

**Group Directors and Strategic Report and
Consolidated Financial Statements for the Year Ended 31 December 2016
for
PATHFINDER MINERALS PLC**

	Page
Company Information	1
Chairman's Statement	2
Directors and Strategic Report	4
Report of the Independent Auditors	7
Consolidated Income Statement	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Company Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Company Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Company Statement of Cash Flows	16
Notes to the Statements of Cash Flows	17
Notes to the Consolidated Financial Statements	18

Company Information
for the Year Ended 31 December 2016

DIRECTORS:	Sir H C Bellingham R P Easby N S Trew
SECRETARY:	R P Easby
REGISTERED OFFICE:	Becket House 36 Old Jewry London EC2R 8DD
REGISTERED NUMBER:	02578942 (England and Wales)
SENIOR STATUTORY AUDITOR:	Keith Fulton
INDEPENDENT AUDITORS:	Chapman Davis LLP 2 Chapel Court London SE1 1HH
SOLICITORS:	Travers Smith LLP 10 Snow Hill London EC1A 2AL
NOMINATED ADVISOR:	WH Ireland Limited 24 Martin Lane London EC4R 0DR
REGISTRARS:	Capita Assets Services 34 Beckenham Road Beckenham Kent BR3 4TU
BANKERS:	Royal Bank of Scotland 1 Dale Street Liverpool L2 2PP

INTRODUCTION

The primary activity of Pathfinder remains that of seeking to regain control of the valuable heavy mineral sands licences in Mozambique which were transferred in 2011, without Pathfinder's knowledge or consent, to the Company's former local partners. Another important activity during the year under review was the shoring up of the Company's balance sheet to enable it to continue its strategy to recover the licences.

STEPS TO RECOVER THE COMPANY'S ASSETS

While the English High Court determined in 2012 that, contrary to the defendants' assertions, Pathfinder does validly own the subsidiary company from which the licences were unlawfully removed, the Supreme Court in Mozambique is yet to recognise that decision - a step which the Company believes will likely have the effect of bringing to a successful conclusion the various proceedings in the commercial court in Maputo surrounding the same issue on which the English court has already ruled; and ultimately compel the Mozambique Government to restore control to Pathfinder of the licensed areas.

That application for recognition by the Supreme Court remains pending. The Board continues to believe the prospects of the English court decision being recognised in Mozambique are high, based on a precedent in Mozambique relating to the formulation of jurisdiction clauses. The timing, however, remains entirely out of the Company's control. Some shareholders have expressed frustration over recent months with the length of time the Supreme Court is taking to opine on this issue. I assure you the Board shares their sentiment. I am afraid neither Pathfinder nor its legal counsel has any visibility over when the Supreme Court will deliver judgment on this matter. The Supreme Court there is not answerable to such schedules as might be adhered to in other judicial systems. There is nothing the Company can do to speed up the process.

The only material update to have been received during 2016 in respect of the legal proceedings ongoing in the commercial court in Maputo was announced on 8 April 2016. This announcement recorded the Maputo court's refusal to hear a challenge brought by Pathfinder's subsidiary, IM Minerals Limited, to the validity of a shareholder resolution of CMDN, purportedly passed in May 2009. Pathfinder applied to the Maputo court on 13 April 2016 to appeal this defective decision, which is inconsistent with previous judgments in each of the Supreme Court, the English court and the Maputo court. Permission to appeal was granted on 13 June 2016 and a decision is awaited.

It is important to note that we are not simply waiting for the Supreme Court or Maputo court to deliver its judgments. Pathfinder is actively pursuing parallel strategies to bring about a resolution which does not rely on the courts.

To this end, on 6 May 2016, Pathfinder announced the appointment of Eduardo C. Mondlane Jr as its regional representative in Mozambique. Mr Mondlane Jr is a highly respected Mozambican who has been providing strategic advisory services in Africa for thirty years across industries including aerospace, infrastructure, energy, power and financial services. He has advised companies including Boeing Commercial Airplanes, United Technologies, Siemens and GE Capital Aviation. He has also served on the boards of Absa Group and Bank (Barclays Africa) and other Barclays African subsidiary banks.

