Report of the Directors and

Audited Financial Statements for the Year Ended 31 December 2010

for

Pathfinder Minerals PLC

Contents of the Financial Statements
for the Year Ended 31 December 2010

DIRECTORS:	John McKeon – Non-executive Chairman Nicholas Trew – Chief Executive James Normand – Finance Director Gordon Dickie – Non-executive General Jacinto Veloso – Non-executive
SECRETARY:	James Normand
REGISTERED OFFICE:	2nd Floor Suite Clarendon Road Watford Hertfordshire WD17 1JJ
REGISTERED NUMBER:	02578942 (England and Wales)
AUDITORS:	Chapman Davis LLP 2 Chapel Court London SE1 1HH
SOLICITORS:	Maxwell Winward LLP 100 Ludgate Hill London EC4M 7RE
NOMINATED ADVISORS:	Daniel Stewart and Company Becket House 36 Old Jewry London EC2R 8DD
REGISTRARS:	Capita Registrars Limited 34 Beckenham Road Beckenham Kent BR3 4TU
BANKERS:	Royal Bank of Scotland 1 Dale Street Liverpool L2 2PP

The final day of 2010 marked a transformational moment for Pathfinder Minerals, as we announced the proposed acquisition of IM Minerals Limited (“IM Minerals”), and with it a 100% interest in two licences to mine heavy minerals sands on the Indian Ocean Coast of Mozambique. The Company further announced a small fundraising of £525,000. Both the acquisition and fundraising were completed post year-end and shares in the newly enlarged Pathfinder Minerals were admitted to AIM, essentially marking the beginning of a new company.

Since admission, significant efforts have been made to progress the development of this world class asset, including the completion of a Scoping Study, carried out by URS Scott Wilson, to develop our Moebase and Naburi mineral sands deposits. The Scoping Study estimated gross revenues from production of $246,493,000 per annum based on highly conservative commodity pricing from a proposed annual production of 1.3 million tonnes per annum of ilmenite (93.4%), rutile (1.74%) and zircon (4.78%). Furthermore it placed a net present value on the Company’s project of $529 million.

Earlier this month we received a Letter of Intent, from the Ministry of Mineral Resource, National Directorate of Mines of Mozambique, to combine our two licences thereby forming a single Mining Concession licence, enabling the Company to move forward with certainty of tenure.

The Company believes that global supply of ilmenite, rutile and zircon will be in a significant structural deficit by 2013 with only a limited number of known new sources of significant supply. We are undertaking a detailed feasibility study with a view to developing a mine for commercial extraction.

Following the successful acquisition of IM Minerals earlier this year I was pleased to be appointed as chairman of the board. I have been closely involved with the identification, and early-stage funding, of the Company’s asset and am excited to be contributing to the progression of its development. I was honoured to welcome our local partner and significant shareholder, Major-General Jacinto Veloso, to the board as a non executive director earlier this month. He is one of the most respected individuals in Mozambique and we could not wish for a better local partner.

Financial results

As described above, the period of the twelve months ended 31 December 2010 relate to a period before the acquisition of IM Minerals and the start of, essentially, a new business. As such the Company had no revenues to report in 2010 and a loss before tax of £1,064,000. The majority of the loss related to the one-off costs of the reverse takeover of IM Minerals, with the remainder reflecting ordinary working capital costs.

Outlook

I have been involved in the origination and development of natural resource opportunities for over twenty-five years and can say, with confidence, that Pathfinder Minerals’ asset represents one of the most compelling opportunities I have seen. The project economics appear attractive, the heavy mineral content is good, the market for heavy minerals is becoming increasingly favourable, the geographic location of the asset makes for efficient export and our local partner is highly influential. There is much feasibility and engineering work to be done to move towards the construction phase of the mine but I believe we are assembling the best possible team to move us forward and will leave no stone unturned in the development of a highly efficient operation.

John McKeon
30 June 2011

The directors present their report with the financial statements of the company (registered number 02578942) for the year ended 31 December 2010.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of an investing company, as defined by the AIM rules.

