

**Report of the Directors and  
Audited Financial Statements for the Year Ended 31 December 2013  
for  
Pathfinder Minerals PLC**



**Contents of the Financial Statements  
For the Year Ended 31 December 2013**

---

	<i>Page</i>
Company Information	4
Chairman's Statement	5
Report of the Directors	7
Report of the Independent Auditors	10
Statement of Consolidated Comprehensive Income	12
Statement of Consolidated Financial Position	13
Statement of Financial Position – Company	14
Statement of Changes in Equity	15
Statement of Cash Flows – Group and Company	16
Notes to the Financial Statements	17

**Company Information**  
**For the Year Ended 31 December 2013**

---

<b>DIRECTORS:</b>	Henry Bellingham Nicholas Trew James Normand John McKeon
<b>SECRETARY</b>	James Normand
<b>REGISTERED OFFICE:</b>	60 Lombard Street London EC3V 9EA
<b>REGISTERED NUMBER:</b>	02578942 (England and Wales)
<b>AUDITORS:</b>	Chapman Davis LLP 2 Chapel Court London SE1 1HH
<b>SOLICITORS:</b>	Travers Smith LLP 10 Snow Hill London EC1A 2AL
<b>NOMINATED ADVISER:</b>	Daniel Stewart and Company Becket House 36 Old Jewry London EC2R 8DD
<b>REGISTRARS:</b>	Capita Registrars Limited 34 Beckenham Road Beckenham Kent BR3 4TU
<b>BANKERS:</b>	Royal Bank of Scotland 1 Dale Street Liverpool L2 2PP

## **Introduction**

This is my first statement as chairman of Pathfinder, having been appointed in February 2014 – after the end of the period under review. As a former Under Secretary of State at the Foreign and Commonwealth Office with ministerial responsibility for Africa, I hope that I bring to the board a deep understanding of the African continent and of its opportunities.

My first four months in the role have afforded me the opportunity to review in depth Pathfinder's position. I believe that our investment in the English legal proceedings – which resulted in the unequivocal ruling that Pathfinder did validly acquire its Mozambique licence-holding subsidiary – has established a very strong legal footing. This legal footing is the basis for Pathfinder's application to have the English judgments recognised (and ultimately enforced) in the Mozambique Supreme Court and/or to seek compensation for the loss of value. It is not known, however, when such judgments from the Mozambique Supreme Court in respect of the recognition proceedings will be delivered. Our legal advisers estimate anywhere from months to one or two years. While we intend to continue to pursue the legal proceedings with all the vigour that the Board has employed to date, I believe we must also consider ways to build value, even in the interim period before final judgment on these issues. The Board is also determined to continue to explore every avenue to bringing about an earlier resolution, if indeed one can be achieved, to restore value to the Company more quickly than may be achieved by waiting for the courts in Mozambique to reach a verdict.

## **Legal proceedings in Mozambique**

The Company often receives letters and e-mails from shareholders expressing both their resolute support of the Company's determination to recover its assets and, at times, their frustration with the slow progress of proceedings in Mozambique. Their frustration is felt equally by the Board. The reality is, however, that we are moving the proceedings along in Mozambique as efficiently and as expeditiously as the judicial infrastructure there will allow. I am afraid to say that there is every likelihood of continued extended hiatuses between reportable developments in the Mozambique proceedings.

Let me give an update on the status of legal proceedings in Mozambique. The principal proceedings presently in train in the Mozambique Supreme Court are two claims for recognition of the London judgments, referred to as the First and Second Claims for Recognition. The claims comprise a number of orders for costs (totalling £1,106,000) by the English court; and certain declarations by the English court to the effect that our subsidiary, IM Minerals Limited ("IMM"), did indeed validly acquire its 99.99 per cent. stake in our Mozambique licence-holding subsidiary, Companhia Mineira de Naburi S.A.R.L. ("CMDN"). The reason these declarations were essential to Pathfinder was that IMM needed to demonstrate beyond any doubt that it was (and should now still be) the owner of CMDN. General Veloso and Diogo Cavaco have continually argued that they were entitled to request the transfer of the mining licences to their ownership because Pathfinder never validly owned the company from which they were taken. It has been established as a matter of law that this is not the case. As well as seeking to have the English judgments recognised in the Mozambique courts, Pathfinder has drawn them to the attention of the Government of Mozambique.

