Report of the Directors and

Audited Financial Statements for the Year Ended 31 December 2012

for

Pathfinder Minerals PLC

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

Introduction

Since I last wrote to you (in September 2012 with the publication of the half yearly results), Pathfinder has made significant progress towards the recovery of its expropriated assets. The legal proceedings which dominated 2012, the year under review, were those of the English High Court, which ruled that Pathfinder is the rightful owner of its shares in its Mozambique subsidiary; and the Court of Appeal has unequivocally rejected an application to appeal against that ruling. Pathfinder is now able to concentrate its efforts on action in Mozambique; and the legal rulings in England in the Company's favour have given the Company further credibility, not only with the Mozambican courts, but also in its dealings with politicians and diplomats in the UK and in the Republic of Mozambique.

Shareholders will have seen the announcements of activity that the Board has issued during the year, but let me recap on the events of 2012 and 2013 to date.

In February 2012, Pathfinder received confirmation from the Republic of Mozambique's Ministry of Mineral Resources that the mining registry of Mozambique no longer showed licences 4623C and 760C as being registered to Pathfinder's subsidiary, Companhia Mineira de Naburi S.A.R.L. ("CMDN"). The Company had been informed that a licence over the same areas covered by 4623C and 760C had been issued to a company called Pathfinder Moçambique S.A (an entity which is wholly unconnected with Pathfinder Minerals, but which is owned by General Jacinto Veloso, a retired government minister in Mozambique and a former director of Pathfinder Minerals Plc and of CMDN, together with his daughter and his business partner, Diogo Cavaco).

To date no satisfactory explanation has been provided as to the reasons for or basis of this register change, which the Company is advised was carried out through a process which was defective under the mining law of Mozambique. The Company had no involvement in the transfer and understands that the Ministry of Mineral Resources believed it was executing the transfer on the proper authority of General Veloso as the named representative on the face of the licences. The choice of name for the entity to which General Veloso applied to transfer the licences (i.e. Pathfinder Moçambique S.A.) strongly suggests it was his or Mr Cavaco's intention to mislead the Ministry of Mineral Resources into believing it to be an intra-group transfer within the Pathfinder Group.

In addition to the expropriation of the mining licences and as a means of restricting the action which Pathfinder can take to recover them, General Veloso, J.V. Consultores, Limitada (a company controlled by General Veloso) and Mr Cavaco (the "Defendants", as to which see further below) have asserted that the agreements (the "Acquisition Agreements") by which the shares in CMDN, as the licence holder, were acquired by IM Minerals Limited ("IM Minerals") (a wholly owned UK subsidiary of the Company) were null and void and, consequently, that IM Minerals had never been the owner of any shares in CMDN.

Steps towards recovery of the licences

The Company's sole focus, since the discovery of this outrageous conduct on the part of the Defendants, has been to restore ownership and control of CMDN and, thereafter, to recover the mining licences previously registered to it in order to resume project development.

English legal proceedings

As I note in my introduction, the period under review was dominated by the substantive legal proceedings commenced by the Company in the English High Court. The Company sought, among other things, declarations from the English court as to the validity and effect of the Acquisition Agreements, all of which are governed by English law (the "Contract Claims"). The Defendants accepted the jurisdiction of the English High Court to determine the Contract Claims but later, having already breached numerous orders of the English court, withdrew their participation in the proceedings.

Following a hearing on 18 September 2012 in the English High Court and full consideration of all the extensive evidence before the court, the judge ruled that Pathfinder (through IM Minerals) did validly acquire its 99.99 per cent. interest in CMDN. In so ruling, the judge expressly rejected any allegations of fraud which had been made by the Defendants against the Company, IM Minerals and their directors. The judge also granted a permanent injunction restraining General Veloso and his associates from taking any steps to interfere with IM Minerals' rights of ownership of shares in CMDN. The judge subsequently ruled that Pathfinder is entitled to recover 90 per cent. of its costs of the High Court proceedings from the Defendants.

