

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

**EQUATORIAL MINING AND EXPLORATION PLC**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

# **EQUATORIAL MINING AND EXPLORATION PLC**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**EQUATORIAL MINING AND EXPLORATION PLC**  
**OFFICERS AND PROFESSIONAL ADVISERS**

<b>The board of directors</b>	N Nelson S Retter B Clark (appointed 21 February 2017) (resigned 31 May 2017) D Marais (appointed 3 August 2018)
<b>Company registration number</b>	07496976
<b>Company secretary</b>	International Registrars Limited
<b>Registered office</b>	Finsgate 5-7 Cranwood Street London EC1V 9EE
<b>Auditor</b>	Jeffreys Henry LLP Chartered Accountants Finsgate 5-7 Cranwood Street London EC1V 9EE
<b>ISDX Advisor</b>	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 2017**

I am pleased to announce our results to the end of 2017, notice of Annual General Meeting and also announced separately today, our interim figures to the end of June 2018. These accounts consolidate our Nigerian company, EME Mine Nigeria Limited into the Group accounts on this occasion and more details are given below.

The accounts display a continuing loss as we invest in operations and I am obliged to draw your attention to the report of the Independent Auditor set out at the end of this announcement, which expresses the opinion that material uncertainty exists about our going-concern status.

During the year ended December 2017, the company had committed to trial mining at its recently acquired open cast mine in Kogi State, called the St Leonard Mine, Imane. We had engaged the services of a local contract mining company which ended in disappointment as a result of operational mistakes. The mistakes were born from inexperience and I wish to emphasise an important point; Nigeria's natural resources sector (other than oil and gas) is in its infancy and thus a challenging place in which to operate as the in-country experience and expertise is all but non-existent in the field of coal excavation.

In 2018 we determined that we had to find outside support to take build on the foundations which we had laid.

In June we were delighted to make contact with Mr Welcome Sandawana of ARQ Minerals Pty Limited ("ARQ") a South African coal mining company. As announced on 17<sup>th</sup> July, the Board believes that the investment made from ARQ has added value to the Company mining prospects.

Following their good performance and in return for agreeing to take over the complete project, including bringing manpower and funding from South Africa, we handed control of EMEMine Nigeria Ltd to ARQ and accelerated their share earn-in so that they now have a controlling interest of 51%. Accordingly, EMEMine Nigeria has become an investment interest of ours and will not be consolidated into future Group accounts.

This was an extraordinary change in circumstances for the Group and with Mr Sandawana on the ground at the St Leonard mine using locally sourced plant and machinery, excavation advanced at speed despite the torrential rain fall. It has been said that August and September formed the wettest Nigerian monsoon season for ten years. I wish to thank Welcome for his endurance and a determination to deliver on his promises to the Group and its members.

We took the decision to commit to a period of coal heaping before advertising our product for sale and as at the date of this announcement I am delighted to report that customers' coal lorries are arriving.

The sale proceeds from the coal will be re-invested into productivity and after this and the payment of royalties to the project introducer, licence owner and Imane tribal community, will return to both ARQ and Equatorial Mining and Exploration Plc as fees and dividends, yet to be determined.

Assuming that sales are maintained, in the new year we and our shareholders, including ARQ, will start to examine business plans of those companies requiring investment, potentially as part of an acquisition by us. This has been our strategy from the very beginning.

## **EQUATORIAL MINING AND EXPLORATION PLC**

### **CHAIRMAN'S STATEMENT (*continued*)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2017**

This was an extraordinary change in circumstances for the Group and with Mr Sandawana on the ground at the St Leonard mine using locally sourced plant and machinery, excavation advanced at speed despite the torrential rain fall. It has been said that August and September formed the wettest Nigerian monsoon season for ten years. I wish to thank Welcome for his endurance and his determination to deliver on his promises to the Group and its members.

We took the decision to commit to a period of coal heaping before advertising our product for sale and as at the date of this announcement I am delighted to report that customers' coal lorries are arriving. Unfortunately, for competitive reasons, I cannot disclose the name of the end users and any commercial terms. Suffice it to say, the price of coal remains robust and we are taking advantage of this.

The sale proceeds from the coal will be re-invested into productivity and after this and the payment of royalties to the project introducer, licence owner and Imane tribal community, will return to both ARQ and Equatorial Mining and Exploration Plc as fees and dividends, yet to be determined.

Assuming that sales are maintained, in the new year we and our shareholders, including ARQ, will start to examine business plans of those companies requiring investment, potentially as part of an acquisition by us. This has been our strategy from the very beginning.

