

**Annual Report and
Consolidated Financial Statements for the Year Ended 31 December 2018
for
PATHFINDER MINERALS PLC**

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Company Information
for the Year Ended 31 December 2018

DIRECTORS:	Sir H C Bellingham S J Farrell J Taylor
SECRETARY:	D Maling
REGISTERED OFFICE:	Becket House 36 Old Jewry London EC2R 8DD
REGISTERED NUMBER:	02578942 (England and Wales)
INDEPENDENT AUDITORS:	Chapman Davis LLP 2 Chapel Court London SE1 1HH
SOLICITORS:	Travers Smith LLP 10 Snow Hill London EC1A 2AL
NOMINATED ADVISOR AND BROKER:	Strand Hanson Limited 26 Mount Row London W1K 3SQ
REGISTRARS:	Link Assets Services 34 Beckenham Road Beckenham Kent BR3 4TU
BANKERS:	Royal Bank of Scotland 1 Dale Street Liverpool L2 2PP

INTRODUCTION

During 2018, the Board continued to pursue the reinstatement to Pathfinder Minerals plc ("Pathfinder", the "Company" or, together with its subsidiaries, the "Group") of the areas previously licensed to Pathfinder in Mozambique under Mining Concession nos. 760C and 4623C (now consolidated as Mining Concession no. 4623C (the "Licence")). I am very encouraged by the progress being made and optimistic about the range of options being proposed to us. As announced on 3 June 2019, the Board is focused on gaining further clarity from the various interested counterparties on their proposal structures. I look forward to updating shareholders further if and when progress is made towards a resolution that is to the satisfaction of all parties.

REVIEW OF ACTIVITY FOR THE PERIOD

In the early part of 2018, Pathfinder reported that it continued to pursue a dual-track strategy to recover control of the Licence either through the legal process or by way of a negotiated settlement. The Company subsequently reported that the prospects of a negotiated settlement had stalled.

A general meeting of the Company was requisitioned by certain shareholders on 4 April 2018 proposing changes to the composition of the Board.

On 9 May 2018, Pathfinder announced it had raised £250,000 in order to provide additional working capital; along with certain prospective management changes. The requirement for the Company to proceed with the abovementioned requisitioned general meeting was withdrawn on the same date.

On 22 May 2018, the Supreme Court in Mozambique notified the Company of its request for final written submissions in relation to Pathfinder's application for recognition of the 2012 English High Court ruling in its favour. The Company complied and lodged final written submissions. The Board has no visibility over the timing of judgment and has received no further communication since then from the Supreme Court in Mozambique.

On 10 August 2018, the Company appointed Strand Hanson Limited as its Nominated Adviser and Broker.

On 23 October 2018, Pathfinder announced it had raised a further £150,000 for working capital.

POST THE PERIOD END

Post the reporting period end, on 11 February 2019, the Company announced it had engaged Africa Focus Group Limited ("AFG"), a Hong Kong-based company with a Johannesburg consultancy office specialising in mergers and acquisitions in southern Africa, to provide assistance to the Company in pursuing completion of a transaction with the owners of Pathfinder Moçambique, S.A (the current Licence holder) pursuant to which Pathfinder, or a wholly owned subsidiary of Pathfinder, would re-establish an interest in the Licence.

This process has and continues to progress positively and, on 10 April 2019, the Company announced that it was evaluating multiple transaction structures, taking into account commercial and regulatory factors, through which the Company could hold its interest in the Licence and deliver value for shareholders; and that the principle of a proposed transaction had been agreed between Pathfinder and General Jacinto Veloso who, with his family interests, is a 50 per cent shareholder in Pathfinder Moçambique, S.A..

In parallel, the Board commenced discussions with regards to potential funding strategies (including through partnerships or debt provision) to facilitate a transaction and finance further development of the Licence. Discussions are constructive and ongoing.

The Company has raised a further £335,000 via new share issues in April and June 2019.

VALUE

Shareholders should not lose sight of the value that lies within the opportunity they have waited so patiently to pursue.

