

PATHFINDER MINERALS PLC

INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

PATHFINDER MINERALS PLC

INTERIM REPORT AND FINANCIAL STATEMENTS 2014

CHAIRMAN'S STATEMENT

Introduction

This report for the six months ended 30 June 2014 is published just twelve weeks after my statement accompanying the 2013 annual report. I provided in the annual report a detailed overview of the status of the legal proceedings in Mozambique for which we continue to await material developments.

Legal proceedings in Mozambique

As I have said previously, it is impossible to second-guess the timetable of the principal proceedings ongoing in Mozambique – being Pathfinder's claims for recognition in the Mozambique Supreme Court of the London judgments (the "First and Second Claims for Recognition"); and I should like to remind shareholders that our legal advisers estimate that judgment could be forthcoming at any time between now and approximately two years' time. It was however encouraging to note last month that both the First and Second Claims for Recognition, having been filed in March and August 2013 respectively, have now both been served on the Defendants (autumn last year in the case of the First Claim; and last month in the case of the Second); and have both been subject of final written arguments. It is reassuring to know that the Supreme Court's wheels are turning, however slowly. We are advised that the claims will be decided by the Supreme Court on the papers; and that there will be no oral argument.

By way of reminder, the claims comprise a number of orders for costs (totalling £1,106,000) by the English court; and certain declarations by the English court to the effect that our subsidiary, IM Minerals Limited ("IMM"), did indeed validly acquire its 99.99 per cent. stake in our Mozambique licence-holding subsidiary, Companhia Mineira de Naburi S.A.R.L ("CMDN"). The reason these declarations were essential to Pathfinder was that IMM needed to demonstrate beyond any doubt that it was (and should now still be) the owner of CMDN. General Veloso and Diogo Cavaco have continually argued that they were entitled to request the transfer of the mining licences to their ownership because Pathfinder never validly owned the company from which they were taken. It has been established as a matter of law that this is not the case. As well as seeking to have the English judgments recognised in the Mozambique courts, Pathfinder has drawn them to the attention of the Government of Mozambique. Subject to the Supreme Court's recognition of the orders for costs, Pathfinder will take prompt steps to enforce them against the assets of General Veloso and Diogo Cavaco.

Financial results and current financial position

The Group's Statement of Financial Position shows net assets at 30 June 2014 of £1.6 million (30 June 2013: £2.0 million; 31 December 2013: £2.2 million). The assets are held largely in the form of cash deposits totalling £1.6 million at 30 June 2014 (30 June 2013 and 31 December 2013: £2.1 million). The Board continues to estimate that the Company has sufficient reserves for the foreseeable future.

The Income Statement shows a loss of £0.6 million for the six months ended 2014 (six months ended 30 June 2013: £1.7 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.

Outlook

The board continues to work towards achieving a resolution of its issues concerning asset ownership; and thereafter to contribute to the ongoing development of those assets in Mozambique. We are committed to recovering value for shareholders who have been deprived of the value of these assets and will keep shareholders updated as and when material developments occur.

Henry Bellingham

Chairman

29 September 2014

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited 6 months ended 30 June 2014 | Unaudited 6 months ended 30 June 2013 | Audited Year ended 31 December 2013 |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------|
| | <u>£ '000</u> | <u>£ '000</u> | <u>£ '000</u> |
| Revenue | - | - | - |
| Administrative expenses | (614) | (1,696) | (1,480) |
| Operating loss | (614) | (1,696) | (1,480) |
| Finance income | 8 | 13 | 21 |
| Loss on ordinary activities before taxation | (606) | (1,683) | (1,459) |
| Taxation | - | - | - |
| Comprehensive loss for the period | (606) | (1,683) | (1,459) |
| Loss per share (based on 1,037,167,230 shares in issue throughout each of the periods covered by this report) | (0.1p) | (0.2p) | (0.1p) |

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STATEMENT OF CONSOLIDATED FINANCIAL POSITION

| | Unaudited 30 June 2014 | Unaudited 30 June 2013 | Audited 31 December 2013 |
|---------------------------------------|---------------------------------------|------------------------------|--------------------------------|
| | <u>£ '000</u> | <u>£ '000</u> | <u>£ '000</u> |
| Assets | | | |
| Current assets | | | |
| Trade and other receivables | 180 | 164 | 185 |
| Cash and cash equivalents | 1,619 | 2,134 | 2,134 |
| | | <u>2,298</u> | <u>2,319</u> |
| Total assets | 1,799 | 2,298 | 2,319 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 214 | 331 | 128 |
| Total liabilities | 214 | 331 | 128 |
| Total net assets | 1,585 | 1,967 | 2,191 |
| Equity | | | |
| Share capital - issued and fully paid | 18,289 | 18,289 | 18,289 |
| Share premium | 11,022 | 11,022 | 11,022 |
| Retained loss | (27,726) | (27,344) | (27,120) |
| Total equity | 1,585 | 1,967 | 2,191 |

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Share Capital | Share Premium | Retained Earnings | Total |
|-------------------------|--------------------------|--------------------------|------------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| 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 |
| 1 January 2013 | 18,289 | 11,022 | (25,661) | 3,650 |
| Loss for the year | - | - | (1,459) | (1,459) |
| 31 December 2013 | 18,289 | 11,022 | (27,120) | 2,191 |
| 1 January 2014 | 18,289 | 11,022 | (27,120) | 2,191 |
| Loss for the period | - | - | (606) | (606) |
| 30 June 2014 | 18,289 | 11,022 | (27,726) | 1,585 |

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CONSOLIDATED CASH FLOW STATEMENT

| | Unaudited 6 months ended 30 June 2014 | Unaudited 6 months ended 30 June 2013 | Audited Year ended 31 December 2013 |
|----------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------|
| | <u>£ '000</u> | <u>£ '000</u> | <u>£ '000</u> |
| Cash flows from operating activities | | | |
| Operating loss | (614) | (1,696) | (1,480) |
| Decrease (increase) in trade and other receivables | 5 | (1) | (22) |
| Increase (decrease) in trade and other payables | 86 | 51 | (152) |
| Cash absorbed by operations | (523) | (1,646) | (1,654) |
| Cash flows from investing activities | | | |
| Interest received | 8 | 13 | 21 |
| Net movement in cash | (515) | (1,633) | (1,633) |
| Cash at the beginning of the period | 2,134 | 3,767 | 3,767 |
| Cash at the end of the period | 1,619 | 2,134 | 2,134 |

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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 2014 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 2013. The figures for the year ended 31 December 2013 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 29 September 2014.

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, £69,000 (2013 – £284,000) 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 2013).

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