of £79,240 and represent 16.66% of the called up share capital of the Company. To date options to purchase 785,740,000 of the shares have been granted to the Directors under share option agreements as disclosed in note 14 of the financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served in office since the beginning of the financial period are shown below:

N C P Nelson
A Evans (resigned 14 March 2016)
S J Retter (appointed 5 June 2015)

The interests of the directors in 0.0001p ordinary shares of the company were as follows

	31 December 2015	31 December 2014
N C P Nelson	153,500,000	75,000,000
A Evans	250,000	-
S J Retter	750,000	-

Directors' interests in share options and warrants are disclosed in note 14.

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

EXECUTIVE DIRECTORS

Nicholas Nelson has worked in corporate communications providing services to smaller quoted PLCs over a thirteen year period and prior to this he spent twelve years in both making market and stockbroking. He has left employed life to commit more time to Equatorial Mining and Exploration Plc and a small number of other corporate projects.

Simon Retter, appointed during the year, started his career at Deloitte LLP where he qualified as a chartered accountant. He specialised in corporate finance co-ordinating reporting accountant's work for AIM IPOs, preparing Long-form/Accountants Reports/Working Capital Reports and producing acquisition due diligence reports. Simon has been a Financial Director at Paragon Diamonds Ltd since April 2010 where as an original founding director he had sole responsibility for managing the IPO process and has raised £9 million in new equity to date. He is also Finance Director at a newly incorporated investment vehicle targeting the finance and technology sectors.

FINANCIAL RISK MANAGEMENT POLICES AND OBJECTIVES

The Company's financial instruments comprise cash and various items, such as trade payables that arise directly from its operations. The Company's exposure to its financial instruments is not material and therefore derivative financial instruments are not used to manage them.

The main risks arising from the Company's financial instruments can be analysed as follows:

Credit Risk

The Company's credit risk is minimised by maintaining cash and treasury balances with reputable financial institutions.

Foreign currency risk

During the year the Company had no significant transactions or balances denominated in foreign currencies, and held all cash balances in sterling.

Liquidity Risk

The Company has sufficient cash resources available to meet its short term liabilities.

Cash flow interest rate risk

The Company has no borrowings and on cash balances receives variable rate interest based on UK bank base rates.

GOING CONCERN

Having reviewed the future plans and projections for the business, the Company is actively seeking to obtain additional funding from its shareholders and outside lenders in order to continue as a going concern. As at the date of this report the Company has approximately £70,000 of cash in the bank and has outstanding creditors of £330,000 including a loan of £100,000 with Darwin Strategic Limited which matured in April and has been demanded but not called in. The Company has also obtained additional convertible irredeemable unsecured loans of £360,000 since the year end through a placing to investors. The Company has enough to cover the most immediate payments and existing creditors including the Directors continue to show patience as does Darwin who appear to be determined that the Company continues trading. In the absence of further funding there is therefore a material uncertainty over the Company's ability to continue as going concern. The Directors continue to adopt the going concern

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

GOING CONCERN *(continued)*

basis in preparing the financial statements as they are actively pursuing funding from different sources and it reasonable to conclude they will be successful.

PAYMENTS TO SUPPLIERS

The Company does not follow any code or standard on payment practice as the terms and conditions for its business transactions are agreed with individual suppliers. Payment is then made in accordance with those terms, subject to other terms and conditions being met by the supplier.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards Practice as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

EQUATORIAL MINING AND EXPLORATION PLC

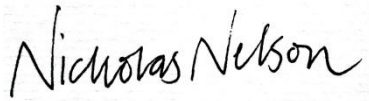
THE DIRECTORS' REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2015

REAPPOINTMENT OF AUDITORS

Jeffreys Henry LLP has confirmed that it is willing to continue in office, and a resolution to reappoint it as the auditor will be proposed at the forthcoming Annual General Meeting.

The report of the Directors was approved and authorised by the Board on 31st May 2016 and signed on its behalf by

A handwritten signature in black ink that reads "Nicholas Nelson". The signature is written in a cursive style and is positioned above a faint, rectangular stamp or watermark.

N C P Nelson
Director
31st May 2016

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUATORIAL MINING AND EXPLORATION PLC

FOR THE YEAR ENDED 31 DECEMBER 2015

We have audited the financial statements of Equatorial Mining and Exploration Plc for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
EQUATORIAL MINING AND EXPLORATION PLC**

FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 concerning the Company's ability to continue as a going concern. In order to continue operations for the next 12 months the Company is dependent upon raising additional finance. This condition indicates the existence of a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report, the Strategic report and the Chairman's report for the financial period for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
the financial statements are not in agreement with the accounting records and returns; or
certain disclosures of directors' remuneration specified by law are not made; or
we have not received all the information and explanations we require for our audit.