The First Claim for Recognition was filed with the Supreme Court in March 2013 and was supplemented by final written arguments in late October 2013. The Second Claim for Recognition was filed in August 2013. We are advised that the claims will be decided by the Supreme Court on the papers; and that there will be no oral argument. The court's chairman will prepare a draft judgment for the other judges to consider and, following a meeting between them, a final judgment will be issued. It is not known when judgments might be delivered. As I stated earlier, it may still be a considerable time.

There are a number of other proceedings ongoing in Mozambican courts, each of which raises the issue of the jurisdiction of the English court and/or IMM's status as a shareholder of CMDN. Judgments are awaited from the Mozambique courts in respect of each of these proceedings and, again, it is not known when these might be delivered. Whatever their outcome, however, it is likely that further appeals will follow.

**Financial results and current financial position**

The financial results of Pathfinder are, as for any pre-revenue company which does not currently have operations, very straightforward. The most important financial measurement at this juncture is whether Pathfinder has sufficient cash to see through its strategy to recover its assets. The Board is prudent with expenditure and believes the Company does have sufficient reserves for the foreseeable future.

The financial statements of the Pathfinder Group for the year ended 31 December 2013 follow later in this report. The Income Statement shows a loss of £1.5 million (2012 – £4.3 million). The conclusion of the legal action in England brought about a material reduction in the rate of expenditure. Since the Company has been prevented from conducting any activity relating to mining, the whole of this loss can be attributed to the Company's attempts to recover its expropriated licences.

The Group's Statement of Financial Position shows net assets at 31 December 2013 of £2.2 million (2012 – £3.7 million). The assets are held largely in the form of cash deposits (totalling £2.1 million at the year-end and £1.7 million at 20 June 2014).

Pathfinder's cash position was bolstered by the approval of the Company's application for VAT registration (backdated to February 2011) leading to the receipt, in December 2013, of a refund of VAT previously paid amounting to £978,000.

**Outlook**

The length of time that the Mozambican legal proceedings are taking has unavoidably deprived shareholders of any enhancement of value in the intervening period. The investments of time and resources in the English legal proceedings were necessary and will be central to the ability to achieve a beneficial resolution, in or out of court. We will continue to press for rulings in the proceedings in the Mozambique courts (including those related to the recovery of costs from General Veloso and Diogo Cavaco) every bit as determinedly as the Board has done so to date.

My overriding objective at Pathfinder is to help steer the company towards a resolution of its issues concerning asset ownership; and thereafter to contribute to the ongoing development of those assets in an efficient and responsible way which creates value for Pathfinder's shareholders and benefits Mozambique. At the same time, and in light of the considerable length of time it may take to achieve a legal resolution if an appropriate solution cannot be achieved out of court, I believe we must also look for other ways to add value to the Company while the legal proceedings run their course. With the Mozambican legal proceedings well into their cycle, the Board is exploring such avenues.

**Henry Bellingham**

*Chairman*

27 June 2014

**Report of the Directors  
For the Year Ended 31 December 2013**

---

The directors present their report with the consolidated financial statements of the company for the year ended 31 December 2013.

**PRINCIPAL ACTIVITY**

The principal activity of the Group is mining.

**REVIEW OF BUSINESS**

The review of the business, its operations and finances is contained in the Chairman's Statement.

**DIVIDENDS**

The Directors do not recommend the payment of a dividend.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is contained in the Chairman's statement.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

John McKeon  
Nicholas Trew  
James Normand

On 18 February 2014 Henry Bellingham was appointed to the Board as Chairman.

**COMPANY'S POLICY ON PAYMENT OF CREDITORS**

It is the company's policy to pay suppliers in accordance with the payment terms negotiated with them. The company's average creditor days during the year were 43 days (2012: 20 days).

**FINANCIAL INSTRUMENTS**

The company's financial instruments consist entirely of cash that arises directly from its operations. The main purpose of these financial instruments is to fund the company's operations as well as to manage working capital, liquidity and invest surplus funds. It is, and has been throughout the period under review, the company's policy not to enter into derivative transactions and no trading in financial instruments has been undertaken.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

No charitable or political contributions were made during the current or previous year.

