

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

EQUATORIAL MINING AND EXPLORATION PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

EQUATORIAL MINING AND EXPLORATION PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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EQUATORIAL MINING AND EXPLORATION PLC
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	C Bray (appointed 18 December 2018) S Retter D Marais (appointed 3 August 2018) M Staten (appointed 18 December 2018)
Company registration number	07496976
Company secretary	International Registrars Limited
Registered office	Finsgate 5-7 Cranwood Street London EC1V 9EE
Auditor	Jeffreys Henry LLP Chartered Accountants Finsgate 5-7 Cranwood Street London EC1V 9EE
ISDX Advisor	Alexander David Securities Limited 49 Queen Victoria Street London EC4N 4SA

EQUATORIAL MINING AND EXPLORATION PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The highlight of the 12 month period under review was the agreement with South African coal mining company, ARQ Minerals announced on the 17th July 2018. What followed was a rapid process involving the move of the Company's coal mine (the St Leonard Mine in Kogi State) into early production and the commencement of small scale supply into the local cement industry.

During December, the mine was beset with unusually heavy rain fall making short term progress impossible. The decision was made to stop activity, conserve funds and consider a newly introduced alternative opportunity, a mining project in Rwanda.

On 18th December 2018 the Company announced the appointment of two new directors; Charles Bray and Mike Staten to enable the Rwandan project to be fully examined. It became evident in the early part of 2019 that this new opportunity would eclipse the existing project in Nigeria in terms of viability and economic potential and the decision was made to formalise the process through the announcement made on 3rd June. In the announcement we communicated that Eastinco has concluded an exclusive joint venture contractual relationship providing for the mining and subsequent off-take of coltan ore with a local Rwandan mining co-operative. Mineral mining in Rwanda is conducted mainly as artisanal and small-scale mining. Following completion of the acquisition, the Company will be positioned to modernise, mechanise, implement health and safety measures and explore the expansion of these joint-venture sites and pursue other Rwandan and central and East African mining opportunities

The Company took the view that Eastinco represented an exceptional acquisition for the Company and so followed an extensive period of due diligence, document production and funds raising resulting in the announcement of 2nd July 2019.

N C P Nelson
(former Chairman)

EQUATORIAL MINING AND EXPLORATION PLC
CHAIRMAN'S STATEMENT (*continued*)
FOR THE YEAR ENDED 31 DECEMBER 2018

Post Year End Update

This set of results has been delayed as a result of the Company committing itself entirely to the Eastinco acquisition and the £1.3 million fund raise. As the fund raise is due to be completed at the end of July 2019, management is now focussed on completing the acquisition of Eastinco. In conjunction with the completion of the Eastinco acquisition the company is working with the Eastinco management on the implementation of our initial coltan mining project and to identify new individual and joint-venture opportunities to drive the company's growth. Additionally, the fund raising capital allows for Eastinco to trade coltan, tin, and tungsten to arbitrage local market price differentials.

We are excited to get started and look forward to updating shareholders as to our progress. Following completion of the fund raising, Eastinco can deploy capital on existing, producing, and profitable mines to significantly increase productivity and improve worker health and safety. This commitment allows for the community to secure its long-term future with the artisanal mine transitioning to surface mining while improving on the bottom line for Eastinco and the Company.

The intended fundraising targets £1.3 million of gross investment proceeds which will be utilised to fund Eastinco's operations and the Company's overheads. Each newly issued share provided to investors will allow for them to receive one new warrant with an exercise price of £0.00015 expiring in September 2020. Thus, should the Company's share price exceed this level an anticipated £2.0 million of additional gross proceeds will likely become available to fund expansion.

C Bray
Chairman

DocuSigned by:

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24 July 2019

EQUATORIAL MINING AND EXPLORATION PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 former 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. At present it the operations have been put on hold and the company is under care and maintenance as it re-evaluates the potential for continued operations.

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 2018

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 Company incurred an operating loss of £232,000 for the year (2017 - £309,000). Interest income was £Nil (2017 - £Nil), interest paid refunded was £10,702 (2017 – £Nil), resulting in a loss for the year before and after tax of £221,000 (2017 - £309,000)

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

FUTURE DEVELOPMENTS

The Company will continue to investigate the opportunities afforded by its Nigerian investment and look to solidify operations in Rwanda to grow the investment opportunities relating to coltan, tin, and tungsten mining either through joint-venture relationships or through the direct ownership of mines.