Sanjay Parmar (Senior Statutory Auditor)

for and on behalf of
Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE

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EQUATORIAL MINING AND EXPLORATION PLC

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
Administrative expenses		(746)	(351)
Share based payments		(63)	(680)
OPERATING LOSS FROM OPERATIONS	4	(809)	(1,031)
Investment income			-
Interest paid		(2)	(1)
Loss before taxation		(811)	(1,032)
Taxation		-	-
LOSS FROM CONTINUING OPERATIONS	15	(811)	(1,032)
Loss per share			
- basic (pence)	7	(0.020)	(0.047)
- diluted (pence)		(0.020)	(0.047)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £'000	2014 £'000
Loss for the period	(811)	(1,032)
Total comprehensive income	(811)	(1,032)

EQUATORIAL MINING AND EXPLORATION PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £'000	Share premium £'000	Share-based compensation reserve £'000	Interest in shares in EBT £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2014	214	926	161	-	(1,197)	104
Total comprehensive loss for the year	-	-	-	-	(1,032)	(1,032)
Share based compensation	-	-	680	-	-	680
Exercise of share options	-	-	(643)	-	643	-
Issue of new shares	24	244	-	-	-	268
Shares to be paid	35	468	-	-	-	503
Balance as at 31 December 2014	273	1,638	198	-	(1,586)	523
Total comprehensive loss for the year	-	-	-	-	(811)	(811)
Transfer to Retained earnings	-	-	(153)	-	153	-
Share based compensation	-	-	63	-	-	63
Exercise of share options	3	-	-	-	-	3
Exercise of warrants	155	-	-	-	-	155
Reversal of movements in 2014	-	-	(37)	-	-	(37)
Reversal of shares issued in error in 2014	(35)	(468)	-	-	-	(503)
Issue of new shares	80	34	-	(79)	-	35
Balance as at 31 December 2015	476	1,204	71	(79)	(2,244)	(572)

Reserves

Reserve	Description and purpose
Share capital	Amount of the contributions made by shareholders in return for the issue of shares.
Share premium	Amount subscribed for share capital in excess of nominal value.
Share-based compensation reserve	Cumulative fair value of share options granted and recognised as an expense in the Income Statement.
Interest in shares in Employees Benefit Trust (EBT)	The Company set up an Employees Benefit Trust on 6 March 2015 (the Equatorial EBT) for the benefit of its employees which is intended to constitute an employee's share scheme within the meaning of section 1166 of the Companies Act 2006. Advances made towards the scheme by the company have been subsequently used to subscribe for shares in the Company to be acquired by the Beneficiaries. The shares have been allocated under option agreements to the beneficiaries as detailed in note 14 of the financial statements under the instructions of the Company. Under IFRS own shares held under an Employee Share ownership plan are recorded as a deduction in arriving at shareholders funds rather than as an asset.

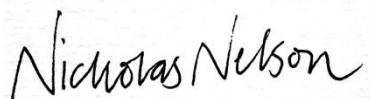
EQUATORIAL MINING AND EXPLORATION PLC

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015 £'000	2014 £'000
ASSETS	Note		
CURRENT ASSETS			
Trade and other receivables	8	21	569
Cash and cash equivalents		24	58
TOTAL ASSETS		<u>45</u>	<u>627</u>
EQUITY AND LIABILITIES			
Share capital	12	476	273
Share premium account	13	1,204	1,638
Interest in shares in EBT	14	(79)	-
Share-based compensation reserve	14	71	198
Retained earnings	15	(2,244)	(1,586)
TOTAL EQUITY		<u>(572)</u>	<u>523</u>
CURRENT LIABILITIES			
Trade and other payables	9	617	104
TOTAL EQUITY AND LIABILITIES		<u>45</u>	<u>627</u>

These financial statements were approved for issue by the Board of Directors on **xxx** May 2016 and were signed on its behalf by:



N C P Nelson
Director

COMPANY REGISTRATION NUMBER 07496976
(England and Wales)

EQUATORIAL MINING AND EXPLORATION PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £'000	2014 £'000
Loss before income tax	(811)	(1,032)
Share-based compensation	(132)	680
Finance cost	2	1
Finance income	-	-
	<hr/>	<hr/>
Operating cash flows before movement in working capital and provisions	(941)	(351)
(Increase)/decrease in trade and other receivables	45	(13)
Increase/(decrease) in trade and other payables	513	61
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(383)	(303)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		-
Interest paid	(2)	(1)
Investment in own issued share capital	79	-
	<hr/>	<hr/>
NET CASH GENERATED FROM INVESTING ACTIVITIES	77	(1)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	272	268
	<hr/>	<hr/>
NET CASH GENERATED FROM FINANCING ACTIVITIES	272	268
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(34)	(36)
Net cash and cash equivalents at beginning of period	58	94
	<hr/>	<hr/>
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	24	58
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EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. General information

Equatorial Mining and Exploration plc ("the Company") is an investment vehicle, established to invest in or acquire businesses or assets in the mining sector.

