

PATHFINDER MINERALS PLC

INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013

PATHFINDER MINERALS PLC

INTERIM REPORT AND FINANCIAL STATEMENTS 2013

CHAIRMAN'S STATEMENT

Introduction

The publication of the half yearly financial results for Pathfinder follows closely on the heels of the Company's annual financial report issued on 27 June 2013. Shareholders will recall, from my accompanying statement to that report, that I set out in detail there the steps Pathfinder is taking to recover its expropriated assets and progress thereon.

The primary development on which I reported to you in June was the conclusion of the English legal proceedings in Pathfinder's favour following from the Court of Appeal's dismissal of General Veloso and Mr Cavaco's application to appeal against the High Court's ruling that Pathfinder is the rightful owner of its shares in the Mozambique subsidiary, Companhia Mineira de Naburi ("CMDN").

Legal strategy

Pathfinder has lodged a claim with the Supreme Court in Mozambique for formal recognition of the English High Court's ruling (and associated substantial costs orders) against the Defendants. Pathfinder is advised by its Mozambican lawyers that, while the recognition and subsequent enforcement process could be a lengthy one, English High Court rulings and orders are recognisable and enforceable in Mozambique; and, consequently, ownership of CMDN should ultimately be restored to Pathfinder's wholly owned subsidiary, IM Minerals Limited. Such restoration would enable Pathfinder to demonstrate unequivocally to the Mozambique Ministry of Mineral Resources that General Veloso was not entitled, as a matter of law, to request that CMDN's licensed areas be taken from CMDN and re-registered in a commercial vehicle owned by him, his business partner and his daughter.

Pathfinder is also advised that it should be successful in seeking recognition and enforcement of the costs orders in its favour (totalling £1,106,000). Pathfinder believes that the Defendants have sufficient assets from which to reclaim such costs (and such additional costs as may be assessed in subsequent orders). Pathfinder will vigorously pursue enforcement of costs orders against the assets of General Veloso and Mr Cavaco.

Concurrently with the recognition and enforcement steps, Pathfinder continues to prepare for the hearing of the substantive claim, brought by the Defendants against Pathfinder and IM Minerals in the Mozambique courts (announced on 21 December 2012), on the issue on which the English courts have already ruled beyond appeal (IM Minerals Limited's status as a shareholder in CMDN). Pathfinder has not yet been notified of a date for this hearing; the Company will continue to advise shareholders whenever it becomes aware of material court dates.

Financial results

The financial statements of the Pathfinder Group for the half year ended 30 June 2013 follow later in this report. The Income Statement shows a loss of £1,683,000, a reduction of 41% on the equivalent period last year (£2,854,000), reflecting the reduced outgoings as a result of the completion of the English legal proceedings mid-way into the period under review. It is anticipated that the outgoings will be significantly lower still in the second half of the year. Since the Company has been prevented from conducting any activity relating to mining, the whole of the loss during the period under review can be attributed to the Company's attempts to recover its expropriated licences.

The Group's Statement of Financial Position shows net assets at 30 June 2013 of £1,967,000 (30 June 2012 - £5,114,000). The assets are held largely in the form of cash deposits (totalling £2,134,000 at the end of the period). As noted in my report on the 2012 financial statements, we believe that Pathfinder has sufficient resources to see through its strategy for the recovery of its assets.

Outlook

In my June statement I advised shareholders that the Company is not relying solely on litigation to bring about a successful restoration of the Company's assets. Communication with senior diplomats representing the Republic of Mozambique is ongoing and I am encouraged by the progress of this dialogue. Above all, there is a recognition that it is in no party's interest that the matter should remain unresolved.

I hope that shareholders will take heart, as I do, that Pathfinder is on a course to restoring control of its expropriated assets. Whether this is achieved through the lengthy legal process that recognition and enforcement of the High Court rulings requires, or sooner, by way of a co-operative resolution supported by the Government of Mozambique, I am confident that Pathfinder will return to the development of the Moebase and Naburi mineral sands deposits in due course.

John McKeon
Chairman

22 August 2013

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 June 2013	Unaudited 6 months ended 30 June 2012	Audited Year ended 31 December 2012
	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
Revenue	-	-	-
Administrative expenses	(1,696)	(2,917)	(4,424)
Operating loss	(1,696)	(2,917)	(4,424)
Finance income	13	63	106
Loss on ordinary activities before taxation	(1,683)	(2,854)	(4,318)
Taxation	-	-	-
Comprehensive loss for the period	(1,683)	(2,854)	(4,318)
Loss per share	(0.2p)	(0.3p)	(0.4p)

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STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	Unaudited 30 June 2013	Unaudited 30 June 2012	Audited 31 December 2012
	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
Assets			
Current assets			
Trade and other receivables	164	45	163
Cash and cash equivalents	2,134	6,131	3,767
	<u>2,298</u>	<u>6,176</u>	<u>3,930</u>
Total assets	<u>2,298</u>	<u>34,696</u>	<u>3,930</u>
Liabilities			
Current liabilities			
Trade and other payables	331	1,062	280
Total liabilities	<u>331</u>	<u>1,062</u>	<u>280</u>
Total net assets	<u>1,967</u>	<u>5,114</u>	<u>3,650</u>
Equity			
Share capital - issued and fully paid	18,289	18,289	18,289
Share premium	11,022	11,022	11,022
Retained loss	(27,344)	(24,197)	(25,661)
Total equity	<u>1,967</u>	<u>5,114</u>	<u>3,650</u>

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
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
1 January 2012	18,289	11,022	(21,343)	7,968
Loss for the year	-	-	(4,318)	(4,318)
31 December 2012	18,289	11,022	(25,661)	3,650
1 January 2013	18,289	11,022	(25,661)	3,650
Loss for the period	-	-	(1,683)	(1,683)
30 June 2013	18,289	11,022	(27,344)	1,967

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CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 30 June 2013	Unaudited 6 months ended 30 June 2012	Audited Year ended 31 December 2012
	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
Cash flows from operating activities			
Operating loss	(1,696)	(2,917)	(4,424)
(Increase) in trade and other receivables	(1)	(11)	(129)
Increase (decrease) in trade and other payables	51	525	(257)
Cash absorbed by operations	(1,646)	(2,403)	(4,810)
Cash flows from investing activities			
Interest received	13	63	106
Net movement in cash	(1,633)	(2,340)	(4,704)
Cash at the beginning of the period	3,767	8,471	8,471
Cash at the end of the period	2,134	6,131	3,767

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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 2013 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 2012. The figures for the year ended 31 December 2012 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 22 August 2013.

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, £284,000 (2012 – £233,000) was spent in Mozambique. The whole of the value of the Group's net assets is attributable to UK assets and liabilities (also the case at 30 June 2012).

3. 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