

PATHFINDER MINERALS PLC

INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

PATHFINDER MINERALS PLC

INTERIM REPORT AND FINANCIAL STATEMENTS 2012

CHAIRMAN'S STATEMENT

In my last statement, accompanying the preliminary financial statements on 28 June 2012, I set out in detail the position of Pathfinder Minerals, the actions being taken to clarify the status of the Company's assets and the processes by which the Company was seeking to regain ownership and control thereof in order that project development of the Moebase and Naburi heavy mineral sand prospects could resume. The principal activity of the Company during the first six months of this year has been a continuation of the pursuit of that process in order to position the Company for political and legal redress. Those shareholders wishing to review that statement are encouraged to do so by visiting the Company's website at:

<http://www.pathfinderminerals.com/investor-relations/announcements/rns.aspx>

Legal proceedings are ongoing in the English and Mozambican courts and a parallel political process, involving dialogue at the highest level between the UK and Mozambique Governments, is well advanced.

Among the actions being taken by the Company are the substantive legal proceedings in the English High Court seeking, amongst other things, declarations as to the validity and effect of the agreements by which the shares in the Mozambican subsidiary, Companhia Mineira de Naburi S.A. ("CMDN"), were acquired by the Company's wholly owned subsidiary IM Minerals Limited ("IMM").

On 6 July 2012, Pathfinder Minerals and IMM obtained an order from the English High Court, in respect of the above mentioned proceedings, striking out the Defence and Counterclaim of General Veloso, Diogo Cavaco and JV Consultores Internacionais Limitada (the "Defendants") to the Company's claims, on the basis of the Defendants' breaches of the English Court's orders and their stated intention no longer to participate in the English Court proceedings. The Court also ordered that there should be a hearing of the Company and IMM's application for judgment on an expedited basis and that the Defendants should pay Pathfinder Minerals' costs of the strike-out application. Payment remains outstanding.

I am pleased to advise that this issue of the validity and effect of the agreements by which the shares in our Mozambique subsidiary were acquired, is to be heard (on this expedited basis) next month. This critical issue lies at the heart of the current dispute with the Defendants and, whilst a favourable judgement from this hearing is unlikely to mark an end to the dispute over control of CMDN, we are advised by leading counsel that a judgement from the English High Court will be both recognisable and enforceable in Mozambique. A favourable judgement, therefore, is expected to better position Pathfinder in the Mozambican legal process to regain control of CMDN and, thereafter, to take appropriate actions to restore control of the mining licences. It would be inappropriate to elaborate any further on this process until the Court hearing has been concluded and judgement handed down.

Financial results

The unaudited results of the Pathfinder Minerals Group (the "Group") for the six months ended 30 June 2012 are set out below.

The income statement shows a loss of £2,854,000. This sum includes the general and administrative costs related to the running of the Group. However, since the whole of the Group's current activity is devoted to recovering the mining concession licences, it follows that the large majority of this loss is attributable to the legal action in the UK and in Mozambique. Pathfinder Minerals will, insofar as it is able, seek to recover applicable legal costs from the Defendants, in such circumstances where the Courts have awarded, or may in

the future award, costs against the Defendants, as was the case of the strike-out application made last month in the English High Court.

At 30 June 2012, the Group had net assets of £5,114,000 and cash balances of £6,131,000.

Outlook

The Board believes, especially in light of rising prices for the minerals of ilmenite, rutile and zircon, that the Company's Moebase and Naburi licences, if restored, would have a very material value to the Company. To that end, the Board, with the efforts of leading counsel in both England and Mozambique and through senior political channels, is relentlessly pursuing the avenues at its disposal to restore control of the assets of which Pathfinder shareholders have been deprived. We will continue to provide updates when appropriate as this process progresses.

John McKeon

Chairman

28 August 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

| | Unaudited 6 months ended 30 June 2012 | Unaudited 6 months ended 30 June 2011 | Audited Year ended 31 December 2011 |
|--|--|---|---|
| | <u>£ '000</u> | <u>£ '000</u> | <u>£ '000</u> |
| Revenue | - | - | - |
| Administration expenses | <u>(2,917)</u> | <u>(496)</u> | <u>(2,533)</u> |
| Operating loss before exceptional items | (2,917) | (496) | (2,533) |
| Exceptional items | <u>-</u> | <u>-</u> | <u>(34,830)</u> |
| Operating loss | (2,917) | (496) | (37,363) |
| Finance income | <u>63</u> | <u>-</u> | <u>19</u> |
| Loss on ordinary activities before taxation | (2,854) | (496) | (37,344) |
| Taxation | - | - | - |
| Comprehensive loss for the period | <u>(2,854)</u> | <u>(496)</u> | <u>(37,344)</u> |
| Loss per share (see note 3) | (0.3p) | (0.1p) | (4.5p) |

