

Pathfinder Minerals Plc

**Interim Financial Statements
For the Six Months Ended 30 June 2017**

Chairman's Statement

Introduction

Approximately three months ago, Pathfinder published its 2016 annual report. In my accompanying statement, I reminded shareholders that Pathfinder's principal objective is to regain control of the licensed areas in Mozambique (containing heavy mineral sand deposits) which were appropriated from the Company's local subsidiary in 2011 and placed into the control of the Company's former local partner, Jacinto Veloso. Recent activity has been dominated by the Company's dialogue with both the Mozambique Government and with Jacinto Veloso to bring about an end to the dispute and enable Pathfinder to regain control of its assets.

Steps to recover the Company's assets

We continue to await a decision from the Supreme Court in Mozambique, principally on whether it will recognise the English High Court's 2012 ruling that Pathfinder is the valid owner of the licence-holding subsidiary from which the mining licences were appropriated. Such recognition would, in the Board's opinion, ultimately cause the other proceedings in Mozambique to fall away and compel the Mozambique Government to restore the licensed areas to Pathfinder's control. Pathfinder is confident it will be successful in the recognition application based, among other things, upon relevant Mozambique Supreme Court precedent.

Notwithstanding the Board's confidence in Pathfinder's legal position, it remains immensely frustrating for all shareholders that the Company does not have any visibility over when the Supreme Court will rule on this matter. The directors are asked regularly by shareholders if anything can be done to accelerate the process of Supreme Court judgment being handed down. I am afraid neither we, nor our legal team in Maputo, can compel the Supreme Court to move any faster.

We are, however, striving to enhance the prospect of an alternative resolution that does not rely on the courts. It is on this strategy that Pathfinder's management has spent most of its time during the period under review and on which encouraging progress is being made.

As announced on 20 September 2017, our regional representative in Mozambique is leading discussions on the Company's behalf with the two principal parties to a would-be resolution: the Mozambique Government and Jacinto Veloso. While the content of such discussions is sensitive, Pathfinder has confirmed that the Board is currently preparing, with the Company's legal counsel, the framework of an agreement with Jacinto Veloso that would, if successful, result in the restoration of the licensed areas to Pathfinder's control.

The terms attached to a potential resolution remain fluid and there is no certainty of a successful outcome to these discussions. As Pathfinder is able to control only its role in these discussions, the Company has no visibility over the timing of which a resolution may be achieved. The Board is, however, encouraged by the progress being made towards an alternative resolution and is optimistic that one can be concluded.

Financial results and current financial position

The Board continues to manage costs prudently in order to preserve cash. The Company does not have a physical head office. The overall cost of directors' fees was 28% less during the period under review than in the first half of 2016; and payments of an aggregate 19% of directors' fees incurred in the period under review, in addition to other benefits such as pension contributions, have been deferred until such time as the Company can reasonably afford to make these payments without materially adversely affecting its cash position.

The financial statements of the Pathfinder Group for the six months ended 30 June 2017 follow later in this report. The Income Statement shows a reduced loss of £275,000 (H1 2016 - £404,000), of which £33,000 relates to directors' fees and pension contributions that are recorded as a liability in 'Trade and other payables' but actual payments of which have been deferred as described above and in 'Note 2' to these accounts.

The Group's Statement of Financial Position shows a net assets position (excluding £241,000 of deferred salaries and related benefits as described above and in 'Note 2' to these accounts), of £89,000 (31 December 2016: £122,000). The Company had cash of £51,000 at 30 June 2017 (31 December 2016: £134,000).

On 21 September 2017, Pathfinder announced that it had raised gross proceeds of £212,500 via a placing of 28,333,333 ordinary shares at a price of 0.75p per share. The proceeds will provide the Company with additional working capital as we pursue the recovery of the mining licences in Mozambique.

Outlook

I recognise that shareholders, having for so long suffered the loss of value resulting from the appropriation of the Company's assets, are naturally keen for Pathfinder to provide regular updates on the status of the ongoing discussions referred to above. To publish such updates while the terms attached to any potential resolution remain fluid could, however, disadvantage the Company. While there are, at present, no material developments to report - and there is no certainty of a successful outcome – the Board remains confident that a resolution can be achieved.

We will continue to monitor the Company's financial position and will seek to ensure the Company has sufficient funds to see through its strategy to recover the Company's assets.

On behalf of the Board, I am grateful for the continuing support of shareholders; and I hope to be able to update you with positive news in due course.