The Company is a public limited company which is quoted on ISDX and is incorporated and domiciled in the UK. The address of its registered office is Finsgate, 5-7 Cranwood Street, London EC1V 9EE.

The registered number of the company is 07496976.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting standards ("IFRS") as adopted by the European Union, International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The functional and presentational currency for the financial statements is Sterling.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Accounting for interest in own shares held through an Employees Benefit Trust

The funds advanced to acquire the shares have been accounted for under IFRS as a deduction in arriving at shareholders' funds rather than as an asset.

Issued International Financial Reporting Standards (IFRS's) and interpretations (IFRICs) relevant to company operations

There are no IFRS or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the Company.

Standards, interpretations and amendments to published standards that are not yet effective

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the accounting for financial instruments at fair value.

Going concern

Having reviewed the future plans and projections for the business, the Company is actively seeking to obtain additional funding from its shareholders and outside lenders in order to continue as a going concern. As at the date of this report the Company has approximately £70,000 of cash in the bank and has outstanding creditors of £330,000 including a loan of

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Continued)

Accounting Policies (continued)

Going concern (continued)

£100,000 with Darwin Strategic Limited which matured in April and has been demanded but not called in. The Company has also obtained additional convertible loans of £360,000 since the year end through a placing to investors. The Company has enough to cover the most immediate payments and existing creditors including the Directors continue to show patience as does Darwin who appear to be determined that the Company continues trading. In the absence of further funding there is therefore a material uncertainty over the Company's ability to continue as going concern. The Directors continue to adopt the going concern basis in preparing the financial statements as they are actively pursuing funding from different sources and it reasonable to conclude they will be successful. Given this, the directors believe that preparing the accounts on the going concern basis is appropriate.

Share options

When shares, share options and warrants are granted to employees and investors, a charge is made to the profit and loss account and a reserve created in capital and reserves to record the fair value of the awards at the date of grant in accordance with IFRS 2 (share based payments). This charge is spread over the vesting period. When shares and share options are granted to employees of subsidiary companies, the fair value of the awards is treated as a capital contribution and spread over the period of performance relating to the grant. The corresponding entry is made in reserves.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In the opinion of the Directors, in year ended 31 December 2015, the Company does not have any separate business or geographical segments.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Continued...)

3. Accounting Policies (*continued*)

Share options

When shares, share options and warrants are granted to employees and investors, a charge is made to the profit and loss account and a reserve created in capital and reserves to record the fair value of the awards at the date of grant in accordance with IFRS 2 (share based payments). This charge is spread over the vesting period. When shares and share options are granted to employees of subsidiary companies, the fair value of the awards is treated as a capital contribution and spread over the period of performance relating to the grant. The corresponding entry is made in reserves.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In the opinion of the Directors, in year ended 31 December 2015, the Company does not have any separate business or geographical segments.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the tax bases and the accounting bases of assets and liabilities. Deferred income tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Continued...)

3. Accounting Policies (*continued*)

Income taxes

Deferred income tax liabilities are recognised for all temporary differences, except where the deferred income tax liability from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred income tax assets and liabilities are offset against each other only when the Company has a legally enforceable right to do so.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Use of assumptions and estimates

The Company makes judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Share based payments

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour based on past experience, future expectations and benchmarked against peer companies in the industry.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Continued...)

4. Operating loss

Operating loss is stated after charging:

	2015	2014
	£'000	£'000
Directors' remuneration	164	106
Directors fees	5	-
Auditor's remuneration		
- Audit	9	4
- Non-audit services	1	1
	<u> </u>	<u> </u>

5. Employees

The company has no employees other than the directors.

6. Tax on profit on ordinary activities

	2015	2014
	£'000	£'000
Current tax expense	-	-
Deferred tax expense	-	-
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
Reconciliation of effective tax rates	£	£
(Loss) before tax	<u>(811)</u>	<u>(1,032)</u>
Tax using domestic rates of corporation tax of 20.00% (2014: 20.00%)	(162)	(206)
Effect of:		
Expenses not deductible for tax purposes	28	-
Losses carried forward	134	206
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Continued...)