**Chairman's Statement
for the Year Ended 31 December 2018**

Earlier this year, the Board commissioned an independent technical consultant, 2M Mineral Services Limited, to prepare a revised Scoping Study on the Licence (the "2019 Report"), which included a revision of the capital and operating costs and pricing assumptions that were presented in the original URS/Scott Wilson 2011 scoping study report (the "2011 Report"). This revision resulted in an estimated pre-tax net present value ("NPV") at a 10 per cent discount rate of US\$1.05 billion; with projected annual revenues of US\$323 million over a mine life of 30 years. The project internal rate of return ("IRR") is expected to be approximately 25 per cent. The revised findings represent a near doubling of the previously reported equivalent NPV and an increase of 6.1 per cent in the project IRR.

A summary of the key differences in scoping study outcomes between the 2011 Report and the 2019 Report is set out below.

Key Differences in Scoping Study Outcomes between 2011 and 2019 Scoping Study Reports:				
		2011	2019	Change %
Estimated Run of Mine production	Mtpa	47.7	47.7	0%
Estimated Life of Mine	Years	30	30	0%
Estimated Mineral Content Split of Final Product	Ilmenite	93.4%	93.4%	0%
	Rutile	1.8%	1.8%	0%
	Zircon	4.8%	4.8%	0%
Estimated Annual Production ('000 tonnes)	Ilmenite	1,245	1,245	0%
	Rutile	24	24	0%
	Zircon	65	65	0%
Projected Annual Revenues	US\$ m	247	323	+19.4%
Initial Capital Cost	US\$ m	686	742	+7.5%
Estimated Pre-tax IRR	%	18.8%	24.9%	+6.1%*
Estimated Pre-tax NPV @ 10% discount rate	US\$ m	529	1,046	+97.7%
Pricing Assumptions (USD/tonne)	Ilmenite	125	173	+38.4%
	Rutile	677	908	+34.1%
	Zircon	1,148	1,320	+15.0%

* On an absolute basis

LEADERSHIP CHANGES

During 2018, new leadership was appointed with a view to optimising the prospect of a successful recovery of the Licence. In August 2018, Nick Trew stepped down from the Board and Simon Farrell and Scott Richardson-Brown joined the Board in the roles of Non-executive Co-Chairman and Executive Director, respectively. Scott Richardson-Brown was later appointed to the role of Chief Executive Officer. Throughout the year considerable progress has been made in driving the Company's strategy to a successful conclusion and a huge amount of effort has been devoted to preserving the financial health of a non-revenue-generating, listed company working to resolve a complex situation.

Scott Richardson-Brown left the Company on 3 June 2019 to pursue other business interests, and the Board wishes him well with his future endeavours. John Taylor was appointed as the Company's new Chief Executive Officer on the same date and I am happy to report there has been no let-up in the pace of operations and activity since then. John is focused on assisting Pathfinder in delivering a timely and positive solution to shareholders in what the Board views as a highly opportunistic period to reach a final settlement.

FINANCIAL RESULTS AND CURRENT FINANCIAL POSITION

During the period the Company issued 42,111,106 new ordinary shares to raise £400,000 in cash and settle £81,000 in corporate fees.

The financial statements of the Pathfinder Group for the year ended 31 December 2018 follow later in this report. The Income Statement shows a loss of £645,000 (2017 - £615,000) of which £61,000 relates to directors' fees and pension contributions that are recorded as a liability in 'Trade and other payables' but actual payment of which had been deferred as described in 'Note 18' to these accounts in order to conserve the Company's cash resources during this period. £24,478 was also expensed relating to the issue of 15,250,000 options to Directors during the period. Since the period end, the accrued unpaid directors' fees and pension liabilities up to 31 May 2019 have been settled in full through the issue of new ordinary shares in the Company.

The Group's Statement of Financial Position shows net assets (excluding £337,000 of deferred fees and pension contributions described in 'Note 18') at 31 December 2018 of £139,000 (31 December 2017 - £224,000). The assets are held largely in the form of cash deposits and receivables. Following the Company's share issues in April and June 2019 and the receipt of cash proceeds from the exercise of warrants, the Company's cash position as at 27 June 2019 stands at £520,000.