M Staten

Director

24 July 2019

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The Board is pleased to present the results for the Company for the year ended 31 December 2018. 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
First Names Trust Company (Isle of Man) Limited	2,573,326,000	22.86
Chris Potts *	1,800,000,000	15.99
Jim Nominees Limited	857,710,870	7.62
Spreadex Limited	823,100,000	7.31
GTI International Limited	800,000,000	7.10
Reba Global Pty Ltd	800,000,000	7.10
M Staten *	701,500,000	6.23
N C P Nelson *	545,939,024	4.85
The Bank of New York (Nominees) Limited	505,494,503	4.49

*Substantial interests include shares held through nominee holdings but exclude options over shares held in the Employee Benefit Trust. As at the date of this report N C P Nelson has a beneficial interest in 1,295,429,024 ordinary shares in the Company including options over shares held in the Employee Benefit Trust. This represents 11.50% of the total issued share capital of the Company.

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 IQ-EQ, formerly First Names Trust Company (Isle of Man) Limited, and total 2,573,326,000 as noted in the above table. The shares have a nominal value of £257,326 and represent 22.86% of the called up share capital of the Company. To date options to purchase 1,325,740,000 of the shares have been granted to current and previous Directors under share option agreements as disclosed in note 16 of the financial statements.

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS AND DIRECTORS' INTERESTS

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

S J Retter
 D Marais (appointed 3 August 2018).
 C Bray (appointed 18 December 2018)
 M Staten (appointed 18 December 2018)
 N C P Nelson (resigned 21 June 2019)

As at the date of this report the interests of the directors in 0.0001p ordinary shares of the company are as follows.

Director	Ordinary Shares	Options in the EBT scheme *	Total (Percentage of total issued share capital)	%
M Staten	701,500,000	-	701,500,000	6.23
S Retter	116,636,179	200,000,000	316,636,179	2.81
D Marais	800,000,000	-	800,000,000	7.10
C Bray	-	-	-	-

EXECUTIVE DIRECTORS

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.

Charles Bray has enjoyed a 29 year career in securities trading and capital markets for small companies. In his current role with Astin Capital Management Limited he works to provide funding and investment for SME listed businesses and acts as a creditor representative on behalf of investors. The firm has raised over £1.2 billion for its clients from a European wide investor base. Charles is a partner in several U.S. real estate and private equity investment companies.

Mike Staten is a long standing investor and supporter of Equatorial Mining & Exploration Plc. Until 2017, Mike was employed as the Head of Trading at Darwin Strategic, which provides finance and advisory support for a portfolio of small quoted companies. During 2011/2012 Mike collaborated with Charles Bray as a director of Astin Capital and the professional relationship enjoyed by Charles and Mike will be to the good of the Company as it proceeds with its acquisition and investment strategy.

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT (*continued*)

FOR THE YEAR ENDED 31 DECEMBER 2018

EXECUTIVE DIRECTORS (*continued*)

Devon Marais is a South African national with directorate positions in five companies spanning a range of business segments. Of most relevance was his appointment last year as a non-board director of ARQ Minerals Pty Limited ("ARQ") which took an interest in the Company last June becoming a shareholder and operating partner in Nigeria. Specifically, Mr Marais' role in ARQ is described as being Head of Acquisitions which is of direct relevance to EME's short term plans.

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.

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT (*continued*)

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Equatorial Mining & Exploration plc's business activities review are now focussed on its pending investment in Eastinco Limited and Rwanda generally. Upon completion of the fundraising the Company will have a strong position with respect to working capital and is focussed on cash management, and, as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite a higher risk environment attached to operations in Nigeria and Rwanda. After careful analysis of working capital requirements, the Directors have a reasonable expectation that Equatorial Mining & Exploration plc has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors 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 2018

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;
- 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.