6. Tax on profit on ordinary activities (continued)

The company has estimated losses of £1,763,977 (2014 - £1,097,000) available to carry forward against future trading profits.

The Company has not recognised a potential deferred tax asset of £353,000 (2014: £219,000) in respect of these losses due to uncertainty over whether they will be utilised in future periods.

7. Loss per share

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The company had three classes of dilutive potential shares, being those share warrants and share options detailed within note 14.

The diluted loss per share is the same as the basic loss per share as the loss for the year has an antidilutive effect.

The calculation of basic and diluted earnings per share is based on the following figures:

	2015 £'000	2014 £'000
Total loss for the period	(811)	(1,032)
Weighted average number of shares – basic	4,030,228,807	2,172,110,503
Diluting effect of warrants in issue	-	-
Weighted average number of shares – diluted	4,030,228,807	2,172,110,503
Basic loss per share	(0.020)p	(0.047)p
Diluted loss per share	(0.020)p	(0.047)p

8. Trade and other receivables

	2015 £'000	2014 £'000
VAT	8	13
Directors loan	5	-
Other debtors	7	550
Prepayments	1	6
	21	569

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Continued...)

9. Trade and other payables

	2015 £'000	2014 £'000
Trade payables	316	82
Short term loans	134	-
Other creditors	29	12
Accruals	138	10
	<hr/>	<hr/>
	617	104
	<hr/> <hr/>	<hr/> <hr/>

Short term loans consist of the first tranche of Bridge Loan notes of £99,000 issued to Darwin Strategic Limited and convertible loan notes of £35,000 issued through Cornhill Management and Investment Limited. These are unsecured but have been issued with warrants as detailed in note 14 to the financial statements.

10. Financial instruments

The Company's financial instruments comprise cash and various items, such as trade payables that arise directly from its operations. The main risks arising from, and impacted by, the financial assets and liabilities of the Company are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing these risks and they are summarised below.

The Company does not hold any derivative financial instruments. The market value of the Company's financial assets and liabilities does not differ materially from the carrying value.

Financial Assets

The only significant asset of the Company is cash at bank and on deposit. Cash is held in Sterling only.

Cash at bank attracts interest at floating rates that vary with UK bank base rates. Cash on short-term deposits attracts fixed rates which are agreed at the commencement of the term of the deposit.

Financial Liabilities

The Company does not have any financial liabilities other than the trade and other payables arising from its operations. No interest is payable in respect of any of these liabilities.

The Company does not have any undrawn borrowing facilities.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Continued...)

10. Financial instruments (continued)

Cash flow interest rate risk

The Company is cash positive and places its balances on short-term deposits with Santander. Due to the short-term nature of these deposits, the interest receivable by the Company will be affected by changes in the UK bank base rate. No interest is received on any of the Company's other assets or receivables. The Company does not have any loans, bank borrowings or other interest bearing payables.

Liquidity Risk

It is the Company's policy to maintain sufficient cash resources to meet its short-term liabilities.

11. Related Parties

During the accounting period £133,350 was charged to the Company by Nexus Financial Ltd, a Company in which N. Nelson is a Director for fees (2014 - £32,355).

During the accounting period, an amount of £16,750 (2014 - £38,000) was charged to the Company by Alyn Evans Consultancy Services Ltd, a Company in which A. Evans is a Director. A. Evans agreed to cancel unpaid fees amounting to £82,000 in relation to the accounting period.

During the accounting period an amount of £14,000 (2014 - £Nil) was charged to the Company by S. Retter in respect of Directors fee. A further £5,000 was charged to the Company by Stonedale Management and Investments Limited, a Company in which S. Retter is a Director, in respect of fees for consultancy. Fees of £5,000 were overpaid to S Retter in error which were outstanding at the period end and are included in other debtors as an interest free loan. This was repaid on 20 January 2016.

12. Share Capital

	2015	2014
	£'000	£'000
Allotted, called up and fully paid:		
4,756,941,670 (2014 - 2,726,406,667 Ordinary Shares of £0.0001 each	476	273
	<u>476</u>	<u>273</u>

On 5 January 2015, Messrs Maduakoah and Nwafor exercised options totalling £3,000 at par, resulting in the issue of 30,000,000 Ordinary shares.

On 29 January 2015, founders' warrants totalling £22,600 were exercised at par, resulting in the issue of 226,000,000 Ordinary shares.

On 16 February 2015, additional founders warrants totalling £12,600 were exercised at par, resulting in the issue of 126,000,000 Ordinary shares.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Continued...)