Mr Mondlane Jr, Pathfinder's board and members of Pathfinder's legal counsel in Mozambique are actively engaged in discussions with relevant departments within the Mozambique Government including regarding the current status of the licensed areas which, at present, reside under the control of Pathfinder's former local partners. Furthermore, through Mr Mondlane Jr, Pathfinder is engaged in constructive discussions with Jacinto Veloso, the Company's lead former local partner, in an attempt to bring about a resolution without further reliance on the judicial processes. At this point, there are no material developments and no certainty of a resolution outside of the courts; however, the board continues to push for a breakthrough.

**Chairman's Statement
for the Year Ended 31 December 2016**

FINANCIAL RESULTS AND CURRENT FINANCIAL POSITION

Good progress was made during 2016 to shore up the Company's balance sheet to enable us to continue our strategy to recover our assets. Gross proceeds of approximately £700,000 were raised through the issue of new shares to investors (including the chief executive) both during 2016 and earlier this year; and net proceeds of approximately a further £161,000 were raised through sale of all the shares previously owned by Pathfinder's former local partners (the defendants in the English court legal proceedings) following the English court's granting, on 23 August 2016, of orders for sale as part of the Company's enforcement in England of certain orders for payment of legal costs to the Company by the defendants.

In parallel with bringing in additional funds, the Board continues to manage the central overheads of the Company rigorously in order to preserve cash as much as possible. The Company has foregone a physical head office; the overall cost of directors' fees has reduced and was approximately 17% less than the cost of directors' fees for 2015; and payments of an aggregate 41% of those directors' fees incurred in the period under review, in addition to other benefits such as pension contributions, have been deferred until the Company is in materially better financial health.

The financial statements of the Pathfinder Group for the year ended 31 December 2016 follow later in this report. The Income Statement shows a reduced loss of £582,000 (2015 - £1,093,000) of which £138,000 relates to directors' fees and pension contributions that are recorded as a liability in 'Trade and other payables' but actual payment of which have been deferred as described above and in 'Note 20' to these accounts.

The Group's Statement of Financial Position shows net assets (excluding £183,000 of deferred fees and pension contributions described in 'Note 20') at 31 December 2016 of £122,000 (31 December 2015 - £87,000). The assets are held largely in the form of cash deposits (totalling £134,000 at the end of the period). These assets were boosted by the raising of a further £200,000 after the year end, on 1 March 2017, through a placing of new shares with investors.

CORPORATE EVENTS

On 10 March 2016, James Normand resigned from the Board as Finance Director and, on 29 March 2016, we welcomed Robert Easby as his replacement. Robert qualified as a Chartered Accountant in 2000 and spent his early career in audit compliance and as a Company Law specialist within a large regional Chartered Certified Accountancy practice.

OUTLOOK

The Company will continue to report through the regulatory news service any material developments, either in respect of the Mozambique courts or the parallel discussions to bring about a faster resolution. The Board remains as determined as ever - as evidenced by the chief executive's own subscription for £100,000 worth of shares during the year under review - to bring about a successful resolution that recovers value for shareholders in the wake of these unpalatable events. We will continue to monitor the Company's financial position to ensure the Company has sufficient capital to bring our strategy to recover our assets to a successful conclusion. On behalf of the Board, I should like to thank our investors once again for their support.

ON BEHALF OF THE BOARD:

Sir H C Bellingham - Director

27 June 2017

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2016.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2016.

An overview of the group results is presented in the Chairman's Statement.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

Sir H C Bellingham
N S Trew

Other changes in directors holding office are as follows:

R P Easby - appointed 29 March 2016
J P Normand - resigned 10 March 2016

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 DONATIONS AND EXPENDITURE

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

MAJOR SHAREHOLDERS

As at 27 June 2017 the following shareholders had notified the company of an interest of 3% or more of the Company's ordinary share capital:

Shareholder name	Number of 0.1p ordinary shares	Shareholding percentage
Nicholas Trew	21,449,735	11.90%
JP Morgan Funds	9,467,000	5.25%
Paul Ellison and Gareth Roberts as Joint Administrators of Hill Street Investments plc	7,884,000	4.37%
James Buchan	7,010,210	3.89%
John Clarke	6,626,006	3.68%
Roger Clarke	6,626,006	3.68%

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 20 days (2016: 17 days).

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.

DISCLOSURE IN THE STRATEGIC REPORT

Strategic matters relating to the company throughout the reporting period are outlined in the Chairman's Statement.

