# PATHFINDER MINERALS PLC

## ANNUAL REPORT AND

## CONSOLIDATED FINANCIAL STATEMENTS FOR

## THE YEAR ENDED 31 DECEMBER 2021

Pathfinder Minerals plc
Registered in England & Wales
Registered company no. 02578942
Registered office address: 35 Berkeley Square, London, W1J 5BF

## Contents of the Annual Report and Consolidated Financial Statements
### for the Year Ended 31 December 2021

## Company Information
### for the Year Ended 31 December 2021

| | |
|---|---|
| **DIRECTORS:** | D Edmonds<br>J Taylor (resigned 17 March 2021)<br>P Taylor<br>J Summers (appointed 17 March 2021)<br>M Gasson (appointed 25 May 2021) |
| **SECRETARY:** | D Taylor |
| **REGISTERED OFFICE:** | 35 Berkeley Square<br>London W1J 5BF<br>United Kingdom |
| **REGISTERED NUMBER:** | 02578942 (England and Wales) |
| **INDEPENDENT AUDITOR**: | PKF Littlejohn LLP<br>Statutory Auditor<br>15 Westferry Circus<br>London E14 4HD |
| **SOLICITORS:** | Hill Dickinson LLP<br>The Broadgate Tower<br>20 Primrose Street<br>London<br>EC2A 2EW |
| **NOMINATED & FINANCIAL ADVISER AND BROKER:** | Strand Hanson Limited<br>26 Mount Row<br>London<br>W1K 3SQ |
| **REGISTRARS:** | Link Asset Services<br>34 Beckenham Road<br>Beckenham<br>Kent<br>BR3 4TU |
| **BANKERS:** | Royal Bank of Scotland<br>1 Dale Street<br>Liverpool<br>L2 2PP |

# Chairman’s Statement
## for the Year Ended 31 December 2021

### Introduction and principal activities

Activities undertaken during 2021 were largely focused around preparing the Company to bring a claim against the Government of Mozambique, under the Mozambique-United Kingdom Bilateral Investment Treaty (2004) (the "Treaty"), for its role in facilitating the expropriation of Mining Concession 4623C (the “Licence”) from the Company in 2011 through a transfer which the Board believes was unlawful.

Alongside this, the Board has been reviewing additional commercial opportunities across several minerals and geographies which, if pursued, could be run in parallel with the potential claim and offer shareholders multiple avenues for potential value creation.

### Preparations to bring or monetise a claim

Since the receipt in December 2020 of a legal opinion that, subject to the interpretation of the facts and applicable laws as they are currently known to the Board and Counsel, there is a 55-60 percent prospect of establishing liability on the part of the Government of Mozambique in a BIT claim under Article 2(2) and 2(3) of the Treaty, the Board has set about undertaking the various workstreams to prepare to bring a claim. This has included the development of a detailed budget and timeline for claimant costs, the identification of the Company's litigation team, and independent professional analysis of valuations for differing successful outcomes at a tribunal.

As part of the Company’s preparatory procedures, the Board commissioned, during 2021, Versant Partners LLC (“Versant”) to undertake an analysis of the valuation of Pathfinder’s potential claim. Whilst the detail behind the valuation remains legally privileged, the Versant analysis assesses a range of successful scenarios with valuation ranges from a minimum of US$110m for an ex-ante damages award through to US$1,500m for an ex-post damages award. The Versant valuation supports the US$621.3m of estimated losses, detailed in the Company’s 12 April 2021 announcement, that has been notified to the Government of Mozambique. Whilst the Company is confident in its position, shareholders should be aware that there is no guarantee that this, or any, amount will be recovered, should the Company refer the matter to the International Centre for the Settlement of Investment Disputes (“ICSID”) tribunal.

The claim is also being further developed to include asset tracing reports and enforcement strategies. This includes the Republic of Mozambique’s foreign and domestic assets, which may include, inter alia, exported hydrocarbons such as those produced from the Rovuma LNG project.

Having undertaken these workstreams, the Board is in discussions regarding strategic options with institutional litigation funders and other parties, which now range from conventional litigation funding arrangements, whereby the legal costs of the claim would be borne by the funder on a contingency basis, through to a full acquisition of the claim via a disposal, subject to regulatory and shareholder approvals as needed, of the Company’s wholly owned subsidiary, IM Minerals Limited (“IMM”), enabling Pathfinder to return, well-funded, to its core objectives of exploration and mining.

Given the potential value of the claim, and favourable prospect of success attributed by legal counsel (as announced by the Company on 16 December 2020), the Board believes an acquisition of IMM would be attractive to third parties. Such parties could range from litigation funders who would pursue the claim themselves, the current Licence-holder, TZM Resources SA (“TZM”), as a means of protecting its ownership of the Licence which the Board believes TZM could lose in the event of a successful claim, and other mining companies who may have a potential interest in the Licence.

On 24 June 2021, the Board held a virtual meeting with the Chair of TZM and representatives from the British High Commission in Mozambique, the UK Department for International Trade, and the National Mining Institute of the Mozambique Ministry of Mineral Resources and Energy, at which it was made clear that, absent an alternative solution, TZM could lose the benefit of its investment in the Licence. However, despite the inclusion of TZM in efforts to seek alternative solutions, no offer has been put forward to Pathfinder by TZM. It appears TZM is proceeding with project development, leaving the Government of Mozambique exposed to a potential claim.

Accordingly, Pathfinder notified the Minister of Mineral Resources and Energy of Mozambique in April 2022 of the Mozambique Government’s failure to resolve the dispute and of the steps Pathfinder is taking in preparation for the claim.

**Company strategy**
The Board believes there is an opportunity for Pathfinder to pursue other opportunities within the minerals sector in parallel with the potential claim, offering shareholders multiple avenues for potential value creation. The Board continues to review projects across several minerals and geographics, including battery metals.

To this end, the Company has registered another wholly owned subsidiary alongside IMM, under the name of Pathfinder Battery Commodities Ltd ("Pathfinder Battery Commodities").

Pathfinder Battery Commodities seeks to complement Pathfinder's original heavy mineral sands focus (through IMM) by developing projects which will supply battery metals to the rapidly growing renewable energy, electric vehicle, and other green-technology sectors. At current rates of extraction, there will be a significant global supply deficit of these metals over the coming decades. We are already seeing increased demand from battery manufacturers seeking to secure supplies of key metals such as nickel, lithium, and cobalt, and without new sources being explored and developed to fill the supply gap, progress towards carbon net zero may be significantly delayed.

In light of this, the Company believes the inclusion of battery metals represents a considerable opportunity for the business, enabling access to the renewable energy, electric vehicle, and other green-technology sectors. Metals and transactions (subject to regulatory and shareholder approval, as appropriate) under consideration include lithium, graphite, nickel, chromium and cobalt in jurisdictions including Zimbabwe, Madagascar and Malawi.

The Company's portfolio may be further developed to other metals and jurisdictions covered by the directors' technical, financial, and legal skillset.

**New funds for working capital**
During the year, the Company raised £720k before expenses through the private placement of an aggregate of 130,000,000 new shares, as announced on 19 February 2021 and 4 May 2021, to provide the Company with additional working capital.

**Financial results and current financial position**
The audited financial statements of the Pathfinder Group for the year ended 31 December 2021 follow later in this report.

The Income Statement for the period ended 31 December 2021 reflects a loss of £395k (period ended 31 December 2020 as restated: £668k). The Group's Statement of Financial Position shows total assets at 31 December 2021 of £377k (31 December 2020 as restated: £224k); the assets were held largely in the form of cash deposits of £365k (31 December 2020 as restated: £191k).

**Board changes**
On 17 March 2021, Jonathan Summers was appointed as an independent Non-Executive Director.

Mr Summers brings over 25 years of international business experience. He is a former Managing Director at Goldman Sachs, mainly in Europe, having spent 15 years at the firm from 1996 to 2011. He was Founding Partner and Head of Business Development for Everett Capital Advisors, a US$700 million London-based investment fund, and Founding Principal and Head of Business Development for Myriad Asset Management, a US$5 billion Hong Kong-based multi-strategy asset management firm.