In February 2013, the Company received notice of an order from the Court of Appeal in England that the Defendants had applied for permission to appeal the October 2012 judgment. The Company believed the appeal to have no merits and therefore had no choice but to contest the grounds of appeal. In April 2013 Pathfinder announced that the English Court of Appeal, through the unanimous judgments of Lady Justice Gloster, Lord Justice Leveson and Lord Justice Beatson, had duly dismissed the application of the Defendants for permission to appeal.

Giving the leading judgment, Lady Justice Gloster said that "there is no doubt that the [Application] should be dismissed". She referred to the Defendants' failure to comply with the order for security for costs and their deliberate breaches of previous orders of the English court, finding that the Defendants' conduct amounted to "a cynical abuse of [the] court's process". Amongst other reasons given for dismissing the application, Lady Justice Gloster also referred to the matter being "a clear case where the relevant agreements relating to the sale of shares [in CMDN] are governed by English law and are subject to an English jurisdiction clause or clauses" and noted that the Defendants "have persistently disregarded their contractual obligations in this regard."

Lady Justice Gloster added that she had "seen nothing in the Defendants' grounds of appeal, or in the written arguments, that provide[d] any basis whatsoever for disturbing the conclusions reached by [the High Court in October 2012]" and considered the Defendants' grounds of appeal to be "wholly devoid of merit".

At the hearing itself, Lord Justice Leveson had also expressed concern "that [the Defendants' Application had] all been a game."

As a consequence of their failed application, the Defendants cannot further appeal against the English court judgment as to the validity and effect of the Acquisition Agreements, through which IM Minerals acquired 99.99 per cent. of the licence-holding company, CMDN.

Mozambique legal proceedings

With the dismissal of the application to appeal marking the conclusion of the English proceedings in the Company's favour, the Company is now able to focus wholly on the enforcement of its rights and costs orders in Mozambique. The Company has been advised that English court judgments and costs orders are recognisable and enforceable in Mozambique. Accordingly, the Company is taking the necessary steps to have the various judgments and orders it has obtained from the English court formally recognised by the Mozambique Supreme Court; and will seek enforcement of the costs orders in its favour (none of which have been paid), totalling £1,106,000, against the Defendants' assets, including in Mozambique. The Company is advised that the process for recognition and enforcement of judgments in Mozambique is a lengthy one, during which the Defendants will have an opportunity to object.

There remain several legal proceedings under way in Mozambique. These include a number of actions in which the same key issue of the ownership of CMDN, on which the English court has already ruled in relation to the Acquisition Agreements, arises. As previously announced, these actions include:

- challenges by IM Minerals to resolutions purportedly passed by the Defendants at shareholder meetings of CMDN in May 2009 (the "May 2009 Resolution") and December 2011 (the "December Resolutions");
- a rival challenge by the Defendants to the resolutions passed by IM Minerals at a shareholder meeting of CMDN in January 2012; and
- a claim made by the Defendants against Pathfinder and IM Minerals (as announced on 21 December 2012).

In each of these proceedings the Defendants allege, amongst other things, that IM Minerals was/is not a shareholder in CMDN on the basis, broadly, that (contrary to the findings of the English courts) the underlying agreements between the parties by which the shares in CMDN were acquired are not valid or binding and/or did not confer a right to acquire the shares in CMDN.

In October 2012 Pathfinder learned that it had been successful in an application for an interdict suspending the effect of the December Resolutions. The Maputo Court's judgment included a provisional finding that the share certificate issued to IM Minerals by CMDN (and signed by General Veloso and Mr Cavaco), showing IM Minerals as the holder of 399,998 of the 400,000 issued shares in CMDN, is valid and permissible under the constitution of CMDN, confirming therefore that, as a matter of Mozambique law, IM Minerals is the holder of 99.99 per cent. of CMDN. The issue of IM Minerals' status as a shareholder of CMDN was further considered at hearings in Maputo on 6 December 2012 and 15 May 2013. Decisions following each of those hearings are still awaited.

Financial results and current financial position

The financial statements of the Pathfinder Group for the year ended 31 December 2012 follow later in this report. The Income Statement shows a loss of £4.3 million (2011 – £37.6 million). Since the Company has been prevented from conducting any activity relating to mining, the whole of this loss can be attributed to the Company's attempts to recover its expropriated licences.