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 the group and of the profit or loss of the group 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 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group 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 group'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 group'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:

N S Trew - Director

27 June 2017

We have audited the financial statements of Pathfinder Minerals Plc for the year ended 31 December 2016, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and the related notes 1 to 22. 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, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Statement of Directors' Responsibilities set out on page five, 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.

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 group's and the parent 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 Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 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;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Keith Fulton (Senior Statutory Auditor)
for and on behalf of Chapman Davis LLP
2 Chapel Court
London
SE1 1HH

27 June 2017

PATHFINDER MINERALS PLC**Consolidated Income Statement
for the Year Ended 31 December 2016**

	Notes	2016 £'000	2015 £'000
CONTINUING OPERATIONS			
Revenue	4	-	-
Other operating income	5	161	3
Administrative expenses		<u>(743)</u>	<u>(1,104)</u>
OPERATING LOSS		(582)	(1,101)
Finance income	7	<u>-</u>	<u>8</u>
LOSS BEFORE INCOME TAX	8	(582)	(1,093)
Income tax	9	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		<u><u>(582)</u></u>	<u><u>(1,093)</u></u>
Loss attributable to: Owners of the parent		<u><u>(582)</u></u>	<u><u>(1,093)</u></u>
Earnings per share expressed in pence per share:	11		
Basic		-0.44	-1.05
Diluted		<u><u>-0.44</u></u>	<u><u>-1.05</u></u>

The notes form part of these financial statements

PATHFINDER MINERALS PLC

**Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2016**

	2016 £'000	2015 £'000
LOSS FOR THE YEAR	(582)	(1,093)
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(582)</u>	<u>(1,093)</u>
Total comprehensive income attributable to: Owners of the parent	<u>(582)</u>	<u>(1,093)</u>

The notes form part of these financial statements

Consolidated Statement of Financial Position
31 December 2016

	Notes	2016 £'000	2015 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	1	-
Investments	13	-	-
		<u>1</u>	<u>-</u>
CURRENT ASSETS			
Trade and other receivables	14	65	94
Cash and cash equivalents	15	134	80
		<u>199</u>	<u>174</u>
TOTAL ASSETS		<u><u>200</u></u>	<u><u>174</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	18,345	18,289
Share premium	17	11,445	11,022
Retained earnings	17	(29,851)	(29,269)
TOTAL EQUITY		<u>(61)</u>	<u>42</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	261	132
TOTAL LIABILITIES		<u>261</u>	<u>132</u>
TOTAL EQUITY AND LIABILITIES		<u><u>200</u></u>	<u><u>174</u></u>

The financial statements were approved by the Board of Directors on 27 June 2017 and were signed on its behalf by:

R P Easby - Director

The notes form part of these financial statements

Company Statement of Financial Position
31 December 2016

	Notes	2016 £'000	2015 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	1	-
Investments	13	-	-
		<u>1</u>	<u>-</u>
CURRENT ASSETS			
Trade and other receivables	14	65	94
Cash and cash equivalents	15	134	80
		<u>199</u>	<u>174</u>
TOTAL ASSETS		<u><u>200</u></u>	<u><u>174</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	18,345	18,289
Share premium	17	11,445	11,022
Retained earnings	17	(29,850)	(29,269)
TOTAL EQUITY		<u>(60)</u>	<u>42</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	260	132
TOTAL LIABILITIES		<u>260</u>	<u>132</u>
TOTAL EQUITY AND LIABILITIES		<u><u>200</u></u>	<u><u>174</u></u>

The financial statements were approved by the Board of Directors on 27 June 2017 and were signed on its behalf by:

R P Easby - Director

The notes form part of these financial statements

PATHFINDER MINERALS PLC

**Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2016**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2015	18,289	(28,176)	11,022	1,135
Changes in equity				
Total comprehensive income	<u>-</u>	<u>(1,093)</u>	<u>-</u>	<u>(1,093)</u>
Balance at 31 December 2015	<u>18,289</u>	<u>(29,269)</u>	<u>11,022</u>	<u>42</u>
Changes in equity				
Issue of share capital	56	-	423	479
Total comprehensive income	<u>-</u>	<u>(582)</u>	<u>-</u>	<u>(582)</u>
Balance at 31 December 2016	<u>18,345</u>	<u>(29,851)</u>	<u>11,445</u>	<u>(61)</u>