**N C P Nelson**  
Chairman

8 October 2018

# **EQUATORIAL MINING AND EXPLORATION PLC**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **PRINCIPAL ACTIVITIES**

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

The Company's Nigerian subsidiary which was incorporated in 2016 and was effectively dormant commenced mining activities in December 2017 and on a full mining basis in July 2018.

#### **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.

# **EQUATORIAL MINING AND EXPLORATION PLC**

## **STRATEGIC REPORT (*continued*)**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **BUSINESS REVIEW (Continued...)**

In the meantime, the Company has maintained its NEX Exchange Growth Market listing on minimal overhead and maintains a small cash balance. The quotation was suspended on 31 May 2018, pending publication of these accounts.

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

#### **RESULTS AND DIVIDENDS**

The Group incurred an operating loss of £321,936 for the year (2016 - £1,505,017). Interest income was £Nil (2016 - £135), interest paid refunded was £27,500 (2016 – paid £48,336), resulting in a loss for the year before and after tax of £294,427 (2016 - £1,552,945).

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

#### **FUTURE DEVELOPMENTS**

In the financial year to 31 December 2017, 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.

On 11 July 2018, a Deed of Agreement was concluded with ARQ Minerals (Pty) Limited, a South African company, to acquire a beneficial interest of up to a maximum of 75% of Ememine Nigeria Limited (the Company's Nigerian subsidiary) in order to obtain working capital, expertise and operational management necessary for the continuation of business and productivity at the Eastern Nigerian Mine, owned by EMEmine. As part of the Deed of agreement, ARQ Minerals made a direct investment in Equatorial Mining and Exploration. ARQ Minerals' initial 51% interest is being acquired by financial transfers of £50,000 totalling £100,000 half of which was paid at the time of the completion of the Deed of Agreement and the other half in monthly instalments of which £30,000 has been paid. The increase in holding to 75% will be made against productivity targets of up to 80,000 tonnes of total coal produced by July 2020.

**N C P Nelson**  
Director

8 October 2018

# EQUATORIAL MINING AND EXPLORATION PLC

## THE DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### INTRODUCTION

The Board is pleased to present the results for the Company for the year ended 31 December 2017. 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
Chris Potts	1,730,228,512	16.23
First Names Trust Company (Isle of Man) Limited	1,332,400,000	12.50
Jim Nominees Limited	1,003,172,358	9.41
Miss Mercy Mirabel Daniel	941,326,000	8.83
Spreadex Limited	823,100,000	7.72
GTI International Limited	800,000,000	7.50
Pershing Nominees Limited	727,386,854	6.82
M Staten	600,000,000	5.63
N C P Nelson	545,939,024	5.12
Reba Global Pty Ltd	500,000,000	4.69

#### 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 Employees 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 1,332,400,000 as detailed in the above table. The shares have a nominal value of £133,240 and represent 12.5% of the called up share capital of the Company. To date options to purchase 949,490,000 of the shares have been granted to the Directors under share option agreements as disclosed in note 18 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  
S J Retter  
B D Clark (appointed 21 February 2017) (resigned 31 May 2017)  
D Marais (appointed 3 August 2018).

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

	31 December 2017	31 December 2016
N C P Nelson	393,500,000	293,500,000
S J Retter	30,750,000	750,000

Directors' interests in share options and warrants are disclosed in note 16.



# **EQUATORIAL MINING AND EXPLORATION PLC**

## **THE DIRECTORS' REPORT (*continued*)**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **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, 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.

# **EQUATORIAL MINING AND EXPLORATION PLC**

## **THE DIRECTORS' REPORT *(continued)***

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **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. On 11 July 2018, a Deed of Agreement was concluded with ARQ Minerals (Pty) Limited, a South African company, to acquire a beneficial interest of up to a maximum of 75% of Ememine Nigeria Limited (the Company's Nigerian subsidiary) in order to obtain working capital, expertise and operational management necessary for the continuation of business and productivity at the Eastern Nigerian Mine, owned by EMEmine. As part of the Deed of agreement, ARQ Minerals made a direct investment in Equatorial Mining and Exploration. ARQ Minerals' initial 51% interest is being acquired by financial transfers of £50,000 totalling £100,000 half of which was paid at the time of the completion of the Deed of Agreement and the other half in monthly instalments of which £30,000 has been paid. As at the date of this report the Company has approximately £5,000 of cash in the bank and has outstanding creditors of £155,000 including the balance of a loan of £55,000 with Darwin Strategic Limited which matured in April 2017 and has been demanded but not called in; the loan, on the same terms, was novated from Darwin to their former Director, Mr M Staten. The Company obtained additional convertible loans of £61,000 through a placing to investors which has been converted into new ordinary shares in December 2017. In March 2018, further convertible loan notes totalling £40,000 were issued. The Company has enough to cover the most immediate payments and the remaining existing creditors including the Directors continue to show patience as does Darwin/Mr Staten 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.