The Group's Statement of Financial Position shows net assets of £3.9 million. The assets are held largely in the form of cash deposits (totalling £3.8 million at the year-end).

Since the end of the year the Board has continued its attempts to recover the Group's assets expropriated by General Veloso and Mr Cavaco. The conclusion of legal action in London brings a material reduction in the rate of expenditure and the Company estimates that it has sufficient resources to see through its strategy for the recovery of its assets.

Outlook

The Company originally acquired assets in Mozambique with a view to the responsible development of a mineral sands mine in Zambezia Province. In so doing the Company would create value both for its shareholders and for the Republic of Mozambique and, in particular the people of Zambezia Province, not only through the provision of employment on the construction of the mine, but also by virtue of the associated economic benefits which would flow from the major infrastructural improvements that accompany the development of the mine. That Pathfinder's shareholders and the people of Mozambique should have had, since November 2011, to endure such loss of opportunity because of the actions of General Veloso and Mr Cavaco is unconscionable.

I am so grateful for the support which our shareholders continue to show for the Company as we seek to recover our assets. As the Company's largest shareholder I share your desire to return to the development of the Moebase and Naburi mineral sands deposits as soon as possible. There is no doubt that these assets are extremely valuable and indeed worth our efforts to recover them. In 2011 the Moebase and Naburi deposits were independently estimated to be worth $529 million and the prices of the products have, since that study, risen significantly – driven by demand from developing economies.

The successful English legal proceedings were costly but central to the Company's ability to secure control of CMDN and to restore the licences to it. With the English litigation now concluded in the Company's favour, the Company's legal expenditure has been significantly reduced and we are confident of our strategic and financial ability to see the Mozambique proceedings through to a successful conclusion.

The Company, however, is not relying solely on the legal strategy to bring about a successful restoration of the Company's assets. During the process towards recovery it has become apparent, particularly in recent months, that there is a strong political will among senior political and diplomatic figures in the Republic of Mozambique and the UK to see this issue resolved. Indeed, they consider the matter demands a resolution in the interests of all stakeholders, particularly the Republic of Mozambique. The Board is in regular communication with such individuals with a view to bringing about an earlier resolution than that which we believe will be achieved through the courts.

On behalf of the board I should like to thank shareholders sincerely for their continued support. We are wholly focused on returning to the development of the Moebase and Naburi deposits; and we will continue to update you with material developments as they occur.

John McKeon
Chairman

26 June 2013

The directors present their report with the consolidated financial statements of the Company for the year ended 31 December 2012.

PRINCIPAL ACTIVITY

The principal activity of the Group is mining.

REVIEW OF BUSINESS

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

DIVIDENDS

The directors do not recommend the payment of a dividend.

EVENTS SINCE THE END OF THE YEAR

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

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report.

John McKeon
Nicholas Trew
James Normand

COMPANY'S POLICY ON PAYMENT OF CREDITORS

It is the Company's policy to pay suppliers in accordance with the payment terms negotiated with them. The Company's average creditor days during the year were 20 days (2011: 44 days).

FINANCIAL INSTRUMENTS

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

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

SUBSTANTIAL SHAREHOLDINGS

As at 26 June 2013, the following shareholders had notified the company of an interest of 3 per cent. or more of the Company's ordinary share capital:

Shareholder name	*Number of 1p ordinary shares*	*Shareholding percentage*
John McKeon	128,209,700	12.4%
J V Consultores Internacionais Limitada (a company controlled by Jacinto Veloso)	110,120,680	10.6%
Timothy Baldwin	106,428,316	10.3%
JP Morgan Funds	100,020,000	9.6%
Nicholas Trew	93,925,753	9.1%
Diogo Cavaco	88,129,280	8.5%
Genesis Emerging Market Opportunities Fund	86,000,000	8.3%
Gordon Dickie	54,752,586	5.3%
YF Finance Limited	45,610,000	4.4%

RISK EXPOSURE

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

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

CORPORATE GOVERNANCE

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

ON BEHALF OF THE BOARD:

James Normand
Director and Company Secretary

26 June 2013

We have audited the financial statements of Pathfinder Minerals PLC for the year ended 31 December 2012 which comprises the Statement of Consolidated Comprehensive Income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2012 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

– adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

– the financial statements are not in agreement with the accounting records and returns; or

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

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

26 June 2013

Year ended 31 December

	Notes	2012 £'000	2011 £'000
CONTINUING OPERATIONS			
Revenue		–	–
Administrative expenses		(4,424)	(2,533)
OPERATING LOSS BEFORE EXCEPTIONAL ITEMS	5	(4,424)	(2,533)
Exceptional items	6	–	(34,830)
OPERATING LOSS		(4,424)	(37,363)
Finance income	7	106	19
LOSS BEFORE INCOME TAX		(4,318)	(37,344)
Income tax	8	–	–
LOSS FOR THE YEAR		(4,318)	(37,344)
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(4,318)	(37,344)
Loss per share (expressed in pence per share)	9		
Basic		(0.4)	(4.5)
Diluted		(0.4)	(4.5)

The notes form part of these financial statements

	Notes	*2012 £'000*	*2011 £'000*
ASSETS			
CURRENT ASSETS			
Trade and other receivables	11	163	34
Cash and cash equivalents	12	3,767	8,471
		3,930	8,505
TOTAL ASSETS		3,930	8,505
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	18,289	18,289
Share premium		11,022	11,022
Retained earnings		(25,661)	(21,343)
TOTAL EQUITY		3,650	7,968
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	280	537
TOTAL LIABILITIES		280	537
TOTAL EQUITY AND LIABILITIES		3,930	8,505

The financial statements were approved by the Board of Directors on 26 June 2013 and were signed on its behalf by:

James Normand
Finance Director

The notes form part of these financial statements

	Notes	2012 £'000	2011 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	10	–	–
		–	–
CURRENT ASSETS			
Trade and other receivables	11	163	33
Cash and cash equivalents	12	3,767	8,471
		3,930	8,504
TOTAL ASSETS		3,930	8,504
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	18,289	18,289
Share premium		11,022	11,022
Retained earnings (deficit)		(25,792)	(21,474)
TOTAL EQUITY		3,519	7,837
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	411	667
TOTAL LIABILITIES		411	667
TOTAL EQUITY AND LIABILITIES		3,930	8,504

The financial statements were approved by the Board of Directors on 26 June 2013 and were signed on its behalf by:

James Normand
Finance Director

The notes form part of these financial statements

	Called up share capital £'000	*Profit and loss account £'000*	*Share premium £'000*	*Other reserves £'000*	*Merger reserve £'000*	*Total equity £'000*
Group						
Balance at 1 January 2011	8,412	(11,337)	2,171	17	–	(737)
Changes in equity						
Issue of shares for cash	2,591	–	9,597	–	–	11,442
Less: commissions payable	–	–	(746)	–	–	(746)
Issue of shares for assets	7,286	–	–	–	27,321	35,353
Transfers between reserves	–	27,338	–	(17)	(27,321)	–
Total comprehensive loss	–	(37,344)	–	–	–	(37,344)
Balance at 31 December 2011	18,289	(21,343)	11,022	–	–	7,968
Changes in equity						
Total comprehensive loss	–	(4,318)	–	–	–	(4,318)
Balance at 31 December 2012	18,289	(25,661)	11,022	–	–	3,650
Company						
Balance at 1 January 2011	8,412	(11,337)	2,171	17	–	(737)
Changes in equity						
Issue of shares for cash	2,591	–	9,597	–	–	11,442
Less: commissions payable	–	–	(746)	–	–	(746)
Issue of shares for assets	7,286	–	–	–	27,321	34,607
Transfers between reserves	–	27,338	–	(17)	(27,321)	–
Total comprehensive loss	–	(37,375)	–	–	–	(37,475)
Balance at 31 December 2011	18,289	(21,474)	11,022	–	–	7,837
Changes in equity						
Total comprehensive loss	–	(4,318)	–	–	–	(4,318)
Balance at 31 December 2012	18,289	(25,792)	11,022	–	–	3,519