The notes form part of these financial statements

PATHFINDER MINERALS PLC

Company Statement of Changes in Equity
for the Year Ended 31 December 2016

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2015	18,289	(28,307)	11,022	1,004
Changes in equity				
Total comprehensive income	<u>-</u>	<u>(962)</u>	<u>-</u>	<u>(962)</u>
Balance at 31 December 2015	<u>18,289</u>	<u>(29,269)</u>	<u>11,022</u>	<u>42</u>
Changes in equity				
Issue of share capital	56	-	423	479
Total comprehensive income	<u>-</u>	<u>(581)</u>	<u>-</u>	<u>(581)</u>
Balance at 31 December 2016	<u>18,345</u>	<u>(29,850)</u>	<u>11,445</u>	<u>(60)</u>

The notes form part of these financial statements

PATHFINDER MINERALS PLC**Consolidated Statement of Cash Flows
for the Year Ended 31 December 2016**

		2016	2015
	Notes	£'000	£'000
Cash flows from operating activities			
Cash generated from operations	1	<u>(423)</u>	<u>(1,100)</u>
Net cash from operating activities		<u>(423)</u>	<u>(1,100)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(2)	-
Interest received		<u>-</u>	<u>8</u>
Net cash from investing activities		<u>(2)</u>	<u>8</u>
Cash flows from financing activities			
Share issue		495	-
Share issue expenses		<u>(16)</u>	<u>-</u>
Net cash from financing activities		<u>479</u>	<u>-</u>
		<u> </u>	<u> </u>
Increase/(decrease) in cash and cash equivalents		54	(1,092)
Cash and cash equivalents at beginning of year	2	80	1,172
		<u> </u>	<u> </u>
Cash and cash equivalents at end of year	2	<u>134</u>	<u>80</u>

The notes form part of these financial statements

PATHFINDER MINERALS PLC

**Company Statement of Cash Flows
for the Year Ended 31 December 2016**

		2016	2015
	Notes	£'000	£'000
Cash flows from operating activities			
Cash generated from operations	1	<u>(423)</u>	<u>(1,100)</u>
Net cash from operating activities		<u>(423)</u>	<u>(1,100)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(2)	-
Interest received		<u>-</u>	<u>8</u>
Net cash from investing activities		<u>(2)</u>	<u>8</u>
Cash flows from financing activities			
Share issue		495	-
Share issue expenses		<u>(16)</u>	<u>-</u>
Net cash from financing activities		<u>479</u>	<u>-</u>
		<u> </u>	<u> </u>
Increase/(decrease) in cash and cash equivalents		54	(1,092)
Cash and cash equivalents at beginning of year	2	80	1,172
		<u> </u>	<u> </u>
Cash and cash equivalents at end of year	2	<u>134</u>	<u>80</u>

The notes form part of these financial statements

Notes to the Statements of Cash Flows
for the Year Ended 31 December 2016

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

Group

	2016	2015
	£'000	£'000
Loss before income tax	(582)	(1,093)
Depreciation charges	1	-
Finance income	-	(8)
	<u>(581)</u>	<u>(1,101)</u>
Decrease/(increase) in trade and other receivables	29	(33)
Increase in trade and other payables	<u>129</u>	<u>34</u>
Cash generated from operations	<u>(423)</u>	<u>(1,100)</u>

Company

	2016	2015
	£'000	£'000
Loss before income tax	(581)	(962)
Depreciation charges	1	-
Finance income	-	(8)
	<u>(580)</u>	<u>(970)</u>
Decrease/(increase) in trade and other receivables	29	(33)
Increase/(decrease) in trade and other payables	<u>128</u>	<u>(97)</u>
Cash generated from operations	<u>(423)</u>	<u>(1,100)</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statements of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	Group		Company	
Year ended 31 December 2016				
	31.12.16	1.1.16	31.12.16	1.1.16
	£'000	£'000	£'000	£'000
Cash and cash equivalents	<u>134</u>	<u>80</u>	<u>134</u>	<u>80</u>
Year ended 31 December 2015				
	31.12.15	1.1.15	31.12.15	1.1.15
	£'000	£'000	£'000	£'000
Cash and cash equivalents	<u>80</u>	<u>1,172</u>	<u>80</u>	<u>1,172</u>

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2016**

1. **GENERAL INFORMATION**

Pathfinder Minerals Plc is a public limited company whose ordinary shares are listed on the Alternative Investment Market of the London Stock Exchange; and is incorporated and domiciled in the UK. The address of its registered office is Becket House, 36 Old Jewry, London EC2R 8DD.