#### **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:

## **EQUATORIAL MINING AND EXPLORATION PLC**

### **THE DIRECTORS' REPORT (*continued*)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2017**

##### **DIRECTORS' RESPONSIBILITIES (Continued...)**

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

##### **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 x October 2018 and signed on its behalf by

**N C P Nelson**  
Director

8 October 2018

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

**FOR THE YEAR ENDED 31 DECEMBER 2017**

## **Independent auditor's report to the members of Equatorial Mining and Exploration Plc Opinion**

We have audited the financial statements of Equatorial Mining and Exploration Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006;

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to Note 3 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of £294,426 during the year ended 31 December 2018 and, as at that date, it had net liabilities of £648,855. The parent company continues to rely on the continuing support and investment of its existing shareholders including ARQ Minerals Pty Limited to settle immediate creditors and provide the necessary working capital for the Group until its newly commenced mining operations are fully established and provide adequate income for this purpose. These matters along with other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**(Continued...)**

**Our audit approach**

**Overview**

*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

These are explained in more detail below

Key audit matter	How our audit addressed the key audit matter
<p>1) Going concern – Group and Company</p> <p>A key aspect of our audit was to review the Directors' work surrounding the going concern assumption for Equatorial Mining and Exploration Plc.</p> <p>The Directors prepare forecasts which cover a period of 12 months to satisfy themselves that it is appropriate to prepare the accounts on a going concern basis.</p>	<p>We ensured that the Directors review of financial statements included a consideration of all commitments and working capital requirements for a minimum of 12 months from the date of signing of the report.</p> <p>Our review included a consideration of the assumptions used in the model.</p> <p>We also checked the mathematical accuracy of the calculations.</p> <p>We noted that the Group incurred a net loss of £294,426 during the year ended 31 December 2017 and, as at that date, it had net liabilities of £646,856. We concluded that these matters along with other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.</p>

**Our application of materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**(Continued...)**

Overall materiality	2017: Group £15,000 Subsidiary £600	2016: £41,000. (Subsidiary non trading)
How we determined it	2017: average of 10% of profit before tax and 3% of gross assets	2016: average of 10% of profit before tax and 3% of gross assets.
Rationale for benchmark applied	We believe that results before tax and gross assets are all primary measures used by the shareholders in assessing the performance of the Company, and are all generally accepted auditing benchmarks.	We believe that results before tax and gross assets are all primary measures used by the shareholders in assessing the performance of the Company, and are all generally accepted auditing benchmarks.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £600 and £15,000.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above £750 (2016: £2,050) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

**An overview of the scope of our audit**

*Audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company and the Group, the accounting processes and controls, and the industry in which they operate.

- We conducted audits of the complete financial information of Equatorial Mining and Exploration Plc.
- We performed specified procedures over all account balances and transaction classes on the only trading subsidiary which was part of the Group which did not commence trading until December 2017 with a limited number of transactions.
- Taken together, the Group companies over which we performed our audit procedures accounted for 100% of the absolute loss before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units) and 100% of revenue.

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

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**(Continued...)**

## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

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

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**(Continued...)**

## **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**(Continued...)**

**Auditor's responsibilities for the audit of the financial statements (Continued...)**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**(Continued...)**

**Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Sudhir Rawal FCA (Senior Statutory Auditor)  
For and on behalf of Jeffrey Henry LLP, Statutory Auditor

Finsgate  
5-7 Cranwood Street  
London EC1V 9EE

9 October 2018

**EQUATORIAL MINING AND EXPLORATION PLC**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £'000	2016 £'000
<b>Sales</b>	<b>4</b>	1	-
Cost of sales		(1)	-
		<hr/>	<hr/>
<b>Gross profit</b>		-	-
Administrative expenses		(271)	(181)
Share based payments		-	(1,242)
Provision against loan advanced to Related party	<b>15</b>	(36)	(82)
Project origination costs		(14)	-
		<hr/>	<hr/>
<b>OPERATING LOSS FROM OPERATIONS</b>	<b>5</b>	(321)	(1,505)
Investment income		-	-
Interest payable on loans		27	(47)
		<hr/>	<hr/>
Loss before taxation		(294)	(1,552)
Taxation	<b>7</b>	-	-
		<hr/>	<hr/>
<b>LOSS FROM CONTINUING OPERATIONS</b>	<b>19</b>	(294)	(1,552)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
- basic (pence)	<b>8</b>	(0.005)	(0.029)
- diluted (pence)		(0.005)	(0.029)
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £'000	2016 £'000
Loss for the period	(294)	(1,552)
	<hr/>	<hr/>
Total comprehensive income	(294)	(1,552)
	<hr/> <hr/>	<hr/> <hr/>