EQUATORIAL MINING AND EXPLORATION PLC

THE DIRECTORS' REPORT (*continued*)

FOR THE YEAR ENDED 31 DECEMBER 2018

REAPPOINTMENT OF AUDITORS

Jeffreys Henry LLP has confirmed that it is willing to continue in office, and in accordance with section 489 of the Companies Act 2006, 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 24 July 2019 and signed on its behalf by

M Staten
Director

24 July 2019

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

FOR THE YEAR ENDED 31 DECEMBER 2018

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 for the year ended 31 December 2018 which comprise the income statement, statement of comprehensive income, statement of financial position, the statement of cash flows, the statement 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 company's affairs as at 31 December 2018 and of the loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- 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 Company's ability to continue as a going concern. The company incurred a net loss of £221,000 during the year ended 31 December 2018 and, as at that date, had net liabilities of £152,000. The Company has entered into a share purchase agreement to acquire the issued and outstanding shares of Eastinco Limited ("**Eastinco**") a Rwandan mining, trading and exploration company. The purchase price is intended to be paid by a combination of issue of further shares on the NEX Exchange Growth Market and loan notes, with sufficient additional funds raised of £1.3m at the same time, for working capital purposes. The company currently continues to rely on the continuing support and investment of its directors and existing shareholders to settle immediate creditors and provide the necessary working capital to trade and will continue to rely on this support until the placing and associated reverse acquisition take place. 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 2018

(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</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 noted that the Company incurred a net loss of £220,896 during the year ended 31 December 2018 and, as at that date, it had net liabilities of £152,265. The company currently continues to rely on the continuing support and investment of its existing shareholders to settle immediate creditors and provide the necessary working capital to trade and will continue to rely on this support unless the placing and associated reverse acquisition by the Directors are successful. 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>	<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 discussed the detailed cash flow forecasts prepared by management in their model. The main procedures performed on the model and areas where we challenged management were as follows:</p> <ul style="list-style-type: none"> • assessed the quality of management forecasting by comparing forecasts from prior periods to actual outcomes; • tested the appropriateness of the assumptions that had the most material impact. In challenging these assumptions we took account of actual results, the likely amounts of deferred and contingent consideration that may be payable in the year ahead and market conditions; • test checked the arithmetic integrity of the calculations including those related to management's sensitivities; • performed our own sensitivity calculations to test the adequacy of the available headroom; and <ul style="list-style-type: none"> • reviewed the appropriateness of the disclosures made in the Financial Statements in respect of going concern.

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

FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued...)

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.

Overall materiality	2018: Company £22,000	2017: £15,000.
How we determined it	2018: 10% of results before tax	2017: average of 10% of results before tax and 3% of gross assets.
Rationale for benchmark applied	We believe that results before tax is a primary measure used by the shareholders in assessing the performance of the Company, and is a 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.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above £1,100 (2017: £750) 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, 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.

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

FOR THE YEAR ENDED 31 DECEMBER 2018

(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 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 company, 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.

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

FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued...)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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 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 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 2018

(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 2018

(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's Henry LLP, Statutory Auditor

Finsgate
5-7 Cranwood Street
London EC1V 9EE

24 July 2019

EQUATORIAL MINING AND EXPLORATION PLC

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000 As restated
Sales		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		-	-
Administrative expenses		(140)	(271)
Share based payments		-	-
Provision against loan advanced to related party	13	(90)	(36)
Project origination costs		-	(2)
Provision for impairment of investment	8	(2)	-
		<hr/>	<hr/>
OPERATING LOSS FROM OPERATIONS	4	(232)	(309)
Investment income		-	-
Interest payable on loans		11	-
		<hr/>	<hr/>
Loss before taxation		(221)	(309)
Taxation	6	-	-
		<hr/>	<hr/>
LOSS FROM CONTINUING OPERATIONS	17	(221)	(309)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
- basic (pence)	7	(0.003)	(0.005)
- diluted (pence)		(0.003)	(0.005)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 24 to 38 are an integral part of these financial statements

EQUATORIAL MINING AND EXPLORATION PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £'000	2017 £'000 As restated
Loss for the period	<u>(221)</u>	<u>(309)</u>
Total comprehensive income	<u><u>(221)</u></u>	<u><u>(309)</u></u>

The notes on pages 24 to 38 are an integral part of these financial statements

EQUATORIAL MINING AND EXPLORATION PLC
COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Share premium £'000	Share-based compensation reserve £'000	Interest in shares in EBT £'000	Retained earnings £'000	Total £'000
					As restated	As restated
Balance at 1 January 2017	592	1,528	1,313	(133)	(3,798)	(498)
Total comprehensive loss for the year	-	-	-	-	(309)	(309)
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)	(4,107)	(662)
Total comprehensive loss for the year	-	-	-	-	(221)	(221)
Share based compensation	-	-	(1)	-	-	(1)
Exercise of share options	-	-	-	-	-	-
Exercise of warrants	69	-	-	-	-	69
Conversion of unsecured loan note	1	39	-	-	-	40
Issue of new shares	363	260	-	-	-	623
	<u>1,126</u>	<u>1,835</u>	<u>1,348</u>	<u>(133)</u>	<u>(4,328)</u>	<u>(152)</u>

The notes on pages 24 to 38 are an integral part of these financial statements.

