

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

EQUATORIAL MINING AND EXPLORATION PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

EQUATORIAL MINING AND EXPLORATION PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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EQUATORIAL MINING AND EXPLORATION PLC

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	N Nelson A Evans S Moloney (resigned 1/12/14)
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	Alfred Henry Corporate Finance Finsgate 5-7 Cranwood Street London EC1V 9EE
Financial PR and Investor Relations	Walbrook PR Limited 4 Lombard Street London EC3V 9HD

EQUATORIAL MINING AND EXPLORATION PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

I have pleasure in reporting our final results for the year ended 31st December 2014, a year of continued progress.

Nigeria has the largest economic output in Africa and is enjoying a period of wide scale infrastructure development. The country's need for natural resources is great and just as important is the need for electricity to power the industrial plants driving the aforementioned development. The purpose of our company's existence is to capitalise on Nigeria's burgeoning demand for coal to fuel its power stations and factories. We believe we have an abundance of easily and cheaply accessible coal, ready for transportation sitting within the heart of Nigeria.

Alyn Evans and I have now visited Nigeria and our exploration assets in Afikpo and Afuze, on 19 separate occasions over the last three years. We have made it our business to secure close local ties with the range of contacts and individuals one is required to know in order to make progress in the country. This span includes officials in the Ministry of Mining and Steel Development at state and local level, local Governmental officers, key academics and businessmen and the traditional Tribal leaders in the towns and villages close to our operating areas. I am delighted to report that EME is looked upon most favourably by all of these parties.

In our September interim results announcement we reported that of our nine exploration licences covering 600 sq. km, six had come up for renewal and indeed, since that time the other three had also expired. I am delighted to report that all nine have been renewed for a further three years which maintains our position as, we believe, the largest coal exploration company in Nigeria.

Moreover, we revealed the presence of an abandoned coal mine within one of our smaller licences which contains significant quantities of high calorific thermal coal at extremely shallow depths. Last month our exploration contractors moved their drills to this location and have started examining the extent of the coal seams around the mine. The resulting information will enable us to design a mining plan for the start of contract mining. Furthermore, we have started discussions with large cement manufacturers and were enthused at their interest in buying as much coal as we could supply.

We continue with our long held view that with the right financial support, our unique position could deliver huge financial returns and to this end, we remain in discussions with potential investors. Indeed, we have entered into an agreement with Lagos based GTI Capital Limited as the lead adviser to a significant fund raise targeted at the end of August. Should funds arrive as expected, our immediate plan is to commence the production and sale of coal to the cement industry and to continue large scale JORC accredited exploration across our very large properties.

I look forward to announcing further developments as they arise.



N C P Nelson
Chairman

EQUATORIAL MINING AND EXPLORATION PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

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 may 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.

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 our admission, and as made clear in subsequent announcements, we have widened our 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 period under review we have moved closer to identifying an investment for the Company which I believe will be transformational.

In the meantime, the Company has maintained its ISDX listing on minimal overhead and, as at the period end, the cash balance was over £58,000.

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

EQUATORIAL MINING AND EXPLORATION PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS AND DIVIDENDS

The Company incurred an operating loss of £911,067 for the year. Interest income was £Nil (2013 - £1,675), interest paid was £1,408, resulting in a loss for the year before and after tax of £912,475.

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

FUTURE DEVELOPMENTS

In the financial year to 31 December 2014, 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.

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

INTRODUCTION

The Board is pleased to present the results for the Company for the year ended 31 December 2014. The company is incorporated in the United Kingdom.