OUTLOOK

Discussions are continuing to progress in a positive way both with regards to a transaction in respect of the Licence and with prospective funders who are conducting their own asset-level due diligence. Should a transaction be concluded, the Board anticipates that the effect on the business would likely be transformational.

On behalf of the Board, I should like to thank all shareholders for their patience and support while the Board is continuing to do everything within its power to recover the Licence on terms which deliver value for Pathfinder's existing shareholders. I look forward to updating the market on progress in the near future.

ON BEHALF OF THE BOARD:

Sir H C Bellingham - Director
27 June 2019

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2018.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2018.

An overview of the Group results is presented in the Chairman's Statement.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the period from 1 January 2018 to the date of this report.

Sir H C Bellingham

S Farrell (appointed 10 August 2018)

J Taylor (appointed 3 June 2019)

S Richardson Brown (appointed 10 August 2018 and resigned 3 June 2019)

N S Trew (resigned 20 August 2018)

R P Easby (resigned 10 August 2018)

FINANCIAL INSTRUMENTS

The Company's financial instruments consist entirely of cash that arises directly from its operations. The main purpose of these financial instruments is to fund the Company's operations as well as to manage working capital, liquidity and invest surplus funds. It is, and has been throughout the period under review, the Company's policy not to enter into derivative transactions and no trading in financial instruments has been undertaken.

POLITICAL DONATIONS AND EXPENDITURE

No charitable or political contributions were made during the current or previous year.

MAJOR SHAREHOLDERS

As at 27 June 2019 the following shareholders were beneficially interested in 3% or more of the Company's ordinary share capital insofar as the Company is aware and based on information disclosed to the Company by those shareholders at this date.

Shareholder name	Number of 0.1p ordinary shares	Shareholding percentage
Align Research and related party - R S & C A Jennings	28,500,000	9.1%
Mr Nicholas Trew (prior Director)	23,208,085	7.4%

COMPANY'S POLICY ON PAYMENT OF CREDITORS

It is the Company's policy to pay suppliers in accordance with the payment terms negotiated with them. The Company's average creditor days during the year were 32 days (2017: 20 days).

RISK EXPOSURE

The Companies Act 2006 requires the directors to set out in this report how the Group manages its exposure to risk.

The directors consider that the Company has sufficient cash and cash equivalents to meet its foreseeable operational requirements.

CORPORATE GOVERNANCE

As an AIM-quoted company, the Company is required to apply a recognised corporate governance code, demonstrate how the Group complies with such corporate governance code and where it departs from it. The Board of Pathfinder,

which is responsible for the direction and oversight of all of our activities, believes that a sound corporate governance policy, involving a transparent set of procedures and practices, is an essential ingredient to the Company's success both in the medium and long term. The application of these policies enables key decisions to be made by the Board as a whole, and for the Company to function in a manner that takes into account all stakeholders in the Group, including employees, suppliers and business partners.

The directors of the Company have formally made the decision to apply the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The Board recognises the principles of the QCA Code are best suited to companies such as Pathfinder, although it must be recognised that Pathfinder is operating in a fairly unique set of circumstances and has quite a troubled history with significant recent changes.

The key governance related matters that occurred during the financial year ended 31 December 2018 was the formal adoption of the QCA Code and the Board changes outlined above.

For the Company's detailed corporate governance statement please see Pathfinder's website at www.pathfindeminerals.com.

DISCLOSURE IN THE STRATEGIC REPORT

Strategic matters relating to the Company throughout the reporting period are outlined in the Chairman's Statement.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The directors have considered the appropriateness of the going concern concept in the preparation of the financial statements, especially considering the negative equity position the Company is in. After a review of the cash requirements of the Company, the directors believe that the Company will have sufficient cash reserves available for at least the next 12 months from the date of this report. As disclosed in note 20, the Company has raised £335,000 via new share issues, £183,000 from warrant exercise and settled deferred director fees totaling £309,000 after the balance sheet date in order to remedy the negative equity position.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

The auditors, Chapman Davis LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

John Taylor - Director
27 June 2019

OPINION

We have audited the financial statements of Pathfinder Minerals Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows, and the related notes 1 to 20, including the significant accounting policies in note 3.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's and the Parent Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS REGARDING GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, are of most significance in our audit of the financial statements of the current period. Such matters would be addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and a separate opinion on such matters would not be provided.