Concurrent with Mr Summers' appointment, John Taylor stepped down as a Non-Executive Director. The Board is grateful to Mr Taylor for his contribution, both as Chief Executive Officer and latterly as Non-Executive Director.

On 25 May 2021, Mark Gasson was appointed as an independent Non-Executive Director.

Mr Gasson is an accomplished geologist with 35 years of experience in gold and base metals exploration and development across Africa and South America. He has served as both a director, and as Exploration Manager, of numerous mining companies and has direct experience in assessing mineral sands projects. His extensive technical experience will strengthen Pathfinder's ability to identify and progress other potential minerals projects to run alongside the potential Treaty claim.

**Outlook**

Having done the considerable groundwork to prepare to launch a claim against the government of Mozambique, we are now able to consider options to pursue or monetise the claim.

Given the areas now referred to as the Licence were independently assessed in 2010 to have a market value of between US$107.6m and US$179.3m - prior to the Moebase portion of the Licence being upgraded to Mining Concession status - we believe the current Licence-holder, TZM, has a significant vested interest in protecting its investment in the Licence. The window of opportunity for TZM to act is closing as the Company may dispose of IMM to a third party whose sole objective is to pursue the valuable claim under the Treaty.

Whether the Company pursues a claim itself or disposes of IMM, the Board intends to pursue other opportunities within the battery metals sector which are under detailed review.

Dennis Edmonds
Chair
6 June 2022

## Directors and strategic report
### for the Year Ended 31 December 2021

## Overview

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2021. An overview of the Group's principal activities, and business review (including financial results and future outlook) is presented in the Chairman's Statement.

The Company's aim is to create value for shareholders through the reinstatement of its mineral licences in Mozambique, to recover the value of high court cost awards, and will be considering other opportunities which may be pursued in parallel.

**Section 172(1) Statement - Promotion of the Company for the benefit of the members as a whole**

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006. The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term,
- Act fairly between the members of the Company,
- Maintain a reputation for high standards of business conduct,
- Consider the interests of the Company's employees,
- Foster the Company's relationships with suppliers, customers and others, and
- Consider the impact of the Company's operations on the community and the environment.

The Board's work in pursuit of the strategy, including a review of the business and its future developments, are described in the Chairman's Statement.

Without regular income, the Company dependent upon fundraising for its continued operation. The pre-revenue nature of the business is important to the understanding of the Company by its members, employees and suppliers, and the Directors are as transparent about the cash position and funding requirements as is allowed and appropriate under AIM Rules for Companies.

The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during 2021:

- Furtherance of legal claim against the government of Mozambique
- Strengthening of the Board with the appointments of Mark Gasson and Jonathan Summers as Independent Non-Executive Directors
- Developing prospective future business activities for the Company
- Fundraising activities

The Board takes seriously its ethical responsibilities to the communities and environment in which it works and we abide by the local and relevant UK laws on anti-corruption & bribery. The Company's Anti-Corruption and Bribery Policy was updated, and the revised policy was adopted during 2021.

At such time as the Company is able to recommence geological and mining exploration activities, local communities will be engaged in the geological & support functions required for field operations, providing much-needed employment and wider economic benefits to the local communities. In addition, we will seek to follow international best practice in respect of the environmental aspects of our work, acknowledging the importance of the social licence to operate from the communities with which we interact.

The interests of our employees are a primary consideration for the Board. Personal development opportunities are supported, and a health and security support network will be set in place to assist with any issues that may arise on field expeditions.

## Key performance indicators (KPIs)

The Board routinely monitors the following KPIs:

- Cash balance available for working capital
- Cash flow forecasts, including variance from budgets

The Company's cash balance as at 31 December 2021 was £365k (2020: £191k).

## Dividends

The directors do not recommend the payment of a dividend (2020: £nil).

## Events since the end of the year

Information relating to events since the end of the year is given in note [16] to the financial statements.

## Directors

The directors who held office at any time during the year ended 31 December 2021 are as follows:

Jonathan Taylor (resigned 17 March 2021)
Dennis Edmonds
Peter Taylor
Mark Gasson (appointed 25 May 2021)
Jonathan Summers (appointed 17 March 2021)

The Company has agreed to indemnify its directors against claims against them by reason of the fact that they are or were a director of the Company, and the Company has in place a directors and officers insurance policy.

The Board of Directors is responsible for overseeing the long-term success and strategic direction of the Company in accordance with the schedule of matters reserved for board decision and it responsible for monitoring the activities of the executive management.

Directors' interests in shares

As at 31 December 2021, the interests of the directors beneficial interests in the shares of Pathfinder Minerals plc (including the beneficial interests of their immediate family) were as follows:

| | **No. shares held at 31 December 2021** | **No. shares held at 31 December 2020** |
|---|---|---|
| D. Edmonds | - | - |
| P. Taylor | 14,350,000 | 9,200,000 |
| M.R. Gasson (appointed 25 May 2021) | - | n/a |
| J. W. Summers (appointed 17 March 2021) | - | n/a |

Details of directors' remuneration is disclosed in Note 4.

Details of directors' interests in share options and warrants is given in Note 15.

## Financial instruments

The Company's financial instruments consist entirely of cash that arises directly from financing activities undertaken to fund the business. 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.

## Significant shareholders

As at 30 May 2022, the Company had been notified that the following shareholders were beneficially interested in 3% or more of the Company's ordinary share capital.

| Shareholder name | Number of 0.1p Ordinary shares at date of notification | Shareholding percentage at date of notification |
|---|---|---|
| Align Research Ltd and related parties (R. S. & C. A. Jennings) | 60,724,175 | 11.43% |
| Mr Nicholas Trew (former Director) | 17,139,814 | 3.72% |
| Klaus Eckhof | 16,000,000 | 3.01% |

## Principal risks and uncertainties

Liquidity risk

The Company's principal risk is a liquidity risk. The Group has no revenue at the present time and is therefore dependent upon the availability of additional equity finance, which is described in further detail in note 1 to the financial statements under the *going concern* section of the accounting principles. The availability of additional funding could be influenced by a wide range of factors and risks, which include the political risk associated with investing in Mozambique.

Liquidity risk is inherent in the strategy and business model of early-stage mineral exploration companies, and also in the furtherance of the Group's efforts to seek remediation over the loss of the mineral assets in Mozambique.

Dependence on key personnel

The Group and Company is dependent upon its executive management team. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on its ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions.

In light of the Group's liquidity risk, the Group operates with minimal personnel, and this is therefore within the Group's risk appetite.

Litigation risk

The Company may also carry a litigation risk insofar as, in the event it is unsuccessful in resolving its dispute with the Mozambique government in respect of the unlawful transfer of the Group's mining concessions, it intends to seek recourse to the bilateral investment treaty between Mozambique and Great Britain & Northern Ireland. The Company intends to seek financing partners to mitigate the direct cash cost of taking this action. Although the Company has been advised by a well-respected QC that it is more likely than not, to succeed in its bi-lateral investment treaty claim, there is no guarantee of success.

Transaction risk

The Group's strategy includes seeking opportunities to acquire other mineral projects. Any such transactions would carry an element of risk with the need to expend resources in identifying opportunities and carrying out due diligence thereon. Such activities therefore increase the pressure on the Group's cash reserves and are therefore monitored closely and conservatively.

## Internal controls and risk management

The directors are responsible for the Group' system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified promptly and dealt with appropriately.

In carrying out their responsibilities, the directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practicable. The directors keep under constant review, the effectiveness of the internal financial controls, with a strong focus on monitoring the cash position and future cash flows of the business.

### Disclosure in the strategic report

Strategic matters relating to the Company throughout the reporting period, including the main trends and factors likely to affect the future development, performance and position of the business, 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 UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 UK-adopted International Accounting Standards;
- 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 ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Website publication

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.