The financial statements of Pathfinder Minerals PLC for the year ended 31 December 2016 were authorised for issue by the Board on 27 June 2017 and the statement of consolidated financial position signed on the Board's behalf by Robert Easby.

2. **STATUTORY INFORMATION**

Pathfinder Minerals Plc is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

3. **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.

As a result of the funding activities undertaken since the year end, the Company has improved its short-term liquidity position. The Board have reviewed the Company's cash requirements for the next 12 months and, after taking account of reasonably possible changes in both expenditure and equity investment, have concluded that the Company should be able to operate within its current level of financing.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery - 33% on cost

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016**

3. ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

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.

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.

4. SEGMENTAL REPORTING

The Group has one activity only. Of the Group's administrative expenses, £53,000 (2015: £188,000) 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 2016 and 2015 was attributable to UK assets and liabilities.

5. OTHER OPERATING INCOME

	2016	2015
	£'000	£'000
Sundry receipts	<u>161</u>	<u>3</u>

On 23 August 2016, the English High Court made orders for the sale of the aggregate 19,824,000 shares held by JV Consultores Internacionais Limitada and Diogo Cavaco in the Company. In the current year, other operating income represents receipts from the sale of these shares.

The comparative figure for 2015 represents the sale of the fractional entitlement following the capital consolidation as set out in note 16.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016**

6. EMPLOYEES AND DIRECTORS

There were no employees, other than the directors.

The following tables set out and analyse the remuneration of directors for the years ended 31 December 2016 and 2015.

Year ended 31 December 2016:

	Salary £000	Benefits in kind £000	Total emoluments £000	Contributions to pension schemes £000	Total remuneration 2016 £000
Henry Bellingham	48	-	48	-	48
Nicholas Trew	150	5	155	15	170
James Normand	50	4	54	5	59
Robert Easby	45	-	45	-	45
	<u>293</u>	<u>9</u>	<u>302</u>	<u>20</u>	<u>322</u>

In addition to the above amounts, James Normand received £14,665 as part of a settlement agreement following his resignation as director.

Year ended 31 December 2015:

	Fees £000	Salary £000	Benefits in kind £000	Total emoluments £000	Contributions to pension schemes £000	Total remuneration 2015 £000
Henry Bellingham	-	48	-	48	-	48
John McKeon	37	-	-	37	-	37
Nicholas Trew	-	150	4	154	15	169
James Normand	-	120	4	124	12	136
	<u>37</u>	<u>318</u>	<u>8</u>	<u>363</u>	<u>27</u>	<u>390</u>

No share options were exercised by the directors, and no shares were received or receivable by any director in respect of qualifying services under a long term incentive scheme.

7. NET FINANCE INCOME

	2016 £'000	2015 £'000
Finance income:		
Deposit account interest	<u>-</u>	<u>8</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016**

8. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

	2016 £'000	2015 £'000
Depreciation - owned assets	1	-
Auditors' remuneration	11	14
Foreign exchange differences	<u>8</u>	<u>-</u>

9. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2016 nor for the year ended 31 December 2015.

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:

	2016 £'000	2015 £'000
Loss before income tax	<u>(582)</u>	<u>(1,093)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	(116)	(219)
Effects of:		
Unrelieved tax losses carried forward	148	219
Income not chargeable to tax	<u>(32)</u>	<u>-</u>
Tax expense	<u>-</u>	<u>-</u>

10. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(581,282) (2015 - £(962,202)).

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

11. LOSS PER SHARE

Basic loss per share is calculated, as set out in the tables below, by dividing the loss 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.

