

PATHFINDER MINERALS PLC

INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

PATHFINDER MINERALS PLC

INTERIM REPORT AND FINANCIAL STATEMENTS 2016

CHAIRMAN'S STATEMENT

Introduction

It has been approximately three months since I last updated shareholders, in my statement accompanying the 2015 annual report, on the steps being taken to recover Pathfinder's assets and address Company's financial situation. Pathfinder made progress in both of these areas during the six month period ended 30 June 2016.

Steps to recover the Company's assets

On 6 May 2016, Pathfinder announced the appointment of Eduardo C. Mondlane Jr as its regional representative in Mozambique. Mr Mondlane Jr is a highly respected Mozambican who has been providing strategic advisory services in Africa for thirty years across industries including aerospace, infrastructure, energy, power and financial services. He has advised companies including Boeing Commercial Airplanes, United Technologies, Siemens and GE Capital Aviation. He has also served on the boards of Absa Group and Bank (Barclays Africa) and other Barclays African subsidiary banks.

Mr Mondlane Jr and members of Pathfinder's legal counsel in Mozambique have in recent months been actively engaged in discussions with relevant departments within the Mozambique Government with the ultimate aim of restoring control of the areas previously licensed to the Company under mining concessions 760C and 4623C (the "Licences"). Shareholders will recall that the Company was deprived of the Licences in late 2011 as a result of their transfer to an unaffiliated entity via a process which the Company believes was defective. Pathfinder is doing all it can to advance such discussions but I am unable to provide any visibility over either the outcome of the dialogue or the time it may take to achieve a resolution. We are however encouraged by the much improved level of engagement with the Mozambique Government.

Pathfinder continues to pursue its legal strategy in parallel with the Company's dialogue with the Mozambique Government. The most significant element remains the decisions awaited from the Mozambique Supreme Court (the "Supreme Court") in respect of the Company's application to appeal, on the basis of a previous conflicting decision, the Supreme Court's decision to refuse to recognise certain costs orders made by the English courts; and in respect of the Company's application to the Supreme Court to recognise the substantive judgment by the English court regarding Pathfinder's ownership of Companhia Mineira de Naburi SARL ("CMDN"), the subsidiary company to which the Licences were registered prior to their expropriation.

It remains impossible to predict what the outcome will be from the Supreme Court. Indeed, the Company is advised by its Mozambique counsel that a positive outcome from the Supreme Court would likely have the effect of bringing to a successful conclusion the various proceedings in the commercial court in Maputo surrounding the same issue on which the English court has already ruled. Whatever the outcome, the Company may still seek to recover its assets or seek compensation for its loss through other judicial processes.

The only update to have been received this year in respect of the legal proceedings ongoing in the commercial court in Maputo (the "Maputo Court") was announced on 8 April 2016. This announcement recorded the Maputo Court's refusal to hear a challenge brought by Pathfinder's subsidiary, IM Minerals Limited, to the validity of a shareholder resolution of CMDN, purportedly passed in May 2009. Pathfinder applied to the Maputo Court on 13 April 2016 to appeal this defective decision, which is inconsistent with previous judgments in each of the Supreme Court, the English High Court and the Maputo Court. Permission to appeal was granted on 13 June 2016 and a decision is awaited.

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CHAIRMAN'S STATEMENT - continued

Corporate events

On 10 March 2016, James Normand resigned from the Board as Finance Director and, on 29 March 2016, we welcomed Robert Easby as his replacement. Robert qualified as a Chartered Accountant in 2000 and spent his early career in audit compliance and as a Company Law specialist within a large regional Chartered Certified Accountancy practice.

Concurrent with the appointment of Mr Mondlane Jr, and as announced on 6 May 2016, the Company has agreed that, in the event that Pathfinder is successful in regaining control of the Licences, it will issue ordinary shares to Mr Mondlane Jr equivalent to up to 25 per cent of the enlarged issued share capital of Pathfinder. In such circumstances, it is envisaged that the Mr Mondlane Jr 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.

On 22 June 2016, Pathfinder announced that it had been successful in obtaining final charging orders from the English High Court against the aggregate 19,824,000 shares held in Pathfinder by Jacinto Veloso's company and Diogo Cavaco (the "Defendants"). The English High Court has previously ordered the Defendants to pay £1.1 million worth of costs to Pathfinder in respect of the 2012 English proceedings but the Defendants have not complied with any of the costs orders. The effect of the charging orders was to charge their shares in the Company with payment of the amount of the costs orders plus interest, currently totalling in excess of £1.4 million. On 24 August 2016, Pathfinder announced that it has successfully achieved the next objective in this process and obtained a sale order in respect of those shares. The effect is that, unless the Defendants pay Pathfinder the amounts described above, the Company may sell sufficient of their shares to discharge the debt. The directors intend to maximise the value which will be obtained from the sale of the shares at some point in the future by way of an orderly placing.

Financial results and current financial position

The Board has taken a number of definitive actions to reduce the central overhead of the Company to enhance its ability to continue pursuing its asset recovery strategy – which, among other things, necessitates the ongoing payment of legal fees. The Company has foregone a physical head office; the overall cost of directors' fees has reduced and was approximately 10% less than the cost of directors' fees in the equivalent period in 2015; and payment of an aggregate 25% of the directors' fees incurred in the period under review has been deferred until such time as the Company is in materially better financial health. We expect the cost of directors' fees, and the amounts of which are being deferred, to reduce further still in the second half of the year as the full benefit of the reconfigured Board takes effect.