### Going concern

The Board has assessed the prospects of the Group over a period of 12 months from the date of approval of these financial statements, involving a review of the Group's forecast prepared up to 31 March 2023 and taking account of the Board's intentions for future activities after that date. As explained further in note 1 to the financial statements, the Board , taking account of the Group's current position and principal risks, acknowledges the existence of material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. However, taking into consideration the Group's merits and the Board's track record in raising additional funding, the Board, has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next 12 months. The Board considers this period of assessment to be appropriate because it contextualises the Company's financial position, business model and strategy.

The Board's assessment of the going concern statement is further described in note 1 to the accounts.

### 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, PKF Littlejohn LLP, will be proposed for reappointment at the forthcoming Annual General Meeting.

## Corporate Governance Statement

As an AIM-quoted company, Pathfinder Minerals plc ("Pathfinder" or the "Company") is required to apply a recognised corporate governance code, and to demonstrate how the Group complies with such corporate governance code and where it departs from it.

The Board of Pathfinder believes that a sound corporate governance policy is an essential ingredient to the Company's success. The application of these policies enables key decisions to be made by the Board as a whole, and for the Company to function in a manner that takes into account all stakeholders in the Group, including employees, suppliers and business partners.

The Directors of the Company have formally made the decision to apply the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The QCA Code has ten principles divided into three overarching headings:

- Deliver growth
- Maintain a dynamic management framework
- Build trust

The Board recognises the principles of the QCA Code are best suited to smaller quoted companies such as Pathfinder, but also acknowledges that Pathfinder is operating in a unique set of circumstances resulting from the dispute, as first announced on 25 November 2011, over the ownership of its mining licences in Mozambique.

### Deliver Growth

<u>Establish a strategy and business model which promote long-term value for shareholders</u>
In November 2009, the Company issued a circular setting out an Investing Policy to be approved by its shareholders. Pathfinder's proposed strategy was to acquire mainly significant minority interests in both listed and unlisted companies and/or assets which the Directors believe represented opportunities to create shareholder value, specifically within the natural resource sectors, with a focus on Central Asia and Sub-Saharan Africa. The focus would be on metals and mature resource situations with both established resources and the ability to increase these through additional exploration and bring them into production.

In pursuit of this strategy, the Company acquired mineral sands projects in Mozambique which it sought to explore and exploit. The mining licences became subject to an ownership dispute as first announced on 25 November 2011.

The Board is pursuing the lawful return of the mining licences. Contemporaneously, the Board seeks to identify opportunities aligned with the interests of the Company's shareholders and with the Company's purpose, to deliver additional long-term value.

<u>Seek to understand and meet shareholder needs and expectations</u>
The directors, led by the Chair, seek regular engagement with major shareholders and investors in order to understand their views on governance and performance against the strategy.

<u>Take into account wider stakeholder and social responsibilities</u>
The continuing support of the Company's major shareholders and commitment of the directors and employees is essential to the success of the Company. The directors periodically review the Company's key resources and relationships.

The Company is subject to the rules of AIM. Maintaining a positive relationship with the Company's Nominated Advisor is an important feature of the Company's shares being traded on AIM.

At the present time, the Company does not have any customers and has negligible involvement with any communities, however the Board is aware of the importance of these relationships and will review its obligations from time to time.

Embed effective risk management, considering both opportunities and threats throughout the organisation
The Company has no operations. Its principal risks therefore pertain to the Board's ability to continue to raise funds to finance the pursuit of its strategy, dependence on key personnel, and litigation risk in respect of its dispute with the government of Mozambique. The Company's principal risks are further outlined in the Annual Report and Accounts.

## Maintain a dynamic management framework

Maintain the board as a well-functioning, balanced team led by the Chair
The Board currently comprises executive director Peter Taylor who is the Chief Executive Officer, two independent non-executive directors (Jonathan Summers and Mark Gasson), and is led by Dennis Edmonds, non-executive Chair, who was appointed as an independent non-executive director in August 2019. In May 2020, John Taylor (the Company's CEO at that time) stepped down to take a non-executive role and Dennis Edmonds acted as CEO for approximately 8 weeks until the appointment of Peter Taylor, was finalised in July 2020. This brief period of holding executive office technically means that Dennis Edmonds is not automatically deemed to have been independent upon appointment, however the directors consider the circumstances and short duration of his acting as CEO are such that his independence would not have been impaired.

The Board makes share options available to non-executive directors in order to be able to attract and retain directors of the calibre necessary for the Company to succeed whilst minimising any cash costs that would otherwise be incurred. The award of share options to directors is not considered to result in their independence being impaired; on the contrary, it is believed that modest and measured awards will provide a cost-effective mechanism to align directors' interests with shareholders'.

All directors are expected to devote such amount of time as is necessary for the proper performance of their duties. In the case of the non-executive directors, this is expected to spend a minimum of 5 days per month on work for the Company, including time spent at board meetings and in attending any general meetings.

The Company's directors frequently meet informally and, during 2021, met when required to formally approve matters.

| | **Board meetings** |
|---|---|
| Dennis Edmonds | 11/11 |
| Peter Taylor | 11/11 |
| Jonathan Summers (appointed 17 March 2021) | 6/7 |
| Mark Gasson (appointed 25 May 2021) | 4/4 |
| John Taylor (resigned 17 March 2021) | 4/4 |

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
Details of the current Directors, their roles and backgrounds are set out on the Company's website at www.pathfinderminerals.com.

At the present time, the Board considers itself to have a good blend of skills in the remits of corporate law, finance and mining.

The directors maintain all relevant professional development consistent with their professional qualifications, areas of responsibility and expertise. During most of 2021, any training and CPD was carried out online. Training and CPD may also be delivered through attending seminars and specific training courses, and reading relevant materials. Upon joining the Board, each director receives an induction as to the AIM Rules from the Company's Nominated Advisor.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
The Chair evaluates the board's performance regularly as well as that of its committees and of the individual directors by way of continuous review, incorporating any feedback from the Company's key stakeholders. Any findings arising are shared with the Board and the directors. Until such time as the board is significantly larger, and the business of the Company more complex, it is considered that this method of carrying out board performance evaluation is satisfactory.

Promote a corporate culture that is based on ethical values and behaviours
The Board of Pathfinder Minerals has a policy of promoting the long-term success of the Company by conducting business with integrity. This means ensuring the appropriate disclosure of inside information and striving to prevent leaks or rumours; honesty in the full disclosure of any potential conflicts of interest; carrying out appropriate due diligence with counterparties; and upholding the Company's anti-bribery and corruption policy.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
The Board seeks to ensure that the Group is managed for the long-term benefit of all shareholders and other stakeholders with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to the Group. The Board will continue to monitor the governance framework of the Group as it grows.

The role of the Chairman is to provide leadership of the Board and ensure its effectiveness on all aspects of its remit. In addition, the Chairman is responsible for the implementation and practice of sound corporate governance. The Chairman is considered independent and has adequate separation from the day-to-day running of the Group.

The role of the Chief Executive Officer is the day-to-day running of the Group's operations and implementation of Group strategy as determined by the Board. In addition, the Chief Executive Officer is responsible for overseeing the management of the Group.

The Board is supported by a company secretary who is responsible for ensuring the smooth day-to-day running of the Company, the Board, and any of its committees.

The composition of the Board does not reflect the directors' recognition of the benefits of diversity in gender, background, disabilities and beliefs; these benefits will be borne in mind when considering future appointments.

## Build trust

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
The Board is committed to healthy dialogue with its stakeholders and it strives to maintain open, clear and transparent communication with shareholders, ensuring that its strategy, future business model and ultimately performance are clearly understood.

The Company communicates with shareholders through the Annual Report, full-year and half-year announcements, the Annual General Meeting and one-to-one meetings with large existing or potential new shareholders.

Any significant developments are announced via through a regulatory information service, published on the Company's website, and shareholders or other investors who have signed up for an alert service, receive electronic notifications of any new announcements.