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 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 2010 to the date of this report.

Nicholas Trew
James Normand

Other changes in directors holding office are as follows:

Gerard Lee - resigned 18 June 2010
Mark Edmonds – resigned 9 February 2011

Gordon Dickie, John McKeon and General Jacinto Veloso were appointed as directors after 31 December 2010 but prior to the date of this report.

Timothy Baldwin was appointed as a director after 31 December 2010 and resigned before the date of this report.

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 105 (2009: 28 days).

FINANCIAL INSTRUMENTS
The company's financial instruments comprise borrowings and cash that arise 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.

GOING CONCERN
These financial statements have been prepared on the going-concern basis, notwithstanding that the Company is forecasting the utilisation of its current cash resources such that further funding, over and above that achieved to date, will be required within the next 12 months. The validity of using the going-concern basis of accounting turns therefore on the successful raising of additional funds to enable the Company to implement its investing strategy.

Whilst the directors cannot presently be certain as to whether additional funds will be available to the Company at the required time, it is their opinion that it is appropriate for the financial statements to be presented on the going-concern basis.

SUBSTANTIAL SHAREHOLDINGS

As at 15 June 2011, the following had notified the company of an interest of 3% or more in the Company's ordinary share capital:

Shareholder name	Number of 1p ordinary shares	Shareholding percentage
John McKeon	121,209,700	14.92%
Timothy Baldwin	115,128,316	14.18%
J V Consultores Internacionais Limitada (a company controlled by General Veloso)	110,120,680	13.56%
Nicholas Trew	90,375,753	11.13%
Gordon Dickie	89,806,920	11.06%
Diogo Cavaco	88,129,280	10.85%
Richard Horlick	32,860,000	4.05%

RISK EXPOSURE

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

The only material asset of the Company is its trade investment in IM Minerals Limited. There are no material risks attaching to this investment.

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.

On re-admission of the Company's shares on 10 February 2011, following completion of the Reverse Takeover, an audit committee was established. This comprises two non-executive directors, John McKeon and, until his resignation on 13 June, Timothy Baldwin. The audit committee determines the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Company's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit. The committee, which is chaired by John McKeon, meets at least twice a year.

At the same time a Remuneration Committee was established. This also comprises two non-executive directors, John McKeon and, until his resignation on 13 June, Timothy Baldwin. It reviews the performance of executive directors and sets their remuneration, determines the payment of bonuses to executive directors and considers bonus and option grants. No member of the Board is permitted to participate in discussions or decisions concerning his own remuneration. The remuneration committee, which is chaired by John McKeon, meets at least twice a year.

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 Annual 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 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:

- 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

30 June 2011

We have audited the financial statements of Pathfinder Minerals Plc for the year ended 31st December 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 17. 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.

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the Going Concern paragraph within accounting policies and reiterated within the Directors' Report concerning the Company's ability to continue as a going concern.

The Company has incurred a loss in the year of £1,064,000 and has total net liabilities as at 31st December 2010 of £737,000. The Company is forecasting the utilization of its current cash resources such that further funding, over and above that achieved to date, is required within the next 12 months. These conditions cast significant doubt about the Company's ability to continue as a going concern in the absence of further funding as disclosed within the Going Concern paragraph within accounting policies and reiterated within the Directors' Report. The uncertainty surrounding further funding raises doubts concerning whether the Company will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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, 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
2 Chapel Court
London
SE1 1HH

Date: 30 June 2011

Statement of Comprehensive Income
for the Year Ended 31 December 2010

	Notes	31.12.10 £'000	31.12.09 £'000
CONTINUING OPERATIONS			
Revenue	3	-	-
Administrative expenses		(1,057)	(384)
OPERATING LOSS		(1,057)	(384)
Finance costs	5	(7)	(4)
Finance income	5	-	1
LOSS BEFORE INCOME TAX	6	(1,064)	(387)
Income tax	7	-	-
LOSS FOR THE YEAR		(1,064)	(387)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(1,064)	(387)
Loss per share expressed in pence per share:	8		
Basic		(2.76)	(4.84)
Diluted		(2.76)	(4.84)