	Loss £'000	2016 Weighted average number of shares	Per-share amount pence
Basic			
Earnings attributable to ordinary shareholders	(582)	131,985,901	-0.44
Effect of dilutive securities	<u>-</u>	<u>-</u>	<u>-</u>
Diluted			
Adjusted earnings	<u>(582)</u>	<u>131,985,901</u>	<u>-0.44</u>

	Loss £'000	2015 Weighted average number of shares	Per-share amount pence
Basic			
Earnings attributable to ordinary shareholders	(1,093)	103,716,156	-1.05
Effect of dilutive securities	<u>-</u>	<u>-</u>	<u>-</u>
Diluted			
Adjusted earnings	<u>(1,093)</u>	<u>103,716,156</u>	<u>-1.05</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery £'000
COST	
Additions	<u>2</u>
At 31 December 2016	<u>2</u>
DEPRECIATION	
Charge for year	<u>1</u>
At 31 December 2016	<u>1</u>
NET BOOK VALUE	
At 31 December 2016	<u><u>1</u></u>

Company

	Plant and machinery £'000
COST	
Additions	<u>2</u>
At 31 December 2016	<u>2</u>
DEPRECIATION	
Charge for year	<u>1</u>
At 31 December 2016	<u>1</u>
NET BOOK VALUE	
At 31 December 2016	<u><u>1</u></u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016**

13. INVESTMENTS

Company

	Shares in group undertakings £'000
COST	
At 1 January 2016 and 31 December 2016	<u>34,806</u>
PROVISIONS	
At 1 January 2016 and 31 December 2016	<u>34,806</u>
NET BOOK VALUE	
At 31 December 2016	<u><u>-</u></u>
At 31 December 2015	<u><u>-</u></u>

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries**I M Minerals Limited**

Registered office: United Kingdom
Nature of business: Holding company

Class of shares:	%	holding
Ordinary	100.00	

Companhia Mineira de Naburi SARL

Registered office: Mozambique
Nature of business: Mining

Class of shares:	%	holding
Ordinary	100.00	

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

13. INVESTMENTS - continued

Company

Sociedade Geral de Mineracao de Moçambique SARL

Registered office: Mozambique

Nature of business: Dormant

Class of shares:	%
Ordinary	holding 100.00

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.

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current:				
Other debtors	37	13	37	13
VAT	17	69	17	69
Prepayments and accrued income	<u>11</u>	<u>12</u>	<u>11</u>	<u>12</u>
	<u>65</u>	<u>94</u>	<u>65</u>	<u>94</u>

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank accounts	<u>134</u>	<u>80</u>	<u>134</u>	<u>80</u>

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2016	2015
Number:	Class:		£'000	£'000
160,255,079	Ordinary	0.1p	160	104
183,688,116	Deferred	9.9p	<u>18,185</u>	<u>18,185</u>
			<u>18,345</u>	<u>18,289</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016**

16. CALLED UP SHARE CAPITAL - continued

56,538,356 Ordinary shares of 0.1p each were allotted as fully paid for cash at a premium of 0.776p per share during the year.

During 2015, the company reorganised its share capital as follows:

Each existing ordinary share was sub-divided into one divided ordinary share of 0.01p and one deferred share of 0.99p. The divided ordinary shares were consolidated, on a 10,000 for 1 basis, into consolidated ordinary shares of £1.00 each. Shareholders with a holding in excess of 10,000 existing ordinary shares, but which is not exactly divisible by 10,000, had their holding of consolidated ordinary shares rounded down to the nearest whole number of consolidated ordinary shares. The consolidated ordinary shares were then divided, on a 1 for 1,000 basis, into new ordinary shares of 0.1p each. The rights attaching to the new ordinary shares are the same as those attaching to the existing ordinary shares including, without limitation, the same voting and dividend rights.

Every 10 resulting deferred shares of 0.99p held by a Shareholder was then consolidated into 1 deferred share of 9.9p. This consolidation brought the nominal value of the deferred shares back into line with that of the deferred shares already in issue.

The Directors determined that any divided ordinary shares held by shareholders as a result of the above sub-division that were not a multiple of 10,000 be aggregated and sold in the market, free of commission. The proceeds of such sales were paid to each shareholder in proportion to the fractional entitlements to which such shareholder would otherwise have been entitled. However, where the proceeds of the fractional entitlement was less than £10, the proceeds were retained for the benefit of the Company, in accordance with Article 73.3 of the Company's Articles. The value of this benefit was £2,506.