**Report of the Directors – continued**  
**For the Year Ended 31 December 2013**

---

**SUBSTANTIAL SHAREHOLDINGS**

As at 23 June 2014, the following shareholders had notified the company of an interest of 3% or more of the Company's ordinary share capital:

<i>Shareholder name</i>	<i>Number of 1p ordinary shares</i>	<i>Shareholding percentage</i>
John McKeon	128,209,700	12.4%
J V Consultores Internacionais Limitada (a company controlled by Jacinto Veloso)	110,120,680	10.6%
Timothy Baldwin	102,678,316	9.9%
JP Morgan Funds	99,685,000	9.6%
Nicholas Trew	94,375,753	9.1%
Diogo Cavaco	88,129,280	8.5%
Genesis Emerging Market Opportunities Fund	86,000,000	8.3%
YF Finance Limited	45,610,000	4.4%

**RISK EXPOSURE**

The Companies Act 2006 requires the Directors to set out in this report how the Group manages its exposure to risk.

The directors consider that the Company has sufficient cash and cash equivalents to meet its foreseeable operational requirements.

**CORPORATE GOVERNANCE**

The Board is responsible for establishing the strategic direction of the Company, monitoring the Group's trading performance and appraising and executing development and acquisition opportunities. The Company holds regular Board meetings, at which financial and other reports, including working capital reports and acquisition opportunities, are considered and, where appropriate, voted on.

The Directors support high standards of corporate governance and the Board complies with the QCA Guidelines so far as reasonably practicable and appropriate taking into account the Company's size. The Company's current situation does not allow for separate audit and remuneration committees and is not conducive to the appointment of non-executive directors, all of which the Board is keen to do as soon as circumstances allow.

The Board supports the principle of clear reporting of financial performance to shareholders. Each year, shareholders receive a full annual report and interim report. The Board regards the Annual General Meeting as an opportunity to communicate directly with private investors. Directors attend the Annual General Meeting and are available to answer questions from shareholders present. The Board actively encourages feedback and shareholder dialogue, whether oral or written.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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 as adopted by the European Union. 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:

**Report of the Directors – continued**  
**For the Year Ended 31 December 2013**

---

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- 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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Chapman Davis LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

**James Normand**

*Director and Company Secretary*

27 June 2014

## **Report of the Independent Auditors to the Members of Pathfinder Minerals PLC**

---

We have audited the financial statements of Pathfinder Minerals PLC for the year ended 31 December 2013 which comprises the Statement of Consolidated Comprehensive Income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flow 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 members, 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 members those matters we are required to state to them in a Report of the Auditors 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Report, 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 Ethical Standards for Auditors.

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.

### **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 Report of the Directors to identify material inconsistencies with the audited financial statements. 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 Group's and of the parent company's affairs as at 31 December 2013 and of the Group's 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Report of the Independent Auditors to the Members of  
Pathfinder Minerals PLC – continued**

---

**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.

Rowan J Palmer (Senior Statutory Auditor),  
for and on behalf of Chapman Davis LLP, Statutory Auditor  
Chartered Accountants  
2 Chapel Court  
London  
SE1 1HH

27 June 2014

**Statement of Consolidated Comprehensive Income  
For the Year Ended 31 December 2013**

	<i>Notes</i>	<i>2013</i> £'000	<i>2012</i> £'000
<b>CONTINUING OPERATIONS</b>			
Revenue		–	–
Administrative expenses		(1,480)	(4,424)
<b>OPERATING LOSS</b>	5	(1,480)	(4,424)
Finance income	6	21	106
<b>LOSS BEFORE INCOME TAX</b>		(1,459)	(4,318)
Income tax	7	–	–
<b>LOSS FOR THE YEAR</b>		(1,459)	(4,318)
<b>OTHER COMPREHENSIVE INCOME</b>			
		–	–
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		(1,459)	(4,318)
<b>Loss per share (expressed in pence per share)</b>			
	8		
Basic		(0.1)	(0.4)
Diluted		(0.1)	(0.4)

The notes form part of these financial statements

**Statement of Consolidated Financial Position**  
**31 December 2013**

	<i>Notes</i>	<i>2013</i> £'000	<i>2012</i> £'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Trade and other receivables	10	185	163
Cash and cash equivalents	11	2,134	3,767
		<u>2,319</u>	<u>3,930</u>
<b>TOTAL ASSETS</b>		<u>2,319</u>	<u>3,930</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	12	18,289	18,289
Share premium		11,022	11,022
Retained earnings		(27,120)	(25,661)
<b>TOTAL EQUITY</b>		<u>2,191</u>	<u>3,650</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	128	280
<b>TOTAL LIABILITIES</b>		<u>128</u>	<u>280</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,319</u>	<u>3,930</u>