The notes form part of these financial statements

Statement of Cash Flows – Group
for the Year Ended 31 December 2012

	2012	*2011*
	£'000	*£'000*
Cash flows from operating activities		
Loss before income tax	(4,318)	(37,344)
Provision against diminution in value	–	34,830
Finance income	(106)	(19)
	(4,424)	(2,533)
Increase in trade and other receivables	(129)	(34)
Decrease in trade and other payables	(257)	(444)
Net cash from operating activities	(4,810)	(3,011)
Cash flows from investing activities		
Interest received	106	19
Net cash from investing activities	106	19
Cash flows from financing activities		
Shares issued for cash	–	11,442
Net cash from financing activities	–	11,442
(Decrease) increase in cash and cash equivalents	(4,704)	8,450
Cash and cash equivalents at beginning of the year	8,471	21
Cash and cash equivalents at end of the year	3,767	8,471

The notes form part of these financial statements

Statement of Cash Flows – Company
for the Year Ended 31 December 2012

	2012	*2011*
	£'000	*£'000*
Cash flows from operating activities		
Loss before income tax	(4,318)	(37,475)
Provision against diminution in value	–	34,852
Finance income	(106)	(19)
	(4,424)	(2,686)
Increase in trade and other receivables	(130)	(33)
Decrease in trade and other payables	(256)	(292)
Net cash from operating activities	(4,810)	(3,011)
Cash flows from investing activities		
Interest received	106	19
Net cash from investing activities	106	19
Cash flows from financing activities		
Shares issued for cash	–	11,442
Net cash from financing activities	–	11,442
(Decrease) increase in cash and cash equivalents	(4,704)	8,450
Cash and cash equivalents at beginning of year	8,471	21
Cash and cash equivalents at end of year	3,767	8,471

The notes form part of these financial statements

1. GENERAL INFORMATION

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

The financial statements of Pathfinder Minerals PLC for the year ended 31 December 2012 were authorised for issue by the Board on 26 June 2013 and the statements of financial position signed on the Board's behalf by James Normand.

2. ACCOUNTING POLICIES

Basis of preparation

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

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

Cash and cash equivalents

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

Share capital

Ordinary shares of the company are classified as equity.

New standards and interpretations not yet adopted

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

Critical accounting estimates and judgements

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

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

3. SEGMENTAL REPORTING

The Group has one activity only. Of the Group's administrative expenses, £395,000 (2011 – £963,000) was spent in Mozambique. The whole of the exceptional charge in 2011 related to the Group's investment in Mozambique. The whole of the value of the Group's and the Company's net assets in their respective financial statements at 31 December 2012 and 2011 was attributable to UK assets and liabilities.

4. EMPLOYEES AND DIRECTORS

There were no employees, other than the directors.

The following table sets out and analyses the remuneration of directors for the years ended 31 December 2012 and 2011 in £s.

	Fees	*Salaries*	*Benefits in kind*	*Total emoluments*	*Contributions to pension schemes*	*Total emoluments 2012*	*Total emoluments 2011*
	£	£	£	£	£	£	£
John McKeon	48,000	–	–	48,000	–	48,000	71,500
Nicholas Trew	–	150,000	5,863	155,863	15,000	170,863	152,750
James Normand	–	120,000	4,497	124,497	12,000	136,497	110,500
Timothy Baldwin	–	–	–	–	–	–	7,500
Gordon Dickie	–	–	–	–	–	–	16,000
Mark Edmonds	–	–	–	–	–	–	10,000
Jacinto Veloso	–	–	–	–	–		10,000
	48,000	270,000	10,360	328,360	27,000	355,360	378,250

5. OPERATING LOSS BEFORE EXCEPTIONAL ITEMS

	2012	*2011*
	£'000	*£'000*
The loss before income tax is stated after charging:		
Auditors' remuneration	12	12
Directors' remuneration	355	378
Litigation costs	3,203	551

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

6. EXCEPTIONAL ITEM (2011)

In November 2011 the original vendors of IM Minerals' subsidiary, Companhia Mineira de Naburi SARL ("CMdN"), advised the Company that they had procured the cancellation of IM Minerals' shares in CMdN and the transfer of its assets (the mining licences) to another company controlled by them. Whilst the Company is taking legal and other action in order to recover the shares and the licences, the Company, in the interest of accounting prudence, made full provision in the 2011 financial statements against the cost of its investment in IM Minerals and against the value of advances made by the Company to CMdN and its vendors; in aggregate £34,830,000.