The Board has established two committees, the Audit Committee, and the Nomination & Remuneration Committee. The terms of reference of these committees were last updated in May 2021.

The Audit Committee is chaired by Jonathan Summers and includes Mark Gasson and Dennis Edmonds. Jonathan Summers is considered by the Board to have recent and relevant financial experience.

The role of the Audit Committee is to consider and approve the interim results, and with the auditors to consider the annual report and matters raised by the auditors based on their audit. Insofar as is practicable, recommendations by the auditors are implemented immediately. The Audit Committee met formally once during 2021, in addition to passing resolutions in writing in accordance with the Articles of Association of the Company.

The Nomination & Remuneration Committee is chaired by Jonathan Summers and includes Dennis Edmonds. The Nomination & Remuneration Committee meets on an ad hoc basis, when required. Fees payable to the Non-executive Directors are determined by the Executive Director. The Nomination & Remuneration Committee carried out its business during the year by the passing of written resolutions as required, and in accordance with the Articles of Association of the Company, but did not formally meet during 2021.

Pathfinder believes that a successful development of any mining project is best achieved through maintaining close working relationships with all stakeholders; this includes government agencies and local communities. Part of this is to ensure careful attention is paid to ensure that all exploration activity is performed in an environmentally responsible manner and abides by all relevant mining and environmental acts.

The AGM is a forum for shareholders to engage in dialogue with the Board. The results of the AGM are published via a regulatory information service announcement and on the Company's website. Regular progress reports are also made via RIS announcements and are available on the Group's website, which contains all announcements and financial reports.

Pathfinder's management intends to maintain a close dialogue with local communities and its workforce. Where issues are raised, the Board will take the matters seriously and, where appropriate, steps will be taken to ensure that these are integrated into the Company's strategy.

Both the engagement with local communities and the performance of all activities in an environmentally and socially responsible way will be closely monitored by the Board to ensure that ethical values and behaviours are recognised.

**ON BEHALF OF THE BOARD:**

Dennis Edmonds - Director
6 June 2022

## Independent auditor's report to the members of pathfinder minerals plc

**Opinion**

We have audited the financial statements of Pathfinder Minerals Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards.
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which indicates that additional cash resources are expected to be required towards the end of 2022 for the group to continue as going concern. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included

- A review of the Directors' going concern assessment and verification of management estimates to supporting documentation;
- A review of the budgets/cash flow forecasts including the basis for the underlying assumptions, and sensitivity to possible changes;
- An assessment, where applicable, of the amount of additional funding required compared to the likelihood of success, the nature of the source(s) and historic experience;
- Evaluating the efficacy and feasibility of management's plans for future actions in relation to its going concern assessment;
- A consideration of actual results for the year to past budgets to assess the forecasting ability/accuracy of management;
- Checking the disclosures in the financial statements, including those relating to judgements and uncertainties.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Our application of materiality**

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality applied to the group financial statements was set at £19,400 (2020: £19,500), with performance materiality set at £13,580 (2020: £13,650).

Materiality has been calculated as 5% of the benchmark of loss for the year, which we have determined, in our professional judgement, to be the principal benchmark within the financial statements relevant to members of the group in assessing financial performance. A benchmark of 70% performance materiality was applied during our audit of the group and parent company as we believed this would give sufficient coverage of significant and residual risks within the financial statements.

The materiality applied to the parent company financial statements was £19,399 (2020: £19,499). The performance materiality was £13,579 (2020: £13,649). For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £970 at group level and £969 at company level.

We applied the concept of materiality both in planning and performing the audit, and in evaluating the effect of misstatement.

**Our approach to the audit**

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the Financial Statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain such as Share-Based Payments. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our audit scope focused on the principal area of operation, being the United Kingdom. Although the company's direct subsidiary, IM Minerals Limited holds 99.9% of the issued share capital of Companhia Mineira de Naburi SARL, which in turn holds 99.8% of the issued share capital of Sociedade Geral de Mineracao de Moçambique SARL, events indicated that the company does not control either of these Moçambique-domiciled companies group companies; neither has it been possible to obtain the statutory registers or audited accounts for them; accordingly, these financial statements consolidate the financial statements of IM Minerals Limited only.

The audit was overseen and concluded in London where we acted as group auditor, there were no component auditors.

**Key audit matters**

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there are no other key audit matters to communicate in our report.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the 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.

**Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.

- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from AIM Rules and the Companies Act 2006.

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group, parent company and its subsidiaries with those laws and regulations. These procedures included, but were not limited to:
  - Enquiries of management
  - Review of minutes
  - Review of RNS announcements
  - Review of legal and professional expenditure

- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the potential for management bias was identified in relation to the going concern of the group and parent company and as noted above, we addressed this by challenging the assumptions and judgements made by management when auditing that significant accounting estimate.

- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

**Use of our report**

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Timothy Herbert (Senior Statutory Auditor)**
**For and on behalf of PKF Littlejohn LLP**
**Statutory Auditor**
*6 June 2022*

15 Westferry Circus
Canary Wharf
London E14 4HD

## Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2021

| | Note | Year ended 31 December 2021 £'000 | As restated Year ended 31 December 2020 £'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | | - | - |
| Administrative expenses | 3, 4 | (367) | (709) |
| **OPERATING LOSS** | | (367) | (709) |
| **LOSS BEFORE INCOME TAX** | | (367) | (709) |
| Income tax | 5 | | - |
| **LOSS FOR THE YEAR** | | (367) | (709) |
| Total comprehensive loss for the year attributable to equity holders of the parent | | (367) | (709) |
| Loss per share from continuing operations in pence per share: | 7 | | |
| Basic and diluted | | (0.07) | (0.20) |

The notes on pages 24 to 36 form part of these financial statements

**Consolidated Statement of Financial Position**
**for the Year Ended 31 December 2021**

| | Note | Year ended 31 December 2021 £'000 | As restated Year ended 31 December 2020 £'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investments | 8 | - | - |
| | | | |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 9 | **19** | 33 |
| Cash and cash equivalents | 10 | **365** | 191 |
| | | | |
| **TOTAL ASSETS** | | **384** | 224 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves attributable to equity holders of the Company:** | | | |
| Share capital | 11 | **18,716** | 18,584 |
| Share premium | | **14,234** | 13,685 |
| Share based payment reserve | | **199** | 184 |
| Warrant reserve | | **255** | 253 |
| Accumulated deficit | | **(33,169)** | (32,831) |
| | | | |
| **TOTAL EQUITY** | | **235** | (125) |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | **149** | 349 |
| | | | |
| **TOTAL LIABILITIES** | | **149** | 349 |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **384** | 224 |

The financial statements were approved for issue by the Board of Directors on 6 June 2022 and were signed on its behalf by:

Dennis Edmonds
Director

The notes on pages 24 to 36 form part of these financial statements

## Consolidated Statement of Changes in Equity
## for the Year Ended 31 December 2021

| | **Called up share capital £'000** | **Share premium £'000** | **Share based payment reserve £'000** | **Warrant reserve £'000** | **Accumulated deficit £'000** | **Total equity £'000** |
|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 18,458 | 12,431 | 130 | 72 | (31,289) | (198) |
| Loss for the year (as restated) | - | - | - | - | (874) | (874) |
| Total comprehensive loss for the year (as restated) | - | - | - | - | (874) | (874) |
| Issue of share capital | 46 | 876 | | | | 922 |
| Restatement of share-based payments (as restated) | - | - | 58 | 64 | - | 122 |
| **Balance at 31 December 2019 as restated** | **18,504** | **13,307** | **188** | **136** | **(32,163)** | **(28)** |
| Loss for the year | - | - | - | - | (668) | (668) |
| Total comprehensive loss for the year | - | - | - | - | (668) | (668) |
| Issue of share capital | 80 | 395 | - | - | - | 475 |
| Cost of share issue | - | (17) | - | - | - | (17) |
| Share based payments | - | - | (4) | 117 | - | 113 |
| **Balance at 31 December 2020** | **18,584** | **13,685** | **184** | **253** | **(32,831)** | **(125)** |
| **Balance at 1 January 2021 as previously stated** | **18,584** | **13,685** | **184** | **253** | **(32,831)** | **(125)** |
| Prior year adjustment (see note 19) | - | - | - | - | - | - |
| **Balance at 1 January 2021 as restated** | **18,584** | **13,685** | **184** | **253** | **(32,831)** | **(125)** |
| **Loss for the year** | **-** | **-** | **-** | **-** | **(367)** | **(367)** |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **-** | **(367)** | **(367)** |
| **Issue of share capital** | **132** | **599** | **-** | **-** | **-** | **731** |
| **Cost of share issue** | **-** | **(41)** | **-** | **-** | **-** | **(41)** |
| **Share based payments** | **-** | **(9)** | **15** | **2** | **29** | **37** |
| **Balance at 31 December 2021** | **18,716** | **14,234** | **199** | **255** | **(33,169)** | **235** |