SUBSTANTIAL INTERESTS

On 29 January 2015, 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
Pershing Nominees Ltd	875,000,003	29.34
Fitel Nominees Ltd	700,000,000	23.47
S G Moloney	221,250,000	7.42
XCAP Nominees Ltd	194,166,667	6.51
N C P Nelson	164,490,000	5.52
The Bank of New York (Nominees) Limited	148,000,000	4.96
Chase Nominees Ltd	134,000,000	4.49
A Evans	115,000,000	3.86
P Levinson	100,000,000	3.35

DIRECTORS AND DIRECTORS' INTERESTS

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

S G Moloney - resigned 1 December 2014

N C P Nelson

A Evans

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

31 December 2014

N C P Nelson	75,000,000
A Evans	-

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

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.

Alyn Evans was appointed a director during 2012. Prior to his appointment, Alyn was Manager of Underground Operations at Echelon Mining Services based in Australia. He has over 30 years' experience in the mining sector and in senior management roles. He has held various positions including: Government appointed Inspector of Mines in Queensland, Australia; Principal Mining Engineer at AMC Consultants; Chief Inspector of Mines for Papua New Guinea; and Senior Technical Assistant at Anglo American (Coal Division). Of particular relevance is his role as mine manager for a Nigerian coal mine which was operational until the early 1990s.

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2014

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 Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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.

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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 28th May 2015 and signed on its behalf by



N C P Nelson
Director

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

FOR THE YEAR ENDED 31 DECEMBER 2014

We have audited the financial statements of Equatorial Mining and Exploration Plc for the year ended 31 December 2014 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 7, 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 2014 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 2014

(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

28 May 2015

EQUATORIAL MINING AND EXPLORATION PLC

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £'000	2013 £'000
Administrative expenses		(351)	(198)
Share based payments		(680)	(4)
Exceptional costs		-	(305)
OPERATING LOSS FROM OPERATIONS	4	<u>(1,031)</u>	<u>(507)</u>
Investment income		-	2
Interest paid		(1)	-
Loss before taxation		(1,032)	(505)
Taxation		-	-
LOSS FROM CONTINUING OPERATIONS	15	<u>(1,032)</u>	<u>(505)</u>
Loss per share			
- basic (pence)	7	(0.047)	(0.024)
- diluted (pence)		(0.047)	(0.024)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £'000	2013 £'000
Loss for the period	(1,032)	(505)
Total comprehensive income	<u>(1,032)</u>	<u>(505)</u>

EQUATORIAL MINING AND EXPLORATION PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital £'000	Share premium £'000	Share-based compensation reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2013	214	926	161	(692)	609
Loss for the year	-	-	-	(505)	(505)
Share-based compensation	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2013	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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2014	<u>273</u>	<u>1,638</u>	<u>198</u>	<u>(1,586)</u>	<u>523</u>

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.

EQUATORIAL MINING AND EXPLORATION PLC

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014 £'000	2013 £'000
ASSETS	Note		
CURRENT ASSETS			
Trade and other receivables	8	569	53
Cash and cash equivalents		58	94
TOTAL ASSETS		<u>627</u>	<u>147</u>
EQUITY AND LIABILITIES			
Share capital	12	273	214
Share premium account	13	1,638	926
Share-based compensation reserve	14	198	161
Retained earnings	15	(1,586)	(1,197)
TOTAL EQUITY		<u>523</u>	<u>104</u>
CURRENT LIABILITIES			
Trade and other payables	9	104	43
TOTAL EQUITY AND LIABILITIES		<u>627</u>	<u>147</u>

These financial statements were approved for issue by the Board of Directors on 28th May 2015 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 2014

	2014	2013
	£'000	£'000
Loss before income tax	(1,032)	(505)
Share-based compensation	680	-
Finance cost	1	-
Finance income	-	(2)
	<hr/>	<hr/>
Operating cash flows before movement in working capital and provisions	(351)	(507)
Increase in trade and other receivables	(13)	(23)
Increase in trade and other payables	61	23
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(303)	(507)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	2
Interest paid	(1)	-
	<hr/>	<hr/>
NET CASH GENERATED FROM INVESTING ACTIVITIES	(1)	2
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	268	-
	<hr/>	<hr/>
NET CASH GENERATED FROM FINANCING ACTIVITIES	268	-
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(36)	(505)
Net cash and cash equivalents at beginning of period	94	599
	<hr/>	<hr/>
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	58	94
	<hr/> <hr/>	<hr/> <hr/>

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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.