Reserves

Reserve	Description and purpose
Share capital	Amount of the contributions made by shareholders in return for the issue of shares.
Share premium	Amount subscribed for share capital in excess of nominal value.
Share-based compensation reserve	Cumulative fair value of share options granted and recognised as an expense in the Income Statement.
Interest in shares in Employees Benefit Trust (EBT)	The Company set up an Employees Benefit Trust on 6 March 2015 (the Equatorial EBT) for the benefit of its employees which is intended to constitute an employee's share scheme within the meaning of section 1166 of the Companies Act 2006. Advances made towards the scheme by the company have been subsequently used to subscribe for shares in the Company to be acquired by the Beneficiaries. The shares have been allocated under option agreements to the beneficiaries as detailed in note 16 of the financial statements under the instructions of the Company. Under IFRS own shares held under an Employee Share ownership plan are recorded as a deduction in arriving at shareholders funds rather than as an asset.

EQUATORIAL MINING AND EXPLORATION PLC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000 As restated
ASSETS			
NON-CURRENT ASSETS			
Investments	8	-	2
CURRENT ASSETS			
Trade and other receivables	9	6	23
Cash and cash equivalents		-	-
		6	23
TOTAL ASSETS		<u>6</u>	<u>25</u>
EQUITY AND LIABILITIES			
Share capital	14	1,126	693
Share premium account	15	1,835	1,536
Interest in shares in EBT	16	(133)	(133)
Share-based compensation reserve	16	1,348	1,349
Retained earnings	17	(4,328)	(4,107)
TOTAL EQUITY		<u>(152)</u>	<u>(662)</u>
CURRENT LIABILITIES			
Trade and other payables	10	158	687
TOTAL EQUITY AND LIABILITIES		<u>6</u>	<u>25</u>

The notes on pages 24 to 38 are an integral part of these financial statements

These financial statements were approved for issue by the Board of Directors on 24 July 2019 and were signed on its behalf by:

M Staten
Director

COMPANY REGISTRATION NUMBER 07496976
(England and Wales)

EQUATORIAL MINING AND EXPLORATION PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£'000	£'000
		As restated
Loss before income tax	(232)	(309)
Share-based compensation	(1)	-
Finance cost	-	-
Finance income	-	-
Amortization or investment	(2)	-
	<hr/>	<hr/>
Operating cash flows before movement in working capital and provisions	(235)	(309)
(Increase)/decrease in trade and other receivables	17	(15)
Increase/(decrease) in trade and other payables	58	199
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(160)	(125)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	-
Interest (no longer payable)	11	-
Investment in own issued share capital	-	-
	<hr/>	<hr/>
NET CASH GENERATED FROM INVESTING ACTIVITIES	11	-
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of convertible loan notes	40	61
Conversion of convertible loan note	(40)	(61)
Net proceeds from issue of shares	149	109
	<hr/>	<hr/>
NET CASH GENERATED FROM FINANCING ACTIVITIES	149	109
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	-	(16)
Net cash and cash equivalents at beginning of period	-	16
	<hr/>	<hr/>
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	-	-
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 24 to 38 are an integral part of these financial statements

EQUATORIAL MINING AND EXPLORATION PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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.

2. Basis of preparation

Accounts

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.

Prior year period error

The prior year accounts under-reported a penalty payable of £27,500 on loan notes of £110,000 which were subsequently novated after the accounting period. These are referred to in note 10 of the financial statements. The £27,500 was incorrectly credited to the income statement as over-accrued interest and the total in payables was reported as £110,000 instead of £137,500. The comparatives on the comprehensive income statement have been restated for this error, as has the statement of financial position, with the amount outstanding for the loan note in payables now restated as £137,500. Please see Note 22 for further details.