The notes on pages 24 to 36 form part of these financial statements

**Consolidated Statement of Cash Flows**
**for the Year Ended 31 December 2021**

| | Note | Year ended 31 December 2021 £'000 | As restated Year ended 31 December 2020 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | **(367)** | (709) |
| | | | |
| **Adjustments for:** | | | |
| Share-based payments | | **35** | 154 |
| Services settled in shares | 15 | **-** | 50 |
| PAYE/NI provision written back | | **(140)** | - |
| **Net cash flow from operating activities before changes in working capital** | | **(472)** | (505) |
| | | | |
| **Changes in working capital:** | | | |
| Decrease in trade and other receivables | 9 | **15** | 70 |
| (Decrease)/increase in trade and other payables | 12 | **(61)** | 60 |
| **Net cash flow used in operating activities** | | **(518)** | (375) |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds arising as a result of the issue of ordinary shares | | **720** | 430 |
| Costs related to issue of ordinary share capital | | **(28)** | (17) |
| Interest paid | | **-** | (5) |
| **Net cash flow from financing activities** | | **692** | 408 |
| | | | |
| **Net increase in cash and cash equivalents in the year** | | **174** | 33 |
| Cash and cash equivalents at beginning of the year | | **191** | 158 |
| Cash and cash equivalents at end of the year | | **365** | 191 |

Details of material non-cash transactions are shown in note 16.

**Company Statement of Financial Position**
**for the Year Ended 31 December 2021**

| | Note | Year ended 31 December 2021 £'000 | As restated Year ended 31 December 2020 £'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investments | 8 | - | - |
| | | | |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 9 | **19** | 33 |
| Cash and cash equivalents | 10 | **365** | 191 |
| | | | |
| **TOTAL ASSETS** | | **384** | 224 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves attributable to equity holders of the Company:** | | | |
| Share capital | 11 | **18,716** | 18,584 |
| Share premium | | **14,234** | 13,685 |
| Share based payment reserve | | **199** | 184 |
| Warrant reserve | | **255** | 253 |
| Accumulated deficit | | **(33,169)** | (32,831) |
| | | | |
| **TOTAL EQUITY** | | **235** | (125) |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | **149** | 349 |
| | | | |
| **TOTAL LIABILITIES** | | **149** | 349 |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **384** | 224 |

The Company has taken exemptions allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss after tax of the parent Company for the year was £367k (2020: As restated £709k).

The financial statements were approved and authorised for issue by the Board of Directors on 6 June 2022 and were signed on its behalf by:

Dennis Edmonds
Director

The notes on pages 24 to 36 form part of these financial statements

**Company Statement of Changes in Equity**
**for the Year Ended 31 December 2021**

| | Called up share capital £'000 | Share premium £'000 | Share based payment reserve £'000 | Warrant reserve £'000 | Accumulated deficit £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 18,458 | 12,431 | 130 | 72 | (31,289) | (198) |
| Loss for the year (as restated) | - | - | - | - | (874) | (874) |
| Total comprehensive loss for the year (as restated) | - | - | - | - | (874) | (874) |
| Issue of share capital | 46 | 876 | | | | 922 |
| Restatement of share-based payments (as restated) | - | - | 58 | 64 | - | 122 |
| **Balance at 31 December 2019 as restated** | **18,504** | **13,307** | **188** | **136** | **(32,163)** | **(28)** |
| Loss for the year | - | - | - | - | (668) | (668) |
| Total comprehensive loss for the year (as restated) | - | - | - | - | (668) | (668) |
| Issue of share capital | 80 | 395 | - | - | - | 475 |
| Cost of share issue | - | (17) | - | - | - | (17) |
| Share based payments | - | - | (4) | 117 | - | 113 |
| **Balance at 31 December 2020** | **18,584** | **13,685** | **184** | **253** | **(32,831)** | **(125)** |
| **Balance at 1 January 2021 as previously stated** | **18,584** | **13,685** | **184** | **253** | **(32,831)** | **(125)** |
| Prior year adjustment (see note 19) | - | - | - | - | - | - |
| **Balance at 1 January 2021 as restated** | **18,584** | **13,685** | **184** | **253** | **(32,831)** | **(125)** |
| **Loss for the year** | **-** | **-** | **-** | **-** | **(367)** | **(367)** |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **-** | **(367)** | **(367)** |
| **Issue of share capital** | **132** | **599** | **-** | **-** | **-** | **731** |
| **Cost of share issue** | **-** | **(41)** | **-** | **-** | **-** | **(41)** |
| **Share based payments** | **-** | **(9)** | **15** | **2** | **29** | **37** |
| **Balance at 31 December 2021** | **18,716** | **14,234** | **199** | **255** | **(33,169)** | **235** |

**Company Statement of Cash Flows**
**for the Year Ended 31 December 2021**

| | Note | Year ended 31 December 2021 £'000 | As restated Year ended 31 December 2020 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | **(367)** | (709) |
| | | | |
| **Adjustments for:** | | | |
| Share-based payments | | **35** | 154 |
| Services settled in shares | 15 | **-** | 50 |
| PAYE/NI provision written back | | **(140)** | - |
| **Net cash flow from operating activities before changes in working capital** | | **(472)** | (505) |
| | | | |
| **Changes in working capital:** | | | |
| Decrease in trade and other receivables | 9 | **15** | 70 |
| (Decrease)/increase in trade and other payables | 12 | **(61)** | 60 |
| **Net cash flow used in operating activities** | | **(518)** | (375) |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds arising as a result of the issue of ordinary shares | | **720** | 430 |
| Costs related to issue of ordinary share capital | | **(28)** | (17) |
| Interest paid | | **-** | (5) |
| **Net cash flow from financing activities** | | **692** | 408 |
| | | | |
| **Net increase in cash and cash equivalents in the year** | | **174** | 33 |
| Cash and cash equivalents at beginning of the year | | **191** | 158 |
| Cash and cash equivalents at end of the year | | **365** | 191 |

Details of material non-cash transactions are shown in note 16.

**Notes to the Consolidated Financial Statements**
**for the Year Ended 31 December 2021**

## 1. ACCOUNTING POLICIES

### General information

Pathfinder Minerals Plc is a public limited company, quoted on AIM and is incorporated, registered and domiciled in England.

The Company's registered office is 35 Berkeley Square, London, England, W1J 5BF.

### Basis of preparation

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IASs) and with those parts of the Companies Act 2006 applicable to companies reporting under IASs. The financial statements have been prepared under the historical cost convention. The functional and presentational currency of the Company is Pound Sterling.

### New standards, amendments and interpretations adopted by the Company

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Company and which have not been applied in these financial statements, were in issue but were not yet effective.

| **Standard** | **Effective date, annual period beginning on or after** |
|---|---|
| Reference to the Conceptual Framework (Amendments to IFRS 3 *Business Combinations*) | 1 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) | 1 January 2022 |
| Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) | 1 January 2022 |
| Annual improvements 2018-2020 cycle | 1 January 2022 |
| Classification of Liabilities as Current or Non-Current: *Amendments to IAS 1* | 1 January 2023 |

The adoption of these standards is not expected to have any material impact on the financial statements of the Company.