The Directors note that the company would require finance to continue as a going concern and to implement the targeted investment strategy over the next 12 months. The directors have secured a commitment to finance the company from an investment bank who have agreed to invest £250,000 as well as initiate a stock placing that could raise up to £2.7 million. The receipt of these funds is not guaranteed but the directors are confident that the funds will be forthcoming. The company currently has around £100,000 in the bank, of which roughly £40,000 is due to be paid to creditors. The directors have also agreed to suspend their fees until there are adequate funds to pay these. Given this, the directors believe that preparing the accounts on the going concern basis is appropriate.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(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 2014, 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 2014

(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 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.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(Continued...)

4. Operating loss

Operating loss is stated after charging:

	2014 £'000	2013 £'000
Directors' remuneration	106	103
Auditor's remuneration		
- Audit	4	5
- Non-audit services	1	15
	<u> </u>	<u> </u>

5. Employees

The company has no employees other than the two directors.

6. Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current tax expense	-	-
Deferred tax expense	-	-
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
Reconciliation of effective tax rates	£	£
(Loss) before tax	(1,032)	(505)
	<u> </u>	<u> </u>
Tax using domestic rates of corporation tax of 20.00% (2013: 20.00%)	(206)	(101)
Effect of:		
Expenses not deductible for tax purposes	-	-
Losses carried forward	206	101
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

The company has estimated losses of £1,097,000 (2013 - £745,000) available to carry forward against future trading profits.

The Company has not recognised a potential deferred tax asset of £219,400 (2013: £149,000) 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 2014

(Continued...)

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:

	2014 £'000	2013 £'000
Total loss for the period	(1,032)	(505)
Weighted average number of shares – basic	2,172,110,503	2,141,666,667
Diluting effect of warrants in issue	-	-
Weighted average number of shares – diluted	2,172,110,503	2,141,666,667
Basic loss per share	(0.047)p	(0.024)p
Diluted loss per share	(0.047)p	(0.024)p

8. Trade and other receivables

	2014 £'000	2013 £'000
VAT	13	47
Other debtors	550	6
Prepayments	6	-
	569	53

Other debtors include £40,000 as a deposit against an acquisition of a coal mining operation in Nigeria. Should the acquisition proceed, this amount will be deducted from the overall consideration. If the acquisition does not proceed, this amount is expected to be reimbursed to the company at an indeterminate future date.

Other debtors also include £503,074 in relation to shares issued in the period that remain unpaid at the year end. These shares were cancelled after the year end and are described in more detail in Note 14.

EQUATORIAL MINING AND EXPLORATION PLC

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FOR THE YEAR ENDED 31 DECEMBER 2014

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9. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	82	42
Other creditors	12	1
Accruals	10	-
	<hr/>	<hr/>
	104	43
	<hr/> <hr/>	<hr/> <hr/>

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.

Cash flow interest rate risk

The Company is cash positive and places its balances on short-term deposits with National Westminster Bank plc. 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.

EQUATORIAL MINING AND EXPLORATION PLC

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11. Related Parties

During the period, an amount of £58,140 (2013 - £60,250) was charged to the Company by Shipleys LLP, a partnership in which S. G. Moloney is a member. The charges related to £35,140 (2013 - £31,000) of Director's fees, £23,000 (2013 - £29,250) for provision of accounting services.

£64,890 was charged to the Company by Nexus Financial Ltd, a Company in which N. Nelson is a Director. The charges related to £32,355 (2013 - £27,000) of Director's fees and £32,535 (2013 - £9,923) for travel expenditure.