**EQUATORIAL MINING AND EXPLORATION PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital	Share premium	Share-based compensation reserve	Interest in shares in EBT	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2016	476	1,204	72	(79)	(2,246)	(573)
Total comprehensive loss for the year	-	-	-	-	(1,552)	(1,552)
Share based compensation	-	-	1,241	-	-	1,241
Exercise of share options	2	-	-	-	-	2
Exercise of warrants	24	-	-	-	-	24
Conversion of unsecured loan note	36	324	-	-	-	360
Issue of new shares	54	-	-	(54)	-	-
Balance at 31 December 2016	<u>592</u>	<u>1,528</u>	<u>1,313</u>	<u>(133)</u>	<u>(3,798)</u>	<u>(498)</u>
Total comprehensive loss for the year	-	-	-	-	(294)	(294)
Share based compensation - Adjustment	-	-	36	-	-	36
Exercise of share options	-	-	-	-	-	-
Exercise of warrants	-	-	-	-	-	-
Conversion of unsecured loan note	-	-	-	-	-	-
Issue of new shares	101	8	-	-	-	109
Balance at 31 December 2017	<u><u>693</u></u>	<u><u>1,536</u></u>	<u><u>1,349</u></u>	<u><u>(133)</u></u>	<u><u>(4,092)</u></u>	<u><u>(647)</u></u>

**Reserves**

**Reserve**

Share capital

Share premium

Share-based compensation reserve

Interest in shares in Employees Benefit Trust (EBT)

**Description and purpose**

Amount of the contributions made by shareholders in return for the issue of shares.

Amount subscribed for share capital in excess of nominal value.

Cumulative fair value of share options granted and recognised as an expense in the Income Statement.

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  
COMPANY STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

	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 2016	476	1,204	72	(79)	(2,246)	(573)
Total comprehensive loss for the year	-	-	-	-	(1,552)	(1,552)
Share based compensation	-	-	1,241	-	-	1,241
Exercise of share options	2	-	-	-	-	2
Exercise of warrants	24	-	-	-	-	24
Conversion of unsecured loan note	36	324	-	-	-	360
Issue of new shares	54	-	-	(54)	-	-
Balance at 31 December 2016	592	1,528	1,313	(133)	(3,798)	(498)
Total comprehensive loss for the year	-	-	-	-	(282)	(282)
Share based compensation	-	-	36	-	-	36
Exercise of share options	-	-	-	-	-	-
Exercise of warrants	-	-	-	-	-	-
Conversion of unsecured loan note	-	-	-	-	-	-
Issue of new shares	101	8	-	-	-	109
Balance at 31 December 2017	693	1,536	1,349	(133)	(4,080)	(635)

**Reserves**

<b>Reserve</b>	<b>Description and purpose</b>
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**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	9	2	2
<b>CURRENT ASSETS</b>			
Trade and other receivables	11	6	8
Cash and cash equivalents		16	16
		<u>22</u>	<u>24</u>
<b>TOTAL ASSETS</b>		<u>24</u>	<u>26</u>
 <b>EQUITY AND LIABILITIES</b>			
Share capital	16	693	592
Share premium account	17	1,536	1,528
Interest in shares in EBT	18	(133)	(133)
Share-based compensation reserve	18	1,349	1,313
Retained earnings	19	(4,092)	(3,798)
<b>TOTAL EQUITY</b>		<u>(647)</u>	<u>(498)</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	671	524
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>24</u>	<u>26</u>

These financial statements were approved for issue by the Board of Directors on 8 October 2018 and were signed on its behalf by:

**N C P Nelson**  
Director

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

**EQUATORIAL MINING AND EXPLORATION PLC**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

		2017 £'000	2016 £'000
	Note		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments	10	2	2
<b>CURRENT ASSETS</b>			
Trade and other receivables	11	23	8
Cash and cash equivalents		-	16
		23	24
<b>TOTAL ASSETS</b>		<u>25</u>	<u>26</u>
 <b>EQUITY AND LIABILITIES</b>			
Share capital	16	693	592
Share premium account	17	1,536	1,528
Interest in shares in EBT	18	(133)	(133)
Share-based compensation reserve	18	1,349	1,313
Retained earnings	19	(4,080)	(3,798)
<b>TOTAL EQUITY</b>		<u>(635)</u>	<u>(498)</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	660	524
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>25</u>	<u>26</u>

These financial statements were approved for issue by the Board of Directors on 8 October 2018 and were signed on its behalf by:

**N C P Nelson**  
Director

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

**EQUATORIAL MINING AND EXPLORATION PLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Loss before income tax	(321)	(1,552)
Share-based compensation	-	1,242
Finance cost	-	9
Finance income	-	-
	<hr/>	<hr/>
Operating cash flows before movement in working capital and provisions	(321)	(301)
(Increase)/decrease in trade and other receivables	2	13
Increase/(decrease) in trade and other payables	183	(95)
	<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(136)</b>	<b>(383)</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	-	-
Interest paid	27	(9)
Investment in own issued share capital	-	-
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>27</b>	<b>(9)</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issue of shares	109	384
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>109</b>	<b>384</b>
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	-	(8)
Net cash and cash equivalents at beginning of period	16	24
	<hr/>	<hr/>
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>16</b>	<b>16</b>
	<hr/> <hr/>	<hr/> <hr/>



**EQUATORIAL MINING AND EXPLORATION PLC**

**COMPANY STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Loss before income tax	(309)	(1,552)
Share-based compensation	-	1,242
Finance cost	-	9
Finance income	-	-
	<hr/>	<hr/>
Operating cash flows before movement in working capital and provisions	(309)	(301)
(Increase)/decrease in trade and other receivables	(15)	13
Increase/(decrease) in trade and other payables	172	(95)
	<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(152)</b>	<b>(383)</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	-	-
Interest paid	27	(9)
Investment in own issued share capital	-	-
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>27</b>	<b>(9)</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of convertible loan notes	61	-
Conversion of convertible loan note	(61)	-
Net proceeds from issue of shares	109	384
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>109</b>	<b>384</b>
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(16)	(8)
Net cash and cash equivalents at beginning of period	16	24
	<hr/>	<hr/>
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>-</b>	<b>16</b>
	<hr/> <hr/>	<hr/> <hr/>

# **EQUATORIAL MINING AND EXPLORATION PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **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 NEX Exchange growth Markets 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.

The group consists of Equatorial Mining and Exploration Plc and its subsidiaries, Ememine Nigeria Limited (Incorporated in Nigeria) and Equatorial Mine & Exp Limited (Incorporated in the UK).

#### **2. Basis of preparation**

##### **Consolidation**

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.

**EQUATORIAL MINING AND EXPLORATION PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**(Continued)**

**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.

***Basis of Consolidation***

In the parent company financial statements, the cost of business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those Equatorial Mining and Exploration Plc (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All the financial statements are made up to 31 December 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Ememine Nigeria Limited and Equatorial Mining & Exp Limited have been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of Ememine Nigeria Limited from the date it commenced trading. Equatorial Mining & Exp Limited was dormant when it was acquired on 9 May 2017 at cost, and continues to remain dormant. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

# EQUATORIAL MINING AND EXPLORATION PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

#### 3. Accounting Policies (Continued...)

##### ***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. On 11 July 2018, a Deed of Agreement was concluded with ARQ Minerals (Pty) Limited, a South African company, to acquire a beneficial interest of up to a maximum of 75% of Ememine Nigeria Limited (the Company's Nigerian subsidiary) in order to obtain working capital, expertise and operational management necessary for the continuation of business and productivity at the Eastern Nigerian Mine, owned by EMEmine. As part of the Deed of agreement, ARQ Minerals made a direct investment in Equatorial Mining and Exploration. ARQ Minerals' initial 51% interest is being acquired by financial transfers of £50,000 totalling £100,000 half of which was paid at the time of the completion of the Deed of Agreement and the other half in monthly instalments of which £30,000 has been paid. As at the date of this report the Company has approximately £5,000 of cash in the bank and has outstanding creditors of £155,000 including the balance of a loan of £55,000 with Darwin Strategic Limited which matured in April 2017 and has been demanded but not called in; the loan, on the same terms, was novated from Darwin to their former Director, Mr M Staten. The Company obtained additional convertible loans of £61,000 through a placing to investors which has been converted into new ordinary shares in December 2017. In March 2018, further convertible loan notes totalling £40,000 were issued. The Company has enough to cover the most immediate payments and the remaining existing creditors including the Directors continue to show patience as does Darwin/Mr Staten 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.

##### ***Turnover***

Turnover arises from net sales by the Nigerian subsidiary; sales receipts arise on delivery of product.

##### ***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.

**EQUATORIAL MINING AND EXPLORATION PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(Continued)**

**3. Accounting Policies (Continued...)**

***Segment reporting (continued)***

The results of the only trading subsidiary within the Group which commenced mining operations in Nigeria in December 2017, have not been reported separately. Sales and cost of sales as reported in the consolidated income statement wholly relate to this subsidiary and the net loss amounts to £11,863 which forms part of the total reported loss of £294,426 for the Group. In the opinion of the Directors, during the year ended 31 December 2017, the Group does not have any other separate business or geographical segments and the results of the subsidiary do not need to be reported separately as they fall below the quantitative thresholds required for disclosure under IFRS 8.