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STATEMENT OF CONSOLIDATED FINANCIAL POSITION

30 June 2012

| | Unaudited 30 June 2012 | Unaudited 30 June 2011 | Audited 31 December 2011 |
|---------------------------------------|---------------------------------------|---------------------------------------|---|
| | £ '000 | £ '000 | £ '000 |
| Assets | | | |
| Non-current assets | | | |
| Intangible fixed asset | - | 34,669 | - |
| Current assets | | | |
| Trade and other receivables | 45 | 1 | 34 |
| Cash and cash equivalents | 6,131 | 26 | 8,471 |
| | 6,176 | 27 | 8,505 |
| Total assets | 6,176 | 34,696 | 8,505 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 1,062 | 384 | 537 |
| Total liabilities | 1,062 | 384 | 537 |
| Total net assets | 5,114 | 34,312 | 7,968 |
| Equity | | | |
| Share capital - issued and fully paid | 18,289 | 16,039 | 18,289 |
| Share premium | 11,022 | 2,769 | 11,022 |
| Merger reserve | - | 27,320 | - |
| Retained loss | (24,197) | (11,816) | (21,343) |
| Total equity | 5,114 | 34,312 | 7,968 |

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | <u>Share Capital</u> | <u>Share Premium</u> | <u>Merger Reserve</u> | <u>Other Reserves</u> | <u>Retained Earnings</u> | <u>Total</u> |
|----------------------------|--------------------------|--------------------------|---------------------------|---------------------------|------------------------------|---------------|
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| 1 January 2011 | 8,412 | 2,171 | - | 17 | (11,337) | (737) |
| Movement in the period | 7,627 | 598 | 27,320 | (17) | 17 | 35,545 |
| Loss for the period | - | - | - | - | (496) | (496) |
| 30 June 2011 | 16,039 | 2,769 | 27,320 | - | 11,816 | 34,312 |
| 1 January 2011 | 8,412 | 2,171 | - | 17 | (11,337) | (737) |
| Movement in the year | 9,877 | 8,851 | 27,321 | - | - | 285 |
| Transfers between reserves | | | (27,321) | (17) | 27,338 | - |
| Loss for the year | - | - | - | - | (37,344) | (37,344) |
| 31 December 2011 | 18,289 | 11,022 | - | - | (21,343) | 7,968 |
| 1 January 2012 | 18,289 | 11,022 | - | - | (21,343) | 7,968 |
| Loss for the period | - | - | - | - | (2,854) | (2,854) |
| 30 June 2012 | 18,289 | 11,022 | - | - | (24,197) | 5,114 |

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CONSOLIDATED CASH FLOW STATEMENT

| | Unaudited 6 months ended 30 June 2012 | Unaudited 6 months ended 30 June 2011 | Audited Year ended 31 December 2011 |
|--|--|--|--|
| | £ '000 | £ '000 | £ '000 |
| Cash flows from operating activities | | | |
| Cash absorbed by operations | (2,403) | (934) | (3,011) |
| Cash flows from investing activities | | | |
| Interest received | 63 | - | 19 |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | - | 939 | 11,442 |
| Net movement in cash and cash equivalents | (2,340) | 5 | 8,450 |
| Cash and cash equivalents at the beginning of the period | 8,471 | 21 | 21 |
| Cash and cash equivalents at the end of the period | 6,131 | 26 | 8,471 |
| Reconciliation of loss before income tax to cash absorbed by operations | | | |
| Loss before income tax | (2,854) | (496) | (37,344) |
| Provision against diminution in value | - | - | 34,830 |
| Finance income | (63) | - | (19) |
| (Increase) decrease in trade and other receivables | (11) | (1) | (34) |
| Increase (decrease) in trade and other payables | 525 | (437) | (444) |
| Cash used in operations | (2,403) | (934) | (3,011) |

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NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention and on a going concern basis; 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 2012 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 accounts for the year ended 31 December 2011. The figures for the year ended 31 December 2011 have been extracted from these accounts, which have been delivered to the Registrar of Companies and contain an unqualified audit report.

The financial information contained in this document does not constitute statutory accounts 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 28 August 2012.

2. 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, £233,000 (2011 – £80,000) was spent in Mozambique. The whole of the value of the Group's net assets is attributable to UK assets and liabilities (at 30 June 2011 the Group had net assets of £34,658,000 in Mozambique and net liabilities in the UK of £346,000).

3. LOSS PER SHARE

The calculation of loss per share is based on the loss after taxation divided by the weighted average number of shares in issue during the period. Because there was a loss in the period, the issue of shares to warrant and option holders would be anti-dilutive; and so the diluted loss per share has not been calculated.

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.

A copy of this interim statement and of other announcements made by the Company are available on the Company's website - www.pathfinderminerals.com