Furthermore, the Directors determined that any deferred shares of 0.99p each held by shareholders as a result of the above sub-division that were not a multiple of 10 would (in accordance with article 73 of the Company's Articles) be aggregated and transferred to the Company's registrars and held by them until such time as the Company buys in the deferred shares, as the costs of selling such shares, producing cheques and posting the same to shareholders would exceed the actual value to shareholders of any resulting fractions.

17. RESERVES

Group

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2016	(29,269)	11,022	(18,247)
Deficit for the year	(582)		(582)
Cash share issue	-	439	439
Share issue expenses	-	(16)	(16)
At 31 December 2016	<u>(29,851)</u>	<u>11,445</u>	<u>(18,406)</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016

17. RESERVES - continued

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2015	(28,176)	11,022	(17,154)
Deficit for the year	<u>(1,093)</u>		<u>(1,093)</u>
At 31 December 2015	<u>(29,269)</u>	<u>11,022</u>	<u>(18,247)</u>

Company

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2016	(29,269)	11,022	(18,247)
Deficit for the year	(581)		(581)
Cash share issue	-	439	439
Share issue expenses	<u>-</u>	<u>(16)</u>	<u>(16)</u>
At 31 December 2016	<u>(29,850)</u>	<u>11,445</u>	<u>(18,405)</u>

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2015	(28,307)	11,022	(17,285)
Deficit for the year	<u>(962)</u>		<u>(962)</u>
At 31 December 2015	<u>(29,269)</u>	<u>11,022</u>	<u>(18,247)</u>

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current:				
Trade creditors	18	35	17	35
Social security and other taxes	11	11	11	11
Other creditors	220	65	220	65
Accruals and deferred income	<u>12</u>	<u>21</u>	<u>12</u>	<u>21</u>
	<u>261</u>	<u>132</u>	<u>260</u>	<u>132</u>

During 2015, IM Minerals Limited, a subsidiary of the company, waived a loan payable by the company totalling £131,000.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016**

19. 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.

In the event that Pathfinder is successful in regaining control of the disputed Licences, the Company has agreed to issue ordinary shares to its' regional representative, Eduardo C. Mondlane Jr, equivalent to up to 25 per cent of the enlarged issued share capital of Pathfinder. In such circumstances, it is envisaged that the Mr Mondlane Jr will assist with the ongoing administration of Pathfinder's local operating subsidiaries and with the Company's relationships with regional and national authorities and with local communities.

20. RELATED PARTY DISCLOSURES

At the balance sheet date J P McKeon, a former director, owed the company £8,924.

In order to ease the pressure on the company's cash resources, the following directors deferred payment of their contracted salaries or fees and, where applicable, pension contributions. The amounts deferred, and included in other creditors, were as follows:

	Salary/ fees deferred at 1 January 2016 £000	Pension contributions deferred at 1 January 2016 £000	Salary/fees deferred during the year £000	Pension contributions deferred during the year £000	Salary/fees deferred at 31 December 2016 £000	Pension contributions deferred at 31 December 2016 £000
N S Trew	19	4	68	15	87	19
J P Normand	15	-	12	4	27	4
H C Bellingham	6	-	22	-	28	-
R P Easby	-	-	17	-	17	-
J P McKeon	1	-	-	-	1	-
Total	41	4	119	19	160	23

These amounts will be made good when it is safe and reasonable for the company to do so, but no fixed date for repayment has been set.

Details of directors' remuneration are given in note 6 above.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2016**

21. EVENTS AFTER THE REPORTING PERIOD

Following the end of the year the company has raised £200,000 via a subscription for new shares.

22. SHARE OPTIONS AND WARRANTS

The company granted the following share options to directors on 15 November 2016:

Director	Number of shares the subject of options or warrants	Exercise price per share	Latest exercise date
H C Bellingham	2,750,000	3p	15 November 2021
N S Trew	2,750,000	3p	15 November 2021
R P Easby	<u>1,375,000</u>	3p	15 November 2021
	<u><u>6,875,000</u></u>		

In addition to those listed above, J P Normand holds options over 1,600,000 shares with an exercise price of 47.5p.

The fair value of the options granted on 15 November 2016 was determined using the Black-Scholes pricing model. The resulting value was deemed immaterial by the directors and no charge has been made to the income statement.

As detailed in note 19, the company is contractually obliged to issue Eduardo Mondlane Jr ordinary shares equivalent to 25 per cent of the enlarged issued share capital of the company if certain conditions are met.