During the period, an amount of £53,628 (2013 - £49,979) was charged to the Company by Alyn Evans Consultancy Services Ltd, a Company in which A. Evans is a Director. The charges related to £38,000 (2013 - £44,833) of Director's fees, £Nil (2013 - £1,198) for company formation expenses and £15,628 (2013 - £3,748) for travel expenditure.

All the services provided are considered to have been made on an arms length basis.

Other than disclosed above, there were no other related party transactions that require disclosure during the current period.

12. Share Capital

	2014	2013
	£'000	£'000
Allotted, called up and fully paid:		
2,726,406,667 (2013 - 2,141,666,667) Ordinary Shares of £0.0001 each	273	214
	<u>273</u>	<u>214</u>

On 24 October 2014 share options and warrants were exercised, resulting in 350,740,000 new Ordinary Shares being issued. The options and warrants were exercised for an average exercise price of £0.0001; the share price at this date was £0.00425. These shares were then cancelled on the 20 April 2015, as described in note 14.

On 12 November 2014, 150,000,000 warrants were exercised, resulting in 150,000,000 new Ordinary Shares being issued. The exercise price of these warrants was £0.0001; the share price at this date was £0.00425

On 17 November 2014, 84,000,000 new Ordinary Shares were placed at a price of £0.003 per share.

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13. Share Premium

	2014	2013
	£'000	£'000
Balance brought forward	926	926
Premium on issued shares during the year	244	-
Premium on shares still to be paid	468	-
Balance carried forward	1,638	926

14. Share Based Payments

Equity settled share-option plan

On 10 February 2014 the company granted 253,240,000 options over the Ordinary Shares at a price of £0.0001 per share. The options were granted as follows:- 114,490,000 to N. Nelson, 88,750,000 to A Evans, 27,500,000 to S Moloney 22,500,000 to M Nwafor. A further 127,000,000 warrants were granted on the same terms on 5 September 2014, as follows: N. Nelson - 50,000,000; A. Evans - 26,250,000; S Moloney - 43,750,000 and R Madukoah - 7,500,000. On 24 October 2014, Messrs N. Nelson, A. Evans and S. Moloney exercised their total holdings of 350,740,000 options. This was done to improve the clarity of the company's capital structure in preparation for future transactions.

It was subsequently decided that this was not the best course of action to take and these options were cancelled on 20 April 2015. The company has, instead, cancelled the shares and it intends to re-issue these to an employee benefit trust at a later date, which is in the process of being incorporated. This left those for M Nwafor and R Madukoah, totalling 30,000,000 warrants outstanding, which were exercised on 5 January 2015.

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
Risk free rate	1.75%
Volatility	10.0%

An expense of £680,122 has been recognised in the year (2013: £4,000) in respect of a share-based payment charge for the outstanding share options issued during the year.

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Share Warrants

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.

The details of the warrants are as follows

	2014	2013
Outstanding at beginning of period	1,650,000,000	1,650,000,000
Exercised during the period	(150,000,000)	-
Outstanding at end of the period	<u>1,500,000,000</u>	<u>1,650,000,000</u>

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15. Retained Earnings

	2014	2013
	£'000	£'000
Opening balance	(1,197)	(692)
Profit for the period	(1,032)	(505)
Exercise of share options	643	-
	<hr/>	<hr/>
Closing balance	<u>(1,586)</u>	<u>(1,197)</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

On 5 January 2015, 30,000,000 new ordinary shares were issued on the exercise of the remaining share options. The exercise price was £0.0001; the share price at this date was £0.0045

On 29 January 2015, 226,000,000 new ordinary shares were issued on the exercise of warrants. The exercise price was £0.0001; the share price at this date was £0.0045

On 16 February 2015, 126,000,000 new ordinary shares were issued on the exercise of warrants. The exercise price was £0.0001; The share price at this date was £0.0045

On 30 March 2015, 1,148,000,000 new ordinary shares were issued on the exercise of warrants. The exercise price was £0.0001; the share price at this date was £0.0045