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

**1. ACCOUNTING POLICIES *(continued)***

**Going concern**

The Directors maintain cash flow forecasts looking ahead for periods not less than 12 months. As at the reporting date, the Company's cash balance was £365k (2020: £191k). The directors believe that the Group's bilateral investment treaty claim makes Pathfinder an attractive proposition for investors and are confident that funding will continue to be secured.

As at the date of approval of the financial statements, the cash flow forecast indicates that additional cash resources will be required in the second half of 2022. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The Board and the Company have a successful track record in having raised finance in the past, but no assurance can be given that any additional funding will be available should it become required, or if such funding was available, that it would be offered on reasonable terms.

The Company has, in the past, been successful in securing the support of legal representatives in order that it can pursue its claim against the government of Mozambique; there is, however, no guarantee that additional fees will not be incurred, which have not yet been forecast.

Notwithstanding the above, the directors consider the Group and the Company to be a going concern and therefore have prepared these financial statements on a going concern basis.

**Basis of consolidation**

Although the Company's direct subsidiary, IM Minerals Limited holds 99.9% of the issued share capital of Companhia Mineira de Naburi SARL, which in turn holds 99.8% 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 Moçambique-domiciled companies group companies; neither has it been possible to obtain the statutory registers or 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 registered in England & Wales.

**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 considered in arriving at the operating result.

**Employee benefit costs**

The Group makes available a defined contribution pension scheme to eligible employees. Any contributions paid to the Group's pension scheme are charged to the income statement in the period to which they relate.

**Equity instruments and reserves description**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Ordinary shares are classified as equity.

Deferred shares are classified as equity but have restricted rights such that they have no economic value.

Share capital account represents the nominal value of the ordinary and deferred shares issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

**1. ACCOUNTING POLICIES *(continued)***

**Equity instruments and reserves description (*continued*)**
Share based payment reserve represents equity-settled share-based employee remuneration until such share options are exercised.

Warrant reserve represents equity-settled share-based payments until such share warrants are exercised

**Share-based payments**
Where equity settled share options or warrants are awarded, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are considered by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

**Financial instruments**

***Trade and other receivables***
Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are accounted for at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, considering the age of the debt, historical experience and general economic conditions. If a trade debt is determined to be uncollectable, it is written off, firstly against any provisions already held and then to the statement of comprehensive income. Subsequent recoveries of amounts previously provided for are credited to the statement of comprehensive income.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss in accordance with the expected credit loss model under IFRS 9. For trade and other receivables which do not contain a significant financing component, the Company applies the simplified approach. This approach requires the allowance for expected credit losses to be recognised at an amount equal to lifetime expected credit losses. For other debt financial assets, the Company applies the general approach to providing for expected credit losses as prescribed by IFRS 9, which permits for the recognition of an allowance for the estimated expected loss resulting from default in the subsequent 12-month period. Exposure to credit loss is monitored on a continual basis and, where material, the allowance for expected credit losses is adjusted to reflect the risk of default during the lifetime of the financial asset should a significant change in credit risk be identified.

The majority of the Company's financial assets are expected to have a low risk of default. A review of the historical occurrence of credit losses indicates that credit losses are insignificant due to the size of the Company's clients and the nature of its activities. The outlook for the natural resources industry is not expected to result in a significant change in the Company's exposure to credit losses. As lifetime expected credit losses are not expected to be significant the Company has opted not to adopt the practical expedient available under IFRS 9 to utilise a provision matrix for the recognition of lifetime expected credit losses on trade receivables. Allowances are calculated on a case-by-case basis based on the credit risk applicable to individual counterparties.

***Trade and other payables***
Trade and other payables are held at amortised cost which equates to nominal value.

***Cash and cash equivalents***
Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and liquid investments generally with maturities of 3 months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in values.

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

## 1. ACCOUNTING POLICIES *(continued)*

**Taxation**
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

**Provisions**
Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

**Critical accounting estimates and judgements**
The preparation of financial information in accordance with generally accepted accounting practice, in the case of the Group using IFRSs, 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.

**Valuation of share-based payments to employees**
The Company estimates the expected value of share-based payments to employees and this is charged through the income statement over the vesting period. The fair value is estimated using the Black Scholes valuation model which requires a number of assumptions to be made such as level of share vesting, time of exercise, expected length of service and employee turnover and share price volatility. This method of estimating the value of share-based payments is intended to ensure that the actual value transferred to employees is provided for by the time such payments are made.

## 2. SEGMENTAL REPORTING
The Group has one activity only. The whole of the value of the Group's and the Company's net assets in their respective financial statements at 31 December 2021 and 2020 was attributable to UK assets and liabilities.

## 3. OPERATING LOSS
**Group and Company**

| | 2021 | As restated 2020 |
|---|---|---|
| | **£'000** | £'000 |
| Loss from operations has been arrived at after charging: | | |
| Directors' Remuneration | **102** | 154 |
| Share based payment charge | **36** | 37 |
| Legal Fees | **38** | 63 |
| Nomad Fees | **83** | 60 |
| Fees payable to the Company's auditor for the audit of the Group and Company's financial statements | **27** | 17 |

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

## 4. EMPLOYEES AND DIRECTORS

The average number of persons employed by the Company in the financial year (including directors that receive remuneration) was 5 (2020: 3).

The following tables set out and analyse the remuneration of directors for the years ended 31 December 2021 and 2020.

For the year ended 31 December 2021:

| | Salary | Fees | Total emoluments | Contribution to Pension schemes | Share Based Payments | Total remuneration |
|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| John Taylor | **6** | **-** | **6** | **-** | **-** | **6** |
| Dennis Edmonds | **30** | **-** | **30** | **-** | **-** | **30** |
| Peter Taylor | **51** | **-** | **51** | **1** | **5** | **57** |
| Mark Gasson | **-** | **15** | **15** | **-** | **8** | **23** |
| Jonathan Summers | **-** | **-** | **-** | **-** | **11** | **11** |
| | **87** | **15** | **102** | **1** | **24** | **127** |

For the year ended 31 December 2020:

| | Salary | Fees | Total emoluments | Contribution to Pension schemes | Share Based Payments | Total remuneration |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Henry Bellingham | 12 | - | 12 | - | 8 | 20 |
| John Taylor | 37 | - | 37 | - | 9 | 46 |
| Dennis Edmonds | 37 | - | 37 | - | 19 | 56 |
| Peter Taylor | 24 | - | 24 | - | 1 | 25 |
| | 110 | - | 110 | - | 37 | 147 |

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.

During the year ended 31 December 2021, the following changes to the Board of directors were made:

| | |
|---|---|
| Mark Richard Gasson | Appointed 25 May 2021 |
| Jonathan William Summers | Appointed 17 March 2021 |
| John Taylor | Resigned 17 March 2021 |

## 5. INCOME TAX

The charge for the year is made up as follows:

| | 2021 | 2020 |
|---|---|---|
| | **£'000** | £'000 |
| Current tax | - | - |
| Tax charge for the year | - | - |

**Analysis of tax expense**

No liability to UK corporation tax arose for the year ended 31 December 2021 nor for the year ended 31 December 2020. No deferred tax asset has been recorded on tax losses carried forward.

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

## 5. INCOME TAX (*continued*)

**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:

| | 2021 | As restated 2020 |
|---|---|---|
| | **£'000** | £'000 |
| Loss on ordinary activities before tax | **(367)** | (709) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%) | **(70)** | (135) |
| Effects of: | | |
| Non-deductible expenses | **-** | 1 |
| Income not chargeable to tax | **-** | - |
| Unrelieved tax losses carried forward | **70** | 134 |
| **Tax expense** | **-** | - |

## 6. 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 £367k (2020: £709k).

## 7. 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.

In accordance with IAS 33, as the Group is reporting a loss for both this and the preceding year the share options and warrants are not considered dilutive because the exercise of these would have the effect of reducing the loss per share.