The financial statements were approved by the Board of Directors on 27 June 2014 and were signed on its behalf by:

**James Normand**  
*Finance Director*

The notes form part of these financial statements

**Statement of the Company's Financial Position**  
**31 December 2013**

	<i>Notes</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments	9	—	—
		—	—
<b>CURRENT ASSETS</b>			
Trade and other receivables	10	185	163
Cash and cash equivalents	11	2,134	3,767
		2,319	3,930
<b>TOTAL ASSETS</b>		<b>2,319</b>	<b>3,930</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	12	18,289	18,289
Share premium		11,022	11,022
Retained earnings (deficit)		(27,251)	(25,792)
<b>TOTAL EQUITY</b>		<b>2,060</b>	<b>3,519</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	259	411
<b>TOTAL LIABILITIES</b>		<b>259</b>	<b>411</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,319</b>	<b>3,930</b>

The financial statements were approved by the Board of Directors on 27 June 2014 and were signed on its behalf by:

**James Normand**  
*Finance Director*

The notes form part of these financial statements

**Statement of Changes in Equity  
For the Year Ended 31 December 2013**

	<i>Called up share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Share premium £'000</i>	<i>Total equity £'000</i>
<b>Group</b>				
<b>Balance at 1 January 2012</b>	18,289	(21,343)	11,022	7,968
<b>Changes in equity</b>				
Total comprehensive loss	—	(4,318)	—	(4,318)
<b>Balance at 31 December 2012</b>	18,289	(25,661)	11,022	3,650
<b>Changes in equity</b>				
Total comprehensive loss	—	(1,459)	—	(1,459)
<b>Balance at 31 December 2013</b>	18,289	(27,120)	11,022	2,191
<b>Company</b>				
<b>Balance at 1 January 2012</b>	18,289	(21,474)	11,022	7,837
<b>Changes in equity</b>				
Total comprehensive loss	—	(4,318)	—	(4,318)
<b>Balance at 31 December 2012</b>	18,289	(25,792)	11,022	3,519
<b>Changes in equity</b>				
Total comprehensive loss	—	(1,459)	—	(1,459)
<b>Balance at 31 December 2013</b>	18,289	(27,251)	11,022	2,060

The notes form part of these financial statements

**Statement of Cash Flows – Group and Company  
For the Year Ended 31 December 2013**

	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>Cash flows from operating activities</b>		
Loss before income tax	(1,459)	(4,318)
Finance income	(21)	(106)
	<u>(1,480)</u>	<u>(4,424)</u>
Increase in trade and other receivables	(22)	(129)
Decrease in trade and other payables	(152)	(257)
Net cash from operating activities	<u>(1,654)</u>	<u>(4,810)</u>
<b>Cash flows from investing activities</b>		
Interest received	21	106
Net cash from investing activities	<u>21</u>	<u>106</u>
<b>Decrease in cash and cash equivalents</b>	(1,633)	(4,704)
<b>Cash and cash equivalents at beginning of the year</b>	<u>3,767</u>	<u>8,471</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>2,134</u></u>	<u><u>3,767</u></u>

The notes form part of these financial statements

## **1. GENERAL INFORMATION**

The company is a public limited company listed on the AIM market of the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is 60 Lombard Street, London EC3V 9EA.

The financial statements of Pathfinder Minerals Plc for the year ended 31 December 2013 were authorised for issue by the Board on 27 June 2014 and the statement of consolidated financial position signed on the Board's behalf by James Normand.

## **2. ACCOUNTING POLICIES**

### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention and are presented in the functional currency in £'000.

Although the Company's direct subsidiary, IM Minerals Limited, itself holds the whole of the issued share capital of Companhia Mineira de Naburi SARL, which in turn holds the whole of the issued share capital of Sociedade Geral de Mineracao de Moçambique SARL, events in 2011 indicated that the Company does not control either of these sub-subsidiaries. Neither has it been possible to obtain audited accounts for them. Accordingly these financial statements consolidate the financial statements of IM Minerals Limited only. IM Minerals Limited is a dormant intermediate holding company.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and other short term highly liquid deposits with original maturities of three months or less.