The notes form part of these financial statements

Statement of Financial Position
31 December 2010

	Notes	31.12.10 £'000	31.12.09 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	9	200	200
CURRENT ASSETS			
Trade and other receivables	10	-	30
Cash and cash equivalents	11	22	157
		22	187
TOTAL ASSETS		222	387
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	8,412	7,997
Share premium	13	2,171	1,970
Other reserves	13	17	348
Retained earnings	13	(11,337)	(10,273)
NET (LIABILITIES)/ASSETS		(737)	42
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	15	-	168
CURRENT LIABILITIES			
Trade and other payables	14	959	177
TOTAL LIABILITIES		959	345
TOTAL EQUITY AND LIABILITIES		222	387

The financial statements were approved by the Board of Directors on 30 June 2011 and were signed on its behalf by:

John McKeon
Chairman

James Normand
Finance Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 December 2010

	Called up share capital £'000	Profit and loss account £'000	Share premium £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2009	7,997	(9,886)	1,970	-	81
Changes in equity					
Transactions with owners	-	-	-	348	348
Total comprehensive income	-	(387)	-	-	(387)
Balance at 31 December 2009	7,997	(10,273)	1,970	348	42
Changes in equity					
Issue of share capital	415	-	-	-	415
Transactions with owners	-	-	201	(331)	(130)
Total comprehensive income	-	(1,064)	-	-	(1,064)
Balance at 31 December 2010	8,412	(11,337)	2,171	17	(737)

The amount in 'Other reserves' relates to warrants held by Beaumont Cornish. These warrants were granted under the terms of its contract for advisory services and are exercisable at any time up to 26 November 2014 at a price of 1.5 pence per share. These warrants were exercised subsequent to the year end.

Statement of Cash Flows
for the Year Ended 31 December 2010

	Notes	31.12.10 £'000	31.12.09 £'000
Cash flows from operating activities			
Cash generated from operations	1	(245)	64
Interest paid		(7)	(4)
Net cash from operating activities		(252)	60
Cash flows from investing activities			
Purchase of fixed asset investments		-	(200)
Interest received		-	1
Net cash from investing activities		-	(199)
Cash flows from financing activities			
Repayment from borrowings		-	(209)
Share issue		117	-
Proceeds from convertible loans		-	499
Net cash from financing activities		117	290
(Decrease)/Increase in cash and cash equivalents		(135)	151
Cash and cash equivalents at beginning of year	2	157	6
Cash and cash equivalents at end of year	2	22	157

The notes form part of these financial statements

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

	31.12.10	31.12.09
	£'000	£'000
Loss before income tax	(1,064)	(387)
Share based payment	-	17
Finance costs	7	4
Finance income	-	(1)
	(1,057)	(367)
Decrease in trade and other receivables	30	355
Increase in trade and other payables	782	76
Cash generated from operations	(245)	64

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

Year ended 31 December 2010

	31.12.10	1.1.10
	£'000	£'000
Cash and cash equivalents	22	157

Year ended 31 December 2009

	31.12.09	1.1.09
	£'000	£'000
Cash and cash equivalents	157	6

3. MAJOR NON-CASH TRANSACTIONS

During the year the company issued 41,533,333 ordinary 1 penny shares at a premium of 0.5 pence per share. The consideration was made up of £117,000 in cash and £506,000 settled by the conversion of convertible loan notes.

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 2nd Floor, 30 Clarendon Road, Watford, WD17 1JJ.

The financial statements of Pathfinder Minerals PLC for the year ended 31 December 2010 were authorised for issue by the Board on 30 June 2011 and the balance sheet signed on the Board's behalf by John McKeon and 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.