**As at 31 December 2021:**

| | **Loss £'000** | **Weighted average number of shares** | **Per-share amount, pence** |
|---|---|---|---|
| Basic loss attributable to the ordinary shareholders | 367 | 494,687,905 | 0.07p |

**As restated As at 31 December 2020:**

| | **Loss £'000** | **Weighted average number of shares** | **Per-share amount, pence** |
|---|---|---|---|
| Basic loss attributable to the ordinary shareholders | 709 | 349,901,524 | 0.20p |

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

## 8. INVESTMENTS

| Parent company | Shares in group undertakings £'000 |
|---|---|
| **COST** | |
| At 31 December 2020 and 31 December 2021 | 34,806 |
| **PROVISION FOR IMPAIRMENT** | |
| At 31 December 2020 and 31 December 2021 | 34,806 |
| **NET BOOK VALUE** | |
| At 31 December 2020 and 31 December 2021 | - |

**Subsidiaries**

I M Minerals Limited

| | |
|---|---|
| Registered office: | 35 Berkeley Square, London, W1J 5BF, United Kingdom |
| Nature of business: | Holding company |
| Class of shares: | Ordinary |
| Holding: | 100.00% |

Companhia Mineira de Naburi SARL

| | |
|---|---|
| Registered office: | Mozambique |
| Nature of business: | Mining |
| Nature of business: | Non-trading |
| Class of shares: | Ordinary |
| Ordinary | 99.9% |

Sociedade Geral de Mineracao de Moçambique SARL

| | |
|---|---|
| Registered office: | Mozambique |
| Nature of business: | Non-trading |
| Class of shares: | Ordinary |
| Ordinary | 99.8% |

IM Minerals Limited held the shares in Companhia Mineira de Naburi SARL ("CMdN") which held titanium dioxide mining concessions in the Republic of Mozambique. In November 2011, the original vendors of IM Minerals' subsidiary, CMdN, advised the Company that they had procured the cancellation of IM Minerals Ltd's 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 Ltd. As a consequence of the situation regarding the Company's legal claims, the Company has been unable to verify the current registered office addresses for the Mozambique-domiciled companies, CMdN and Sociedade Geral de Mineracao de Moçambique SARL. Furthermore, whilst the Company believes these companies to be non-trading, the Company has been unable to verify their trading statuses.

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

## 9. TRADE AND OTHER RECEIVABLES

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Other debtors | **8** | 8 | **8** | 8 |
| VAT | **4** | 13 | **4** | 13 |
| Prepayments and accrued income | **7** | 12 | **7** | 12 |
| | **19** | 33 | **19** | 33 |

## 10. CASH AND CASH EQUIVALENTS

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Bank accounts | **365** | 191 | **365** | 191 |

## 11. SHARE CAPITAL

### a) Called up, allotted, issued and fully paid share capital

| | **No. Ordinary shares of 0.1p each** | **Deferred shares of 9.9p each** | **Allotment price (£s)** | **Share Capital £'000** | **Share Premium £'000** |
|---|---|---|---|---|---|
| Total as at 31 December 2020 | 399,033,832 | 183,688,116 | | 18,584 | 13,685 |
| 25 February 2021 | 38,500,000 | - | 0.005 | 38 | 154 |
| 30 March 2021 | 23,794,336 | - | 0.005 | 24 | 95 |
| 10 May 2021 | 70,000,000 | - | 0.006 | 70 | 350 |
| Share issue costs | - | - | - | - | (50) |
| Total as at 31 December 2021 | 531,328,168 | 183,688,116 | | 18,716 | 14,234 |

Included in share issue costs is £9,000 being the fair value of 3.5m share warrants issued to professional advisors.

### b) Share options & warrants in issue

**Share options**

| **Exercise Price** | **Expiry Date** | **At 1 January 2021** | **Issued/(lapsed)** | **At 31 December 2021** |
|---|---|---|---|---|
| 2.75p | 3 July 2021 | 2,500,000 | (2,500,000) | - |
| 2.50p | 9 April 2022 | 7,500,000 | - | 7,500,000 |
| 1.25p | 11 May 2022 | 19,000,000 | - | 19,000,000 |
| 1.25p | 30 August 2022 | 6,000,000 | - | 6,000,000 |
| 1.75p | 20 September 2023 | 18,750,000 | - | 18,750,000 |
| 0.55p | 16 March 2023 | - | 6,000,000 | 6,000,000 |
| 1.25p | 31 March 2023 | - | 6,000,000 | 6,000,000 |
| 1.25p | 8 June 2023 | - | 6,000,000 | 6,000,000 |
| 1.25p | 22 June 2023 | - | 3,000,000 | 3,000,000 |
| 1.25p | 3 October 2023 | - | 5,000,000 | 5,000,000 |
| | | **53,750,000** | **23,500,000** | **77,250,000** |

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

## 11. SHARE CAPITAL (continued)

**Share warrants**

| Exercise Price | Expiry Date | At 1 January 2021 | Issued/(lapsed) | At 31 December 2021 |
|---|---|---|---|---|
| 1.50p | 8 May 2021 | 11,227,110 | (11,227,110) | - |
| 1.75p | 21 October 2021 | 9,259,260 | (9,259,260) | - |
| 3.50p | 17 June 2022 | 10,703,018 | - | 10,703,018 |
| 0.50p[1] | 11 May 2022 | 12,833,334 | - | 12,833,334 |
| 1.50p | 11 May 2022 | 41,846,153 | - | 41,846,153 |
| 1.25p | 2 November 2022 | 2,500,000 | - | 2,500,000 |
| 0.60p | 29 April 2024 | - | 3,500,000 | 3,500,000 |
| | | **88,368,875** | **(16,986,370)** | **71,382,505** |

[1] On 19 February 2021, in accordance with the terms of the 11 May 2020 warrant instrument, the warrants subsisting thereunder were repriced from 0.60p to 0.50p each.

During the year, the Company issued share options, exercisable for a period of up to 24 months, to directors to subscribe for 6,000,000 and 17,000,000 ordinary shares at a price of 0.55p and 1.25p per share respectively.

During the year, the Company issued 3,000,000 share options to an employee, exercisable for a period of up to two years at an exercise price of 1.25p per share.

On 21 May 2021, the Company issued warrants, exercisable for the period up to 29 April 2024, to professional advisers to subscribe for 3,500,000 ordinary shares at a price of 0.6p per share.

See also note 17 for further information in connection with changes that took place after 31 December 2021.

## 12. TRADE AND OTHER PAYABLES

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Trade creditors | **-** | 58 | **-** | 58 |
| Social security and other taxes | **86** | 227 | **86** | 227 |
| Other creditors | **42** | 47 | **42** | 47 |
| Accruals and deferred income | **21** | 17 | **21** | 17 |
| | **149** | 349 | **149** | 349 |

## 13. 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 US$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 US$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.

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

**CONTINGENT LIABILITIES (*continued*)**

In July 2021, the Company engaged Travers Smith LLP to act for the Company in connection with its ongoing work to secure the return of Mining Licence 4623C (the "Licence"), or compensation in relation thereto. The fees payable to Travers Smith LLP are payable on a contingent basis subject to a minimum pre-claim amount capped at £100,000. See note 17 for further information.

## 14. RELATED PARTY DISCLOSURES

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

## 15. SHARE BASED PAYMENTS

The fair values of the share options and warrants at the date of grant have been measured using the Black-Scholes pricing model, which takes into account factors such as the option life, share price volatility and the risk free rate.

Each share option and warrant vested and was exercisable immediately upon grant. The share-based expense relating to each share option and share warrant was recognised in full on the date of grant.