***Fixed Asset investments***

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

***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.

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.

**EQUATORIAL MINING AND EXPLORATION PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(Continued)**

**3. Accounting Policies (Continued...)**

***Income taxes (Continued...)***

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 effects 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.

**4. Turnover**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Turnover arises from sales of coal in Nigeria	1	-

**EQUATORIAL MINING AND EXPLORATION PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(Continued)**

**5. Operating loss**

Operating loss is stated after charging:	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Directors' remuneration:		
- Salaries	-	25
- Directors' fees and benefits	205	172
Auditor's remuneration		
- Audit	11	12
- Non-audit services	1	1
	<u>          </u>	<u>          </u>

**6. Employees**

The company has no employees other than the directors.

**7. Tax on profit on ordinary activities**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Current tax expense	-	-
Deferred tax expense	-	-
	<u>          </u>	<u>          </u>
	-	-
	<u>          </u>	<u>          </u>
<b>Reconciliation of effective tax rates</b>	<b>£</b>	<b>£</b>
(Loss) before tax (excluding Nigerian operations)	(282)	(1,552)
	<u>          </u>	<u>          </u>
Tax using domestic rates of corporation tax of 19.25% (2016: 20.00%)	(54)	(310)
<b>Effect of:</b>		
Expenses not deductible for tax purposes	-	248
Losses carried forward	54	62
	<u>          </u>	<u>          </u>
	-	-
	<u>          </u>	<u>          </u>

The company has estimated losses of £695,020 (2016 - £448,175) available to carry forward against future trading profits.

The Company has not recognised a potential deferred tax asset of £132,054 (2016: £89,635) in respect of these losses due to uncertainty over whether they will be utilised in future periods.

# EQUATORIAL MINING AND EXPLORATION PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued...)

#### 8. 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 18.

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:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Total loss for the period	(294)	(1,552)
	<hr/>	<hr/>
		—
Weighted average number of shares – basic	6,062,772,493	5,341,116,533
Diluting effect of warrants in issue	-	-
	<hr/>	<hr/>
		—
Weighted average number of shares – diluted	6,062,772,493	5,341,116,533
	<hr/>	<hr/>
Basic loss per share	(0.005)p	(0.029)p
	<hr/>	<hr/>
Diluted loss per share	(0.005)p	(0.029)p
	<hr/>	<hr/>

#### 9. Goodwill

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
At 1 January 2017	2	-
Acquired	-	3
Amortised	-	(1)
	<hr/>	<hr/>
At 31 December 2017	2	2
	<hr/>	<hr/>

Goodwill represents the cost of setting up the Nigerian subsidiary. The directors consider the value to be fairly stated.



**EQUATORIAL MINING AND EXPLORATION PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

(Continued...)

**10. Fixed asset investments**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Investment in subsidiary (valued at cost)		
At 1 January 2017	2	-
Additions	-	3
Amortised	-	(1)
	<hr/>	<hr/>
At 31 December 2017	2	2
	<hr/> <hr/>	<hr/> <hr/>
Carrying amount		
At 31 December 2017	2	2
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2016	2	2
	<hr/> <hr/>	<hr/> <hr/>

Details of the company's subsidiaries at 31 December 2017 are as follows

<b>Name of undertaking</b>	<b>Nature of business</b>	<b>Class of Shares held</b>	<b>% Held</b>
Ememine Nigeria Limited (incorporated in Nigeria)	Mining exploration	Ordinary shares	99
<b>Dormant subsidiaries</b>			
Equatorial Mine & Exp Limited (incorporated in the UK)	Non trading	Ordinary shares	100

**11. Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Due by Group Company	-	-	17	-
Other debtors	1	6	1	6
Prepayments	5	2	5	2
	<hr/>	<hr/>	<hr/>	<hr/>
	6	8	23	8
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# EQUATORIAL MINING AND EXPLORATION PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

(Continued...)

#### 12. Trade and other payables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	358	264	433	264
Short term loans	215	166	140	166
Other creditors	24	66	13	66
Accruals	74	28	74	28
	<u>671</u>	<u>524</u>	<u>660</u>	<u>524</u>

Short term loans consist of the first tranche of Bridge Loan notes of £110,000 issued to Darwin Strategic Limited ("Darwin") now novated to a former director of Darwin, Mr M Staten. These are unsecured but have been issued with warrants as detailed in note 18 to the financial statements.

Additional novated loans of £75,000 are fully described in Note 15(a) – Related Party Transactions.