Taxation
The tax expense for the year represents the total of current taxation and deferred taxation. The charge in respect of current taxation is based on the estimated taxable profit for the year. Taxable profit for the year is based on the profit as shown in the income statement, as adjusted for items of income or expenditure which are not deductible or chargeable for tax purposes. The current tax liability for the year is calculated using tax rates which have either been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates which have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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2. ACCOUNTING POLICIES - continued

Going concern
These financial statements have been prepared on the going-concern basis, notwithstanding that the Company is forecasting the utilisation of its current cash resources such that further funding, over and above that achieved to date, will be required within the next 12 months. The validity of using the going-concern basis of accounting turns therefore on the successful raising of additional funds to enable the Company to implement its investing strategy.

Whilst the directors cannot presently be certain as to whether additional funds will be available to the Company at the required time, it is their opinion that it is appropriate for the financial statements to be presented on the going-concern basis.

Trade and other receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets

Trade and other receivables are recognised at fair value subsequently measured at amortised cost using effective interest method, less any appropriate allowance for estimated irrecoverable amounts.

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.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Share capital
Ordinary shares of the company are classified as equity. Mandatorily redeemable preference shares and other classes of share where an obligation exists to transfer economic benefits are classified as liabilities.

Trade payables
Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. As the payment period of trade payables is short future cash payments are not discounted as the effect is not material.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Compound financial instruments
Compound financial instruments issued by the Company comprise convertible loan stock that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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2. **ACCOUNTING POLICIES - continued**

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Share based payments

The Company engages in some equity settled arrangements where the Company receives services from suppliers and this is compensated with equity instruments of the company.

The fair value of the services received from suppliers is received in exchange for the grant of the warrants which is recognised as an expense.

When the warrants are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the warrants are exercised.

New standards and interpretations not yet adopted

The adoption of new standards, where relevant, has had no impact on the reported results nor the financial position of the company. Those which may have a significant effect on the financial statements, but which are not yet effective, are: IFRS 9 Financial Instruments, Revised IAS 24 Related Party Disclosures and improvements to IFRS 2010.

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.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the year are discussed in the notes.

3. **SEGMENTAL REPORTING**

The company's results arise solely from activities carried out in the U.K.

4. **EMPLOYEES AND DIRECTORS**

There were no employees, other than the directors, during the year.

The following table shows the remuneration of directors for the years ended 31 December 2009 and 2010. No benefits in kind, bonuses or share based payments were made in either year and there were no pension contributions paid in respect of any director.

	31.12.10	31.12.09
	£'000	£'000
Nicholas Trew	18	6
James Normand	6	2
Gerard Lee	6	2
Mark Edmonds	-	-
John Davies	-	6

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5. NET FINANCE COSTS

	31.12.10	31.12.09
	£'000	£'000
Finance income:		
Deposit account interest	-	1
Finance costs:		
Interest bearing loans and borrowings	7	4
Net finance costs	7	3

6. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

	31.12.10	31.12.09
	£'000	£'000
Auditors' remuneration	12	10
Auditors' remuneration for non audit work	25	21

7. INCOME TAX

Analysis of the tax charge
No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2010 nor for the year ended 31 December 2009.

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

	31.12.10	31.12.09
	£'000	£'000
Loss on ordinary activities before tax	(1,064)	(387)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%)	(298)	(108)
Effects of:		
Expenses not deductible for tax purposes	28	28
Unrelieved tax losses carried forward	270	80
Total income tax	-	-

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8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

During 2009 the company subdivided, reorganised and consolidated its capital structure. Each existing 10p share was subdivided and reclassified as one ordinary share of 0.1p each and one deferred share of 9.9p each. Then every 20,000 ordinary 0.1p shares were consolidated into 1 ordinary share of £20. These shares were then subdivided into 2,000 ordinary shares of 1p each.

These changes are reflected in the comparative EPS calculation.

		31.12.10	
	Earnings £'000	Weighted average number of ordinary shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(1,064)	38,620,000	(2.76)
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	(1,064)	38,620,000	(2.76)

		31.12.09	
	Earnings £'000	Weighted average number of ordinary shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(387)	7,997,139	(4.84)
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	(387)	7,997,139	(4.84)

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9. INVESTMENTS

	Unlisted investments £'000
COST	
At 1 January 2010	
and 31 December 2010	200
NET BOOK VALUE	
At 31 December 2010	200
At 31 December 2009	200

The company's investment is in IM Minerals Limited, a company registered in England and Wales, giving it a 3.29% (2009: 4.67%) holding in the equity capital of that company.