A number of share subscriptions occurred during the period under review which have the effect of moderately strengthening the Company's cash position while the directors seek more substantial sources of funding required to shore up the Company's balance sheet. Accordingly, the Company's cash resources were bolstered by the receipt of £295,500 in net proceeds received from two share subscriptions in March 2016 – one-third of which was invested by the Company's chief executive officer.

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CHAIRMAN'S STATEMENT - continued

The financial statements of the Pathfinder Group for the six months ended 30 June 2016 follow later in this report. The Income Statement shows a reduced loss of £404,000 (H1 2015 - £695,000) of which £113,000 relates to directors' fees that are recorded as a liability in Trade and other payables but actual payment of which have been deferred as described above and in Note 2 to these accounts.

The Group's Statement of Financial Position shows net assets (excluding the £113,000 of deferred fees described above) at 30 June 2016 of £51,000 (31 December 2015 – £42,000). The assets are held largely in the form of cash deposits (totalling £135,000 at the end of the period). Two further subscriptions by private investors occurred after the period under review, in August 2016, producing a further £45,000 in net proceeds.

Outlook

The Board is encouraged by the ongoing dialogue with the Mozambique Government which reflects a level of engagement that the Company has not hitherto been afforded. We are at the same time continuing to pursue our legal strategy vigorously in the event that we should need to rely upon it to resolve the matters or provide compensation for the Company's loss. The directors are continuing to address the financial position of the Company with the aim of sourcing sufficient capital to bring its strategy to recover the Licences to a successful conclusion. On behalf of the Board, I should like to thank our investors once again for their unwavering support as we seek to recover the valuable assets of which the Company has been unlawfully deprived.

Sir Henry Bellingham

Chairman

22 September 2016

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 June 2016	Unaudited 6 months ended 30 June 2015	Audited Year ended 31 December 2015
	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
Revenue	-	-	-
Other operating income	-	-	3
Administrative expenses	(404)	(699)	(1,104)
Operating loss	(404)	(699)	(1,101)
Finance income	-	4	8
Loss on ordinary activities before taxation	(404)	(695)	(1,093)
Taxation	-	-	-
Comprehensive loss for the period	(404)	(695)	(1,093)
Loss per share (2015 figures based on 103,716,723 shares in issue throughout the period)	(0.34p)	(0.67p)	(1.05p)

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STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	Unaudited 30 June 2016	Unaudited 30 June 2015	Audited 31 December 2015
	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
Assets			
Current assets			
Trade and other receivables	23	123	94
Cash and cash equivalents	135	592	80
	<u>158</u>	<u>715</u>	<u>174</u>
Total assets	<u>158</u>	<u>715</u>	<u>174</u>
Equity			
Share capital - issued and fully paid	18,322	18,289	18,289
Share premium	11,289	11,022	11,022
Retained loss	(29,673)	(28,871)	(29,269)
Total equity	<u>(62)</u>	<u>440</u>	<u>42</u>
Liabilities			
Current liabilities			
Trade and other payables	220	275	132
Total liabilities	<u>220</u>	<u>275</u>	<u>132</u>
Total equity and liabilities	<u>158</u>	<u>715</u>	<u>174</u>

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Share Premium	Retained Earnings	Total
	£'000	£'000	£'000	£'000
1 January 2015	18,289	11,022	(28,176)	1,135
Loss for the period	-	-	(695)	(695)
30 June 2015	18,289	11,022	(28,871)	440
1 January 2015	18,289	11,022	(28,176)	1,135
Loss for the year	-	-	(1,093)	(1,093)
31 December 2015	18,289	11,022	(29,269)	42
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)

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CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 30 June 2016	Unaudited 6 months ended 30 June 2015	Audited Year ended 31 December 2015
	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
Cash flows from operating activities			
Operating loss	(404)	(695)	(1,093)
Finance income	-	(4)	(8)
(Increase) decrease in trade and other receivables	71	(62)	(33)
Increase (decrease) in trade and other payables	88	177	34
Cash absorbed by operations	(245)	(584)	(1,100)
Cash flows from investing activities			
Finance income	-	4	8
Share issue	300	-	-
Net movement in cash	55	(580)	(1,092)
Cash at the beginning of the period	80	1,172	1,172
Cash at the end of the period	135	592	80

PATHFINDER MINERALS LIMITED

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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 (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 2016 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 2015. The figures for the year ended 31 December 2015 have been extracted from these financial statements, which have been delivered to the Registrar of Companies and which contain an unqualified audit report.

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 22 September 2016.

2. GOING CONCERN

As explained in the 2015 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. The Board has concluded, as set out in the Chairman's Statement, that it currently believes that it has sufficient resources to see through its strategy to recover the assets improperly expropriated from it.

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 £113,000. The directors have agreed 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, £28,000 (2015 – £148,000) was spent in Mozambique. Since, in the interest of accounting prudence, full provision has been made against 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 2015).

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.