Sir Henry Bellingham
Chairman

27 September 2017

CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months ended 30 June 2017	Unaudited 6 months ended 30 June 2016	Audited Year ended 31 December 2016
	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
Revenue	-	-	-
Other operating income	-	-	161
Administrative expenses	(275)	(404)	(743)
Operating loss	(275)	(404)	(582)
Finance income	-	-	-
Loss on ordinary activities before taxation	(275)	(404)	(582)
Taxation	-	-	-
Comprehensive loss for the period	(275)	(404)	(582)
Loss per share	(0.16p)	(0.34p)	(0.44p)

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
Assets			
Non-current assets			
Property, plant and equipment	1	-	1
Current assets			
Trade and other receivables	52	23	65
Cash and cash equivalents	51	135	134

	<u>103</u>	<u>158</u>	<u>199</u>
Total assets	104	158	200
Equity			
Share capital - issued and fully paid	18,365	18,322	18,345
Share premium	11,610	11,289	11,445
Retained loss	(30,126)	(29,673)	(29,851)
Total equity	(151)	(62)	(61)
Liabilities			
Current liabilities			
Trade and other payables	255	220	261
Total liabilities	255	220	261
Total equity and liabilities	104	158	200

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Share Premium	Retained Earnings	Total
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
1 January 2016	18,289	11,022	(29,269)	42
Loss for the period	-	-	(404)	(404)
Share issue	33	267	-	300
30 June 2016	18,322	11,289	(29,673)	(62)
1 January 2016	18,289	11,022	(29,269)	42
Loss for the year	-	-	(582)	(582)
Share issue	56	423	-	479
31 December 2016	18,345	11,445	(29,851)	(61)
1 January 2017	18,345	11,445	(29,851)	(61)
Loss for the period	-	-	(275)	(275)

Share issue	20	165	-	185
30 June 2017	18,365	11,610	(30,126)	(151)

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 30 June 2017	Unaudited 6 months ended 30 June 2016	Audited Year ended 31 December 2016
	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
Cash flows from operating activities			
Operating loss	(275)	(404)	(582)
Depreciation charges	-	-	1
(Increase) decrease in trade and other receivables	13	71	29
Increase (decrease) in trade and other payables	(6)	88	129
Cash absorbed by operations	(268)	(245)	(423)
Cash flows from investing activities			
Purchase of tangible fixed assets	-	-	(2)
Share issue, net of expenses	185	300	479
Net movement in cash	(83)	55	54
Cash at the beginning of the period	134	80	80
Cash at the end of the period	51	135	134

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention and on a going concern basis (see note 2 below); and in accordance with International Financial Reporting Standards and IFRIC interpretations adopted for use in the European Union.

The financial information for the period ended 30 June 2017 has not been audited or reviewed in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board. The figures were prepared using applicable accounting policies and practices consistent with those adopted in the statutory financial statements for the year ended 31 December 2016.

The financial information contained in this document does not constitute statutory financial statements as defined by Section 435 of the Companies Act 2006. In the opinion of the directors, the financial information for this period fairly presents the financial position, result of operations and cash flows for the period.

This Interim Financial Report was approved by the Board of Directors on 27 September 2017.

2. GOING CONCERN

As explained in the 2016 annual report, the availability of funds to continue to finance the Company's activities has a direct impact on the ability of the Company to continue to trade as a going concern. On 21 September 2017, Pathfinder announced that it had raised gross proceeds of £212,500 via a placing of 28,333,333 ordinary shares of 0.1p each in the Company at a price of 0.75p per share. Accordingly, the Board has concluded that it currently believes that it has sufficient resources to see through its strategy to recover the assets improperly transferred away from the Company. The Board will continue to monitor the Company's financial position and will seek to ensure the Company has sufficient capital to see through its strategy to recover the Company's assets.

The Board has therefore continued to adopt a going concern basis for the preparation of these financial statements.

Included within the figure for Trade and other payables are amounts due to the directors in respect of deferred salaries and related benefits, totalling £241,000. The directors have agreed to defer these amounts until such time as the Company can reasonably afford to make these payments without materially adversely affecting its cash position.

3. SEGMENTAL ANALYSIS

The development of the Group's mining interest in Mozambique comprises the whole of the Group's activity. The Group has one activity only. Of the Group's administrative expenses, £17,000 (2016 – £28,000) was spent in Mozambique. Since, in the interest of accounting prudence, full provision has been made against the cost of its Mozambique assets, the whole of the value of the Group's net assets is attributable to its UK assets and liabilities (also the case at 30 June 2016).

4. CONTINGENT LIABILITIES

As part of the agreement for the purchase of the shares in its subsidiary, Companhia Mineira de Naburi SARL, the Company has 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. 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, Companhia Mineira de Naburi SARL 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.

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