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 arriving at shareholders' funds rather than as an asset.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued)

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

Changes in accounting policies and disclosures

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

Reference	Title	Summary	Application date of standard (Periods commencing on or after)
IFRS 2	Leases	Original issue	01 January 2019
IFRS 11	Joint Arrangements	Annual Improvements 2015-2017 Cycle	01 January 2019
IAS 12	Income Taxes	Annual Improvements 2015-2017 Cycle	01 January 2019
IAS 19	Plan Amendment, Curtailment or settlement		01 January 2019
IAS 23	Borrowing Costs	Annual Improvements 2015-2017 Cycle	01 January 2019
IAS 28	Long term interests in associates and joint ventures		01 January 2019

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(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.

Going concern

Equatorial Mining & Exploration plc's business activities review are now focussed on its pending investment in Eastinco Limited and Rwanda generally. Upon completion of the fund raising, the Company will have a strong position with respect to working capital and will be focussed on cash management, and, as a consequence, the Directors believe that the Company is well placed to manage its business risks successfully, despite a higher risk environment attached to operations in Nigeria and Rwanda. After careful analysis of working capital requirements, the Directors have a reasonable expectation that Equatorial Mining & Exploration plc has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors adopt the going concern basis in preparing the financial statements.

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.

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.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued)

3. Accounting Policies (Continued....)

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.

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.

EQUATORIAL MINING AND EXPLORATION PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Continued)

3. Accounting Policies (Continued...)

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 2018

(Continued)

4. Operating loss

	2018 £'000	2017 £'000
Operating loss is stated after charging:		
Directors' remuneration:		
- Salaries	(8)	-
- Directors' fees and benefits	71	205
Auditor's remuneration		
- Audit	14	11
- Non-audit services	-	1
Provision for impairment against cost of investment	2	-
Provision against related party loan	90	36
	<u> </u>	<u> </u>

5. Employees

The company has no employees other than the directors.

6. Tax on profit on ordinary activities

	2017 £'000	2016 £'000
Current tax expense	-	-
Deferred tax expense	-	-
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
Reconciliation of effective tax rates	£	£
(Loss) before tax	(221)	(309)
	<u> </u>	<u> </u>
Tax using domestic rates of corporation tax of 19.00% (2017: 19.25%)	(48)	(54)
Effect of:		
Expenses not deductible for tax purposes	-	-
Losses carried forward	48	54
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

The company has estimated losses of £764,857 (2017 - £722,520) available to carry forward against future trading profits.

The Company has not recognised a potential deferred tax asset of £145,323 (2017: £137,279) 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 2018
(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 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:

	2018 £'000	2017 £'000
Total loss for the period	(221)	(300)
Weighted average number of shares – basic	8,758,247,619	6,062,772,493
Diluting effect of warrants in issue	-	-
Weighted average number of shares – diluted	8,758,247,619	6,062,772,493
Basic loss per share	(0.003)p	(0.005)p
Diluted loss per share	(0.003)p	(0.005)p

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued...)

8. Fixed asset investments

	2018 £'000	2017 £'000
Investment in subsidiary (valued at cost)		
At 1 January 2018	2	2
Reclassify to Investment	(2)	-
	<hr/>	<hr/>
At 31 December 2018	-	2
	<hr/>	<hr/>

	2018 £'000	2017 £'000
Investment (valued at cost)		
At 1 January 2018	-	-
Reclassify from Investment in subsidiary	2	-
	<hr/>	<hr/>
At 31 December 2018	2	-
	<hr/>	<hr/>
Provision against investment		
At 1 January 2018	-	-
Provision for impairment	(2)	-
	<hr/>	<hr/>
At 31 December 2018	(2)	-
	<hr/>	<hr/>
Carrying amount		
At 31 December 2018	-	2
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2017	2	2
	<hr/> <hr/>	<hr/> <hr/>

Details of the company's investments at 31 December 2018 are as follows

			2018	2017
Name of undertaking	Nature of business	Class of Shares held	% Held	% Held
Ememine Nigeria Limited (incorporated in Nigeria) - non participating interest	Mining exploration	Ordinary shares	49	100
Dormant subsidiaries				
Equatorial Mine & Exp Limited (incorporated in the UK)	Non trading	Ordinary shares	100	100

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued...)