**Share options**

| Date of grant | Share price | Exercise price | Risk Free Rate[1] | Expected life of options | Expected yield | Expected volatility[2] | Fair value per option |
|---|---|---|---|---|---|---|---|
| 15 November 2016 | 0.78p | 3.00p | 0.21% | 5 years | 0% | 55% | £0.00115 |
| 21 September 2018 | 1.45p | 1.75p | 0.70% | 5 years | 0% | 55% | £0.00609 |
| 10 April 2019 | 1.35p | 2.50p | 0.71% | 3 years | 0% | 55% | £0.00264 |
| 4 July 2019 | 2.20p | 2.75p | 0.71% | 2 years | 0% | 55% | £0.00513 |
| 11 May 2020 | 0.93p | 1.25p | 0.07% | 2 years | 0% | 55% | £0.00190 |
| 31 July 2020 | 0.43p | 1.25p | 0.06% | 2 years | 0% | 55% | £0.00022 |
| 17 March 2021 | 0.53p | 0.55p | 0.05% | 2 years | 0% | 55% | £0.00151 |
| 1 April 2021 | 0.53p | 1.25p | 0.05% | 2 years | 0% | 55% | £0.00040 |
| 9 June 2021 | 0.79p | 1.25p | 0.05% | 2 years | 0% | 55% | £0.00127 |
| 23 June 2021 | 0.75p | 1.25p | 0.05% | 2 years | 0% | 55% | £0.00111 |
| 4 October 2021 | 0.73p | 1.25p | 0.05% | 2 years | 0% | 55% | £0.00101 |

[1] Daily sterling overnight index average (SONIA) rate at the date of grant was adopted as the effective risk-free rate.
[2] Expected volatility is based on management's estimate of the expected volatility

**Share warrants**

| Date of grant | Share price | Exercise price | Risk Free Rate | Expected life of warrants | Expected yield | Expected volatility | Fair value per option |
|---|---|---|---|---|---|---|---|
| 8 May 2018 | 0.75p | 1.50p | 0.45% | 3 years | 0% | 55% | £0.00132 |
| 22 October 2018 | 1.28p | 1.75p | 0.70% | 3 years | 0% | 55% | £0.00352 |
| 4 June 2019 | 2.75p | 3.50p | 0.71% | 3 years | 0% | 55% | £0.00827 |
| 11 May 2020[1] | 0.93p | 0.60p | 0.07% | 2 years | 0% | 55% | £0.00426 |
| 11 May 2020 | 0.93p | 1.50p | 0.07% | 2 years | 0% | 55% | £0.00144 |
| 2 November 2020 | 0.68p | 1.25p | 0.05% | 2 years | 0% | 55% | £0.00083 |
| 21 May 2021 | 0.68p | 0.6p | 0.05% | 2.9 years | 0% | 55% | £0.00271 |

[1] On 19 February 2021, in accordance with the terms of the relevant warrant instrument, the warrants subsisting thereunder were repriced from 0.60p to 0.50p each.

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

**SHARE BASED PAYMENTS *(continued)***

The directors' interests in the share options and warrants of the Company as at 31 December 2021 are as follows:

| Director | Number of options | Number of warrants | Exercise price per share | Latest exercise date |
|---|---|---|---|---|
| D. Edmonds | 10,000,000 | - | 1.25p | 11 May 2022 |
| P. Taylor | 6,000,000 | - | 1.25p | 30 August 2022 |
| P. Taylor | 5,000,000 | - | 1.25p | 3 October 2023 |
| J. Summers | 6,000,000 | - | 0.55p | 16 March 2023 |
| | 6,000,000 | - | 1.25p | 31 March 2023 |
| M Gasson | 6,000,000 | - | 1.25p | 8 June 2023 |

The total share-based payment expense in the year for the Company was £27k in relation to options (2020: £37k as restated) and £8.5k in relation to warrants (2020: £64k).

## 16. NON-CASH TRANSACTIONS

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Creditors fees | **-** | 50 |
| Settlement of broker commissions | **11** | - |
| | **11** | 50 |

## 17. EVENTS AFTER THE REPORTING PERIOD

In April 2022, the Company and Travers Smith LLP agreed to increase the minimum pre-claim cap to £200,000 in respect of the ongoing work to secure the return of Mining Licence 4623C, or compensation in relation thereto.

On 6 May 2022, following the receipt of a notice to exercise share warrants, the Company issued 1,166,666 Ordinary shares at an issue price of £0.005 per share

On 6 May 2022, the Company extended the expiry date of certain directors' share options and share warrants issued to a related party. The details are as follows:

| Director | Date of Grant | No. Options | Exercise Price | Original Expiry Date | New Expiry Date |
|---|---|---|---|---|---|
| Dennis Edmonds | 11/05/2020 | 10,000,000 | £0.0125 | 11/05/2022 | 11/05/2023 |
| Peter Taylor | 04/08/2020 | 6,000,000 | £0.0125 | 30/08/2022 | 30/08/2023 |

| Warrant Holder | Date of Grant | No. Warrants | Exercise Price | Original Expiry Date | New Expiry Date |
|---|---|---|---|---|---|
| Richard Jennings | 11/05/2020 | 11,666,668 | £0.005 | 11/05/2022 | 11/05/2023 |
| Richard Jennings | 11/05/2020 | 3,076,923 | £0.015 | 11/05/2022 | 11/05/2023 |

On 20 May 2022, a new wholly-owned subsidiary was incorporated, Pathfinder Battery Commodities Ltd.

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

## 18. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash and cash equivalents and other receivables/payables. The Company's accounting policies and method adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial assets, financial liability and equity instrument are set out in note 1. The Company does not use financial instruments for speculative purposes.

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

| | **Group** | | **Parent Company** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **Financial assets at amortised cost** | **£'000** | £'000 | **£'000** | £'000 |
| Cash and cash equivalents | **365** | 191 | **365** | 191 |
| Prepayments and accrued income | **-** | 12 | **-** | 12 |
| **Financial liabilities at amortised cost** | | | | |
| Trade payables and accruals | **149** | 349 | **149** | 349 |

a) Financial risk management objectives and policies
The Company's major financial instruments include bank balances and amounts payable to suppliers. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

b) Liquidity risk
Liquidity risk arises from the Company's management of working capital.

The Company regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The Directors have considered the liquidity risk as part of their going concern assessment (see note 1). Controls over expenditure are carefully managed in order to maintain its cash reserves whilst it targets a suitable transaction. Financial liabilities are all due within one year.

c) Credit risk
The Company's credit risk is wholly attributable to its cash balance. The credit risk from its cash and cash equivalents is limited because the counterparties are banks with high credit ratings and have not experienced any losses in such accounts.

d) Interest risk
The Company's exposure to interest rate risk is the interest received on the cash held, which is immaterial.

e) Capital risk management
The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The Company has no borrowings. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. The Company monitors capital on the basis of the total equity held being £231k as at 31 December 2021.

f) Fair value of financial assets and liabilities
There are no material differences between the fair value of the Company's financial assets and liabilities and their carrying values in the financial information.

**Notes to the Consolidated Financial Statements (*continued*)**
**for the Year Ended 31 December 2021**

## 19. PRIOR YEAR ADJUSTMENTS

The prior year adjustment relates to the fair value of share options that lapsed during the year ended 31 December 2020 that were credited to the statement of comprehensive income as previously reported. The correct treatment should have been to credit them to the accumulated deficit.

The impact of the 2020 prior year restatement in respect of share-based payment charges, are as set out below. This restatement did not impact the net assets of the Group or the Company:

| | 2020 as previously reported £'000 | Restatement £'000 | 2020 as restated £'000 |
|---|---|---|---|
| Administrative expenses | (668) | (41) | (709) |
| Operating loss | (668) | (41) | (709) |
| Loss for the year | (668) | (41) | (709) |
| Loss per share (basic and diluted) | (0.19p) | (0.01p) | (0.20p) |

## 20. ULTIMATE CONTROLLING PARTY

The directors believe there is no ultimate controlling party.