### **Share capital**

Ordinary shares of the company are classified as equity.

### **New standards and interpretations not yet adopted**

The adoption of new standards, where relevant, has had no impact on the reported results nor on the financial position of the company.

### **Critical accounting estimates and judgements**

The preparation of financial information in accordance with generally accepted accounting practice, in the case of the Group using International Financial Reporting Standards as adopted by the European Union, requires the directors to make estimates and judgements that affect the reported amount of assets, liabilities, income and expenditure and the disclosures made in the financial statements. Such estimates and judgements must be continually evaluated based on historical experience and other factors, including expectations of future events.

Details of accounting estimates and judgements that have the most significant effect on the amounts recognised in the financial statements have been disclosed under the relevant note or accounting policy for each area where disclosure is required.

## **3. SEGMENTAL REPORTING**

The Group has one activity only. Of the Group's administrative expenses, £409,000 (2012 – £395,000) was spent in Mozambique. The whole of the value of the Group's and the Company's net assets in their respective financial statements at 31 December 2013 and 2012 was attributable to UK assets and liabilities.

**Notes to the Financial Statements – continued**  
**For the Year Ended 31 December 2013**

**4. EMPLOYEES AND DIRECTORS**

There were no employees, other than the directors.

The following table sets out and analyses the remuneration of directors for the years ended 31 December 2013 and 2012 in £s:

	<i>Fees</i>	<i>Salaries</i>	<i>Benefits in kind</i>	<i>Total emoluments</i>	<i>Contributions to pension schemes</i>	<i>Total emoluments</i>	
	£	£	£	£	£	2013	2012
						£	£
John McKeon	48,000	–	–	48,000	–	48,000	48,000
Nicholas Trew	–	150,000	5,880	155,880	15,000	170,880	170,863
James Normand	–	120,000	4,626	124,626	12,000	136,626	136,497
	<u>48,000</u>	<u>270,000</u>	<u>10,506</u>	<u>328,506</u>	<u>27,000</u>	<u>355,506</u>	<u>355,360</u>

**5. OPERATING LOSS**

	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
The loss before income tax is stated after charging:		
Auditors' remuneration	10	12
Directors' remuneration	355	355
Litigation costs	1,304	3,203
and after crediting:		
Recovery of VAT relating to earlier years	<u>762</u>	<u>–</u>

Any recovery of litigation expenditure resulting from the Court costs awards in the Company's favour will be recognised in the accounts when received.

**6. NET FINANCE INCOME**

Interest on bank deposits	<u>21</u>	<u>106</u>
---------------------------	-----------	------------

**7. INCOME TAX**

**Analysis of tax expense**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2013 nor for the year ended 31 December 2012.

**Factors affecting the tax expense**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

Loss on ordinary activities before income tax	<u>(1,459)</u>	<u>(4,318)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	(339)	(1,058)
Effects of:		
Unrelieved tax losses carried forward	<u>339</u>	<u>1,058</u>
Tax expense	<u>–</u>	<u>–</u>

**Notes to the Financial Statements – continued**  
**For the Year Ended 31 December 2013**

**8. LOSS PER SHARE**

Basic loss per share is calculated, as set out in the tables below, by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

A diluted loss per share has not been calculated as the effect of the exercise of outstanding warrants and options would be anti-dilutive.

	<i>Earnings</i> £'000	<i>Weighted</i> <i>average</i> <i>number</i> <i>of shares</i>	<i>Per share</i> <i>amount</i> – pence
<b>2013</b>			
<b>Basic earnings per share</b>			
Earnings attributable to ordinary shareholders	(1,459)	1,037,167,230	(0.1)
<b>2012</b>			
<b>Basic earnings per share</b>			
Earnings attributable to ordinary shareholders	(4,318)	1,037,167,230	(0.4)

**9. SUBSIDIARIES**

	<i>Shares in</i> <i>group</i> <i>undertakings</i> £'000
<b>COST</b>	
At 1 January 2013 and 31 December 2013	34,806
<b>PROVISIONS</b>	
At 1 January 2013 and 31 December 2013	34,806
<b>NET BOOK VALUE</b>	
At 1 January 2013 and 31 December 2013	–

The Company's subsidiaries, each of which is wholly-owned, are:

IM Minerals Limited	<i>Incorporated in:</i> England and Wales
Companhia Mineira de Naburi SARL	Mozambique
Sociedade Geral de Mineracao de Moçambique SARL	Mozambique

IM Minerals Limited held the shares in Companhia Mineira de Naburi SARL which held titanium dioxide mining concessions in the Republic of Mozambique. In November 2011 the original vendors of IM Minerals' subsidiary, Companhia Mineira de Naburi SARL ("CMdN"), advised the Company that they had procured the cancellation of IM Minerals' shares in CMdN and the transfer of its assets (the mining licences) to another company controlled by them. Whilst the Company is taking legal and other action in order to recover the shares and the licences, the Company, in the interest of accounting prudence, made full provision in the 2011 financial statements against the cost of its investment in IM Minerals.

**Notes to the Financial Statements – continued**  
**For the Year Ended 31 December 2013**

**10. TRADE AND OTHER RECEIVABLES**

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
VAT recoverable	27	27	–	–
Other debtors and prepaid expenses	158	158	163	163
	<u>185</u>	<u>185</u>	<u>163</u>	<u>163</u>

**11. CASH AND CASH EQUIVALENTS**

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank balances	2,134	2,134	3,767	3,767

**12. CALLED UP SHARE CAPITAL**

<i>Allotted, issued and fully paid:</i>		2013	2012
<i>Number</i>	<i>Class</i>	£'000	£'000
1,037,167,230	Ordinary shares of 1 penny each	10,372	10,372
79,971,393	Deferred shares of 9.9 pence each	7,917	7,917
		<u>18,289</u>	<u>18,289</u>

**13. TRADE AND OTHER PAYABLES**

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade creditors	2	2	233	233
Amount owing to subsidiary	–	131	–	131
Other creditors	33	33	19	19
Accrued expenditure	93	93	28	28
	<u>128</u>	<u>259</u>	<u>280</u>	<u>411</u>

#### **14. SHARE OPTIONS AND WARRANTS**

No share options or warrants have been awarded or exercised, nor have any expired, during the year. Unexercised share options and warrants at the beginning and end of the year, all of which are currently capable of being exercised, were held as follows:

##### **Share options and warrants**

	<i>Number of shares the subject of options and warrants</i>	<i>Exercise price per share</i>	<i>Latest exercise price</i>
<b>Directors</b>			
John McKeon	36,000,000	10p	26 July 2016
Nicholas Trew	36,000,000	10p	26 July 2016
James Normand	{ 16,000,000 3,600,000	4.75p 10p	9 February 2021 26 July 2016
<b>Former directors and others</b>	{ 24,400,000 6,000,000	10p 4.75p	26 July 2016 8 February 2016
<b>Total</b>	<u>122,000,000</u>		

At 23 June 2014 (the latest date before publication of these financial statements), the mid-market price of the Company's shares was 0.4 pence. The value of the options granted to directors and others, in connection with the reverse takeover and the ongoing development of the company, has been considered in the context of the requirements of IFRS 2; and in the opinion of the directors there is no material charge to be made to the income statement. There have been no changes to the numbers of unexercised warrants and share options since 31 December 2013.

#### **15. RELATED PARTY DISCLOSURES**

Directors were reimbursed sums totalling £nil (2012 – £4,342) for personal expenditure incurred on Company business.

Details of directors' remuneration are given in note 4 above.

#### **16. CONTINGENT LIABILITIES**

As part of the agreement for the purchase of the shares in its subsidiary, Companhia Mineira de Naburi SARL ("CMdN"), the Company's subsidiary, IM Minerals Limited, agreed to pay the vendors a further sum of \$9,900,000 if, following further exploration and appraisal, an agreement is reached for the construction of a facility for the processing of ore extracted from the Naburi mineral sands deposit. This sum has since been reduced by advances of £90,083, made by IM Minerals Limited, and £75,933, made by the Company, to one of the vendors, Mr Diogo Cavaco.

Similarly, as part of its agreement for the purchase of the whole of the issued share capital of Sociedade Geral de Mineracao de Moçambique SARL, CMdN has agreed to pay the vendors, BHP Billiton, a further sum of \$9,500,000 if, following further exploration and appraisal, an agreement is reached for the construction of a facility for the processing of ore extracted from the Moebase mineral sands deposit. This obligation is guaranteed by IM Minerals Limited.