IM Minerals Limited has interests in titanium oxide mining concessions in the Republic of Mozambique. The company is unlisted and the valuation is based on original cost, there being, in the directors' opinion, no diminution in valuation between its purchase and the balance sheet date.

In February 2011 the Company acquired the shares of IM Minerals Limited that it did not already own (representing 96.71% of IM Minerals' issued share capital). The consideration was wholly in the form of Pathfinder Minerals Plc ordinary shares. Valuing these shares at the price per share at which simultaneously new shares in the Company were issued, puts a value of £34,606,445 on them; and, in turn, a value of £1,177,285 on the shares in IM Minerals held by the Company at 31 December 2010 (shown above at their cost of £200,000).

10. TRADE AND OTHER RECEIVABLES

	31.12.10 £'000	31.12.09 £'000
Current:		
Other debtors	-	30

11. CASH AND CASH EQUIVALENTS

	31.12.10 £'000	31.12.09 £'000
Bank accounts	22	157

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.10 £	31.12.09 £
49,530,472	Ordinary shares of 1 penny each	1p	495,304	79,832
79,971,393	Deferred shares of 9.9 pence each	9.9p	7,917,168	7,917,168
			8,412,472	7,997,000

continued...

12. **CALLED UP SHARE CAPITAL - continued**

During the year the company issued 41,533,333 ordinary 1 penny shares at a premium of 0.5 pence per share. The consideration was made up of £117,000 in cash and £505,000 settled by the conversion of convertible loan notes. The equity element of these convertible loan notes was £337,000, with the liability element making up the remaining £168,000.

13. **UNEXCERCISED WARRANTS**

As at 31 December 2010 there remained unexercised warrants to subscribe for 7,333,334 ordinary 1p shares at 1.5 pence per share. In March 2011 666,667 warrants were exercised. The remaining 6,666,667 warrants expire on 26 November 2011 if not exercised before then.

14. **TRADE AND OTHER PAYABLES**

	31.12.10	31.12.09
	£'000	£'000
Current:		
Trade creditors	310	62
Other creditors	103	-
Accruals	546	115
	959	177

15. **FINANCIAL LIABILITIES - BORROWINGS**

	31.12.10	31.12.09
	£'000	£'000
Non-current:		
Interest bearing convertible loan stock	-	168

The interest bearing convertible loan stock was converted into ordinary 1 penny shares during the year.

16. **RELATED PARTY DISCLOSURES**

Throughout 2010 Mark Edmonds was a director and shareholder of RAM Investment Group Plc ("RAM"), which, until 31 October 2010, provided office services to the Company in return for a fee of £10,934 plus VAT per month. Under the terms of the Company's agreement with RAM, settlement of the large part of this fee was to be deferred until the Company had completed a substantial fund-raising. At 31 December 2010 the Company owed RAM £95,257.

As at the beginning of the year Nicholas Trew's Personal Pension Plan had advanced the Company convertible loans amounting to £50,000. During the year these loans were converted into equity under the terms upon which they were originally issued, resulting in the issue to Mr Trew's Pension Plan of 3,333,333 ordinary 1p shares fully paid.

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17. **POST BALANCE SHEET EVENTS**

On 9 February 2011 the company acquired share capital in I M Minerals Ltd to take its holding to 100% of the issued ordinary share capital.

The acquisition was effected as follows:

728,556,730 ordinary 1 penny shares were issued to the shareholders of IM Minerals at a notional value of 4.75p per share.

Also on this date the company placed 11,052,632 ordinary 1 penny shares at 4.75p and 20,266,665 warrants to acquire 1 penny shares were exercised, raising gross proceeds of £525,000 and £304,000 respectively for the company. The related admission costs have been provided for in these financial statements.
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