12. Share Capital (continued)

On 31 March 2015, further warrants totalling £114,800 were exercised at par, resulting in the issue of 1,148,000,000 Ordinary shares.

On 23 April 2015, the exercise of options totalling £35,074 at par (350,740,000 Ordinary shares) by the Directors was cancelled, as being issued in error. On 2 June 2015, these shares, together with an additional 6,660,000 Ordinary shares, were issued to the Employees Benefit Trust which was specially constituted in order for the employees to acquire shares in the Company. This is further detailed in the Directors report.

On 7 September 2015, 8,875,000 new ordinary shares were issued at a placing price of £0.004 per share.

On 3 November 2015, 435,000,000 new ordinary shares were subscribed at par by the Employee Benefit Trust.

On 10 November 2015, warrants for £5,000 were exercised for new shares at par, resulting in the issue of an additional 50,000,000 new ordinary shares for cash.

13. Share Premium

	2015 £'000	2014 £'000
Balance brought forward	1,638	926
Premium on issued shares during the year	34	244
Premium on shares issued in error	(468)	468
	<hr/>	<hr/>
Balance carried forward	<u>1,204</u>	<u>1,638</u>

14. Share Based Payments

Equity settled share-option plan

Options granted to M Nwafor and R Maduakoh, totalling 30,000,000 warrants outstanding, were exercised on 5 January 2015.

Following cancellation of the shares issued in error on 23 April 2015, the options of 350,740,000 exercised by the Directors were reissued under the Employee Benefit Trust, and granted as follows N Nelson 164,490,000, A Evans 115,000,000 and S Maloney 71,250,000.

On 9 September 2015 options totalling 22,500,000 were granted to O Okunlola and R Maduakoh under the Company Share Option plan (CSOP).

EQUATORIAL MINING AND EXPLORATION PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Continued...)

14. Share Based Payments (continued)

On 15 October 2015 further options of £245,000,000 were granted to N Nelson and 190,000,000 granted to A Evans, under the Employee Benefit Trust.

The Company plan provides for a grant price equal to the average quoted market price of the Company's shares on the date of grant.

The fair values of the options granted have been calculated using Black-Scholes model assuming the inputs shown below:

Share price	£0.0045
Exercise price	£0.0001
Time to maturity	10 years on CSOP
Time to maturity	9 years and 8 ½ years EBT
Risk free rate	2.5%
Volatility	30.0%

An expense of £71,703 has been recognised in the year (2014: £680,122) in respect of a share-based payment charge for the share options issued during the accounting period under the Employee Benefit Trust and CSOP.

Share Warrants

On 7 September 2015 the company granted 710,000,000 warrants over the Ordinary Shares at a price of £0.0001 per share. The options were granted as follows:- 280,000,000 to Walker Crips; 20,000,000 to A Evans; 60,000,000 to S Retter; 150,000,000 to C Potts and 200,000,000 to C Brooke Partridge.

On 21 September 2015, 220,000,000 warrants were granted to Darwin Strategic Limited for services rendered in providing a short term loan. The ultimate total of those will be 700,000,000 options.

On 16 December 2015, the right to warrants amounting to 360,000,000 was granted to Cornhill Management and Investment Limited for services to be rendered in 2016 in providing a short term loans; there is a potential for a further 3,000,000,000 warrants to be issued.

The warrants will not normally be exercisable during a closed period, and furthermore can only be exercisable if the performance conditions are satisfied.

Warrants which have vested immediately before either the death of a participant or his ceasing to be eligible employee by reason of injury, disability, redundancy, retirement or dismissal (otherwise than for a good cause) shall remain, exercisable (to the extent vested) for 12 months after such cessation, and all non-vested options shall lapse.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Continued...)

14. Share Based Payments (continued)

Share Warrants (continued)

The details of the warrants are as follows

	2015	2014
Outstanding at beginning of period	1,500,000,000	1,650,000,000
Exercised during the period	(1,550,000,000)	(150,000,000)
Granted in the period	1,290,000,000	-
	<u>1,240,000,000</u>	<u>1,500,000,000</u>

15. Retained Earnings

	2015 £'000	2014 £'000
Opening balance	(1,586)	(1,197)
Profit/(Loss) for the period	(811)	(1,032)
Transfer from Share based compensation reserve	153	
Exercise of share options	-	643
	<u>(2,244)</u>	<u>(1,586)</u>

16. Capital Commitments

The Company has no capital commitments at the year end.

17. Future Operating Lease Commitments

There are no material operating lease commitments at the statement of financial position date.

18. Control

In the opinion of the directors, there is no one controlling party.

19. Post balance sheet events

These are referred to in the Strategic Report and the Directors Report.