9. Trade and other receivables

	Company	
	2018	2017
	£'000	£'000
Due by related company	-	17
Other debtors	2	1
Prepayments	2	5
	<u>4</u>	<u>23</u>
	<u><u>4</u></u>	<u><u>23</u></u>

10. Trade and other payables

	Company	
	2018	2017
	£'000	£'000
Trade payables	53	433
Short term loans	82	167
Other creditors	2	13
Accruals	21	74
	<u>158</u>	<u>687</u>
	<u><u>158</u></u>	<u><u>687</u></u>

Short term loans consist of the first tranche of Bridge Loan notes of £137,000 issued to Darwin Strategic Limited ("Darwin") now novated to a former director of Darwin and current director of Equatorial Mining and Exploration PLC, M Staten. These are referred to in Note 13 (f). The loan notes are unsecured but have been issued with warrants as detailed in note 18 to the financial statements of which, £55,000 was converted into new ordinary shares in August 2018. The balance of £87,500 is convertible into 87,500,000 ordinary shares.

Additional novated loans of £447,790 are fully described in Note 13(e) – Related Party Transactions.

11. Creditors – greater than one year

	Company	
	2018	2017
	£'000	£'000
At 1 January 2018	-	-
Issued	40	61
Converted	(40)	(61)
	<u>-</u>	<u>-</u>
At 31 December 2018	<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 243.9 new ordinary shares for each £1.00 of loan note.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued...)

12. 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 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.

13. Related Parties

- (a) During the accounting period £108,966 was charged to the company by N C P Nelson, a former director, for fees (2017 - £119,700), and £11,316 in allowances (2017 - £54,943). The total indebtedness to him is £16,328 (2017 - £338,816); during the period he sold £447,790 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 £46,194 was refunded by S Retter, a director, for fees (2017 - £38,000 charged).
- (c) In April 2018, N C P Nelson 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 2018

(Continued...)

13. Related Parties (Continued...)

- (d) During the accounting period the Company advanced loans of £81,500 (2017 - £35,718) to Desert Rock and Exploration (Nigeria) Limited, a company which was controlled by N C P 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 together with the intercompany balance for by Ememine Nigeria Limited of £7,333, as they do not expect to recover this amount in the foreseeable future; and
- (e) As detailed in note 14 of the financial statements a number of the creditors to whom debt was sold by N C P Nelson were issued ordinary shares in settlement of their debt. As at 31 December 2018 N C P Nelson retained an option over 1,241,326,000 of these ordinary shares representing 11.02% of the total issued share capital of the company. These ordinary shares have been transferred to the Employee Benefit Trust post balance sheet and are no longer allocated to N C P Nelson or any of the other Directors.
- (f) During the accounting period convertible loan notes of £137,500 including a default penalty of £27,500 were novated to M.Staten, a director of the company. As at 31 December 2018 the amount outstanding was £87,500 (2017 £137,500) which has warrants attached which allow conversion onto 825,000,000 ordinary shares. This is referred to in note 10 of the financial statements.

14. Share Capital

	2018	2017
	£'000	£'000
Allotted, called up and fully paid:		
11,259,849,507(2017 - 6,932,191,670) Ordinary Shares of £0.0001 each	1,126	693
	<u> </u>	<u> </u>

- (a) On 20 April 2018 the following shares issues took place;
- (i) 640,000,00 warrants were exercised at par for 640,000,000 new ordinary shares of £0,0001 each; and
- (ii) 50,000,000 new ordinary shares of £0,0001 were issued to a creditor of £5,000, at par.
- (b) On 3 August 2018, 2,786,331,837 new ordinary shares of £0.00001 were issued;
- (c) On 15th August 2018, a further 251,326,000 new ordinary shares of £0.0001 were issued.
- (d) On 5 November 2018, a further 600,000,000 new ordinary shares of £0.0001 were issued.

EQUATORIAL MINING AND EXPLORATION PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Continued...)

15. Share Premium

	2018	2017
	£'000	£'000
Balance brought forward	1,536	1,528
Premium on issued shares during the year	299	8
Balance carried forward	<u>1,835</u>	<u>1,536</u>

16. Share Based Payments

(a) Equity settled share-option plan

No further share options were granted during the accounting period.

At 31 December 2018, 1,332,400,000 options remained in issue (2017 – 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 (2017: £NIL) 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 2018

(Continued...)