7. FINANCE INCOME

	2012	*2011*
	£'000	*£'000*
Interest on bank and other deposits	106	19

8. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 nor for the year ended 31 December 2011.

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:

	2012 *£'000*	*2011* *£'000*
Loss on ordinary activities before income tax	(4,318)	(37,344)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)	(1,058)	(9,896)
Effects of:		
Unrelieved tax losses carried forward	1,058	9,896
Tax expense	–	–

9. LOSS PER SHARE

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

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

	Earnings *£'000*	*Weighted average number of shares*	*Per share amount – pence*
2012			
Basic earnings per share			
Earnings attributable to ordinary shareholders	(4,318)	1,037,167,230	(0.4)
2011			
Basic earnings per share			
Earnings attributable to ordinary shareholders	(37,344)	828,274,942	(4.5)

10. SUBSIDIARIES

	Shares in group undertakings £'000
COST	
At 1 January 2012 and 31 December 2012	34,806
PROVISIONS	
At 1 January 2012 and 31 December 2012	34,806
NET BOOK VALUE	
At 1 January 2012 and 31 December 2012	–

The Company's subsidiaries, each of which is wholly-owned, are:	*Incorporated in:*
IM Minerals Limited	England and Wales
Companhia Mineira de Naburi SARL	Mozambique
Sociedade Geral de Mineracao de Moçambique SARL	Mozambique

IM Minerals Limited held the shares in Companhia Mineira de Naburi SARL which held heavy minerals sands mining concessions in the Republic of Mozambique. As noted in Note 6 above, in November 2011 the original vendors of CMdN, advised the Company that they had procured the cancellation of IM Minerals' shares in CMdN and the transfer of its assets (the mining licences) to another company controlled by them. Whilst the Company is taking legal and other action in order to recover the shares and the licences, the Company, in the interest of accounting prudence, made full provision in the 2011 financial statements against the cost of its investment in IM Minerals.

11. TRADE AND OTHER RECEIVABLES

	2012		*2011*	
	Group £'000	*Company £'000*	*Group £'000*	*Company £'000*
Other debtors and prepaid expenses	163	163	34	33

12. CASH AND CASH EQUIVALENTS

Bank accounts	3,767	3,767	8,471	8,471

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		*2012*	*2011*
Number	*Class*	*£'000*	*£'000*
1,037,167,230	Ordinary shares of 1 penny each	10,372	10,372
79,971,393	Deferred shares of 9.9 pence each	7,917	7,917
		18,289	18,289

14. TRADE AND OTHER PAYABLES

	2012		2011	
	Group *£'000*	*Company* *£'000*	*Group* *£'000*	*Company* *£'000*
Trade creditors	233	233	417	417
Amount owing to subsidiary	–	131	–	134
Other creditors	19	19	73	73
Accrued expenditure	28	28	47	43
	280	411	537	667

15. SHARE OPTIONS AND WARRANTS

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

Share options and warrants

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

At 26 June 2013 (the latest date before publication of these financial statements), the mid-market price of the Company's shares was 0.9 pence.

There have been no changes to the numbers of unexercised warrants and share options since 31 December 2012.

16. RELATED PARTY DISCLOSURES

Directors were reimbursed sums totalling £4,342 (2011 – £18,725) for personal expenditure incurred on Company business.

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

17. CONTINGENT LIABILITIES

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

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

18. EVENTS AFTER THE REPORTING DATE

Since the year-end, and as noted in the Chairman's Statement, the Board has continued to concentrate its energies on attempting to recover the Group's assets expropriated by General Veloso and Mr Cavaco. As a direct result of these efforts, considerable legal and related costs continue to be incurred which have contributed materially to the reduction in the Group's cash reserves to approximately £2.1 million (at the date of this report).