A loan of £30,000, interest free has been advanced by a shareholder; no repayment date has been agreed.

#### 13. Creditors – greater than one year

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
At 1 January 2017	-	-	-	-
Issued	61	360	61	360
Converted	(61)	(360)	(61)	(360)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The loan notes carried a coupon of 0%, there was no fixed date for conversion and were convertible at the rate of 1,000 new ordinary shares for each £1.00 of loan note.

#### 14. 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.

# EQUATORIAL MINING AND EXPLORATION PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

(Continued...)

#### 14. Financial instruments (Continued...)

##### 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.

##### Cash flow interest rate risk

The Company is cash positive and places its balances on short-term deposits with Natwest. 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.

#### 15. Related Parties

- a. During the accounting period £119,700 was charged to the company by Nicholas Nelson, a director, for fees (2016 - £127,834), and £54,943 in allowances (2016 - £34,711). The total indebtedness to him is £338,816 (2016 - £244,688); during the period he sold £75,000 of his debt to company supporters for a total consideration of £5.00, as a gesture of goodwill to retain their support;
- b. During the accounting period £38,000 was charged by Simon Retter, a director, for fees (2016 - £Nil).
- c. During the year, Nicholas Nelson bought an additional 1,000,000 ordinary shares of £0.0001). In April 2018, he bought an additional 150,000,000 ordinary shares of £0.0001, and a further 2,439,024 in August 2018;

# EQUATORIAL MINING AND EXPLORATION PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

(Continued...)

#### 15. Related Parties (Continued...)

- d. During the accounting period the Company advanced loans of £35,718 (2016 - £82,395) to Desert Rock and Exploration (Nigeria) Limited, a company which was controlled by Nicholas Nelson and as of June 2018 a wholly owned subsidiary of Ememine Nigeria Limited. This loan is unsecured and was made at an interest rate of 3% per annum over the UK base lending rate. The Directors have agreed to defer interest charges on the loan and have decided to provide for the whole of the amount loaned, as they do not expect to recover this amount in the foreseeable future; and
- e. In August 2018 Nicholas Nelson sold £415,688 of his debt owed to him by the Company to various creditors and loan providers for a nominal amount, in a transaction similar to that as in (a) above.
- f. The company paid £824 (2016 - £1,297) on behalf of Anwen Limited, a company registered in the Seychelles, of which Nicholas Nelson is a director; and
- g. During the year, the company acquired for £1.00 Equatorial Mining & Exp Limited, a company formerly owned and used by Nicholas Nelson, as a shell company with no assets or liabilities, but banking facilities only.

#### 16. Share Capital

	2017 £'000	2016 £'000
<b>Allotted, called up and fully paid:</b>		
6,932,191,670 (2016 – 5,918,941,670 Ordinary Shares of £0.0001 each	693	592
	<u>        </u>	<u>        </u>

- (a) On 3 February 2017, warrants for 140,000,000 new ordinary shares of £0.0001 each were exercised at par;
- (b) On 11 December 2017, the following share issues took place;
  - (i) 213,250,000 warrants were exercised at par for 213,250,000 new ordinary shares of £0.0001 each;
  - (ii) A share placing of 50,000,000 new ordinary shares of £0.0001 each was made at par;
  - (iii) Convertible loan notes of £59,000 were converted at par for 590,000,000 new ordinary shares of £0.0001 each; and
  - (iv) 20,000,000 new ordinary shares of £0.0001 each were issued at £0.0005 per share for cash;

**EQUATORIAL MINING AND EXPLORATION PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. Share Capital (Continued...)**

- (c) On 20 April 2018 the following shares issues took place;
- (v) 640,000,00 warrants were exercised at par for 640,000,000 new ordinary shares of £0,0001 each; and
  - (vi) 50,000,000 new ordinary shares of £0,0001 were issued to a creditor of £5,000, at par.
- (d) On 3 August 2018, 2,786,331,837 new ordinary shares of £0.00001 were issued;
- (e) On 15th August 2018, a further 251,326,000 new ordinary shares of £0.0001 were issued.

**17. Share Premium**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward	1,528	1,204
Premium on issued shares during the year	8	324
Balance carried forward	1,536	1,528

**18. Share Based Payments**

**(a) Equity settled share-option plan**

No further share options were granted during the accounting period.

At 31 December 2017, 1,332,400,000 options remained in issue (2016 – 1,332,400,000).

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, 8 ½ and 7 ½ years EBT	
Risk free rate		1.3%
Volatility		30.0%

An expense of £Nil has been recognised in the year (2016: £1,241,763) in respect of a share-based payment charge for the share options issued during the accounting period under the Employee Benefit Trust and CSOP.