(b) Share Warrants

On 3rd August 2018, 500,000,000 warrants were issued to ARQ Minerals (PTY) Limited ('ARQ'), to subscribe for new ordinary shares at £0.0002 per shares, with an expiry date of 25th May 2021.

On 5th November 2018, 300,000,000 warrants were issued to ARQ, to subsidiaries for new ordinary shares at £0.0002 per share.

The details of the warrants are as follows

	2018	2017
Outstanding at beginning of period	966,750,000	940,000,000
Exercised during the period	(640,000,000)	(353,250,000)
Granted in the period	800,000,000	640,000,000
Lapsed in the period	(326,750,000)	(260,000,000)
	800,000,000	966,750,000
	800,000,000	966,750,000

17. Retained Earnings

	Company 2018 £'000	2017 £'000 As restated
Opening balance before restatement	(4,080)	(3,798)
Restatement	(27)	-
	(4,107)	(3,798)
Opening balance after restatement	(4,107)	(3,798)
Profit/(Loss) for the period	(221)	(309)
Transfer from Share based compensation reserve	-	-
	(4328)	(4,107)
Closing balance	(4328)	(4,107)

18. 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 2018

(Continued...)

19. Future Operating Lease Commitments

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

20. Control

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

21. Post balance sheet events

On 31 May 2019 the Company entered into a share purchase agreement to acquire the issued and outstanding shares of Eastinco Limited ("**Eastinco**"). Eastinco is a Rwandan mining, trading and exploration company with an 85% joint-venture interest in Musasa Mining Ltd. with the other 15% held by the former members of the Kuaka Co-operative. The Acquisition will enable the Company to expand local joint-ventures in coltan mining and separately pursue Rwandan and central and East African mining opportunities.

The purchase price agreed for Eastinco was an initial consideration of £900,000 which will be settled at completion of the SPA by the issue of up to 6,000,000,000 ordinary shares of £0.0001 ("Ordinary Shares") in the capital of the Company (the "Initial Consideration Shares"), credited as fully paid, and loan notes (the "Consideration Loan Notes") with an aggregate value of £300,000; and deferred consideration of up to £8.1 million ("Deferred Consideration"). The amount of Deferred Consideration payable (if any) will depend on the financial performance of Eastinco during the period commencing on 1 October 2019 and ending on 30 September 2020. The Deferred Consideration will be settled by the issue of additional Consideration Loan Notes and / or new Ordinary Shares at par value (at the Company's election). The Company will only elect to settle some or all of the Deferred Consideration by the issue of new Ordinary Shares if it is able to do so without triggering a mandatory offer obligation on the part of the vendors of Eastinco or any of their concert parties under the UK City Code on Takeovers and Mergers. The interest payable by the Company in respect of the Consideration Loan Notes may be paid in cash or in kind (by the issue of additional Consideration Loan Notes) at the election of the Company.

Separately, the Company intends to complete a fundraising at the end of July 2019 targeting an amount of £1.3 million from the issue of new ordinary equity and convertible loan notes for general corporate use. Subject to the acquisition closing and successful completion of the fundraising, these funds will be utilised as the critical working capital for Eastinco Ltd and Musasa Mining Ltd. The Directors of Equatorial Mining & Exploration plc called for an Extraordinary General Meeting on the 29th of July 2019 to seek the necessary authority to allot and issue the ordinary equity capital, warrants and Consideration Shares. Accordingly, the Directors will seek the approval of Shareholders at the General Meeting to allot the Consideration Shares, to allot free of statutory pre-emption rights up to 29,705,000,000 further Ordinary Shares, and to approve the transaction with Edlin Holdings Limited, a company connected to Charles Bray, a Director.

EQUATORIAL MINING AND EXPLORATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued...)

22. Prior period adjustment.

Changes to the statement of financial position	At 31 December 2017		
	As previously reported	Adjustment	As restated
	£000's	£000's	£000's
Equity and liabilities			
Retained earnings	(4,080)	(27)	(4,107)
Current liabilities			
Trade and other payables	660	27	687
Total Equity and liabilities	(3,420)	-	(3,420)

Changes to the income statement	Year ended 31 December 2017		
	As previously reported	Adjustment	As restated
	£000's	£000's	£000's
Interest payable on loans	27	(27)	-
Loss for the financial period	(282)	(27)	(309)