# EQUATORIAL MINING AND EXPLORATION PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

(Continued...)

#### (b) Share Warrants

On 3 February 2017 as part of the issue of a convertible loan note for £33,000, 330,000,00 warrants were granted as follows: S. Retter – 30,000,000; C.A. Potts 140,000,000; N. Nelson – 50,000,000; Thames Investment Club – 100,000,000; N.C. Goncalves – 10,000,000.

On 2 May 2017, 140,000,000 warrants were exercised by C A Potts, at par, on the conversion or £14,000 convertible loan notes. An additional 210,000,000 unallocated warrants were created, which subsequently lapsed.

On 11 December 2017, 100,000,000 warrants were issued to S. Bamford, who exercised those immediately and also 113,250,000 warrants owned by Jarvis Investment Management both for new shares of £0.0001 each at par.

The details of the warrants are as follows

	2017	2016
Outstanding at beginning of period	940,000,000	1,240,000,000
Exercised during the period	(353,250,000)	(300,000,000)
Granted in the period	640,000,000	-
Lapsed in the period	(260,000,000)	-
	<u>966,750,000</u>	<u>940,000,000</u>

On 20 April 2018, 640,000,000 warrants were exercised for 640,000,000 new ordinary shares of £0.0001 at par, and the remaining 326,750,000 warrants lapsed. Thus at that date no warrants remained outstanding.

#### 19. Retained Earnings

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Opening balance	(3,798)	(2,246)	(3,798)	(2,246)
Profit/(Loss) for the period	(294)	(1,552)	(282)	(1,552)
Transfer from Share based compensation reserve	-	-	-	-
	<u>(4,092)</u>	<u>(3,798)</u>	<u>(4,080)</u>	<u>(3,798)</u>

#### 20. Capital Commitments

The Company has no capital commitments at the year end.

# EQUATORIAL MINING AND EXPLORATION PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

(Continued...)

#### 21. Future Operating Lease Commitments

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

#### 22. Control

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

#### 22. Post balance sheet events

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

- (a) On 13 March 2018, the company raised £40,000 through the issue of 5% unsecured irredeemable convertible loan notes 2018; the conversion price is £0.0041 per ordinary share;
- (b) On 20 April 2018:
  - (i) 640,000,000 new ordinary shares were issued at par, as a result of 640,000,000 warrants of £0.0001 being exercised;
  - (ii) All warrants at this date have been exercised or lapsed and thus none remain outstanding; and
  - (iii) 50,000,000 new ordinary shares of £0.0001 were issued in satisfaction of £5,000 due to an existing creditor of the company;
- (c) On 4 May 2018, the debt of £137,500 due to Darwin Strategic Limited ("Darwin") was novated to two former employees of that company on their cessation of employment with Darwin, as Darwin deemed it detrimental to their business; the intentions of the two ex-employees is uncertain at present. A prior surcharge of £27,500 has been written off by Darwin and thus the amount novated is £110,000;
- (d) On 1 June 2018, the company announced that it has signed a 'Heads of Terms' agreement with a South African Mining company, ARQ Minerals (Pty) Limited ("ARQ") in order to obtain both working capital and expertise to operate the mine currently being excavated by Ememine Nigeria Limited. ARQ has subscribed initially £50,000 for 500,000,000 ordinary shares of £0.0001 which are held through Reba Global Pty Limited as noted on page 6 of the Directors report. ARQ will acquire a further 500,000,000 ordinary shares of £0.0001 of the company on the same terms. To date £80,000 has been received on account; the remaining shares and warrants remain to be issued; and
- (e) In August 2018 further 8,000,000 ordinary shares of NGN1 were issued in the company's subsidiary Ememine Nigeria Limited increasing the total number of ordinary shares in issue to 10,000,000. As part of the agreement referred to above 5,100,000 of the additional ordinary shares have been issued to ARQ Minerals Limited giving it a controlling interest of 51%. As a result Ememine Nigeria Limited has ceased to be a subsidiary of Equatorial Mining and Exploration Plc as at August 2018 although it remains an associate.

**EQUATORIAL MINING AND EXPLORATION PLC**  
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**(Continued...)**

**22. Post balance sheet events (Continued...)**

- (f) In 7 June 2018 Ememine Nigeria Limited acquired a controlling interest in Dessert Rock Nigeria Limited, a related party as detailed in note 15(d).
- (g) On 3<sup>rd</sup> and 15 August 2018, a further 3,037,657,837 ordinary shares were issued to satisfy outstanding creditors and fees owed by the company; and
- (h) As a result of these transactions, the resultant issued number of shares was 10,695,849,507 ordinary shares of £0.0001 each.