We have determined that there are no key audit matters to be communicated in our report.

MATERIALITY

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of any misstatements identified. Based on professional judgement, we determined overall materiality for the financial statements as a whole to be £32,000, being 5% of the loss for the year and less than 7.5% of total liabilities.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors and Strategic Report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit we have not identified material misstatements in the Directors and Strategic Report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF THE DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

**Report of the Independent Auditors to the Members of
Pathfinder Minerals Plc**

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Keith Fulton (Senior Statutory Auditor) for and
on behalf of Chapman Davis LLP Chartered
Accountants and Statutory Auditors
2 Chapel Court
London
SE1 1HH

27 June 2019

PATHFINDER MINERALS PLC

**Consolidated Income Statement
for the Year Ended 31 December 2018**

	Notes	2018 £'000	2017 £'000
CONTINUING OPERATIONS			
Revenue		-	-
Other operating income		-	-
Administrative expenses	5	(645)	(615)
OPERATING LOSS		(645)	(615)
Finance income	7	-	-
LOSS BEFORE INCOME TAX		(645)	(615)
Income tax	8	-	-
LOSS FOR THE YEAR		(645)	(615)
Loss attributable to: Owners of the parent		(645)	(615)
Earnings / (loss) per share expressed in pence per share:			
Basic	10	(0.26)	(0.33)
Diluted		(0.26)	(0.33)

The notes form part of these financial statements

PATHFINDER MINERALS PLC

**Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2018**

	2018 £'000	2017 £'000
LOSS FOR THE YEAR	(645)	(615)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(645)	(615)
Total comprehensive income attributable to: Owners of the parent	(645)	(615)

The notes form part of these financial statements

Consolidated Statement of Financial Position
31 December 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	-	-
Investments	12	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Trade and other receivables	13	192	56
Cash and cash equivalents	14	<u>52</u>	<u>248</u>
		<u>244</u>	<u>304</u>
TOTAL ASSETS		<u><u>244</u></u>	<u><u>304</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	18,458	18,416
Share premium		12,431	11,997
Share based payments reserve		25	-
Retained earnings		<u>(31,110)</u>	<u>(30,465)</u>
TOTAL EQUITY		<u>(196)</u>	<u>(52)</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	<u>440</u>	<u>356</u>
TOTAL LIABILITIES		<u>440</u>	<u>356</u>
TOTAL EQUITY AND LIABILITIES		<u><u>244</u></u>	<u><u>304</u></u>

The financial statements were approved by the Board of Directors on 27 June 2019 and were signed on its behalf by:

John Taylor - Director

The notes form part of these financial statements

Company Statement of Financial Position
31 December 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	-	-
Investments	12	-	-
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Trade and other receivables	13	192	56
Cash and cash equivalents	14	52	248
		<u>244</u>	<u>304</u>
TOTAL ASSETS		<u>244</u>	<u>304</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	18,458	18,416
Share premium		12,431	11,997
Share based payments reserve		25	-
Retained earnings		(31,110)	(30,465)
TOTAL EQUITY		<u>(196)</u>	<u>(52)</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	440	356
TOTAL LIABILITIES		<u>440</u>	<u>356</u>
TOTAL EQUITY AND LIABILITIES		<u>244</u>	<u>304</u>

The financial statements were approved by the Board of Directors on 27 June 2019 and were signed on its behalf by:

John Taylor - Director

The notes form part of these financial statements

**Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2018**

	Called up share capital £'000	Retained earnings £'000	Share Based Payments £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2017	18,345	(29,850)	-	11,445	(60)
Changes in equity					
Issue of share capital	71	-	-	552	623
Total comprehensive income	-	(615)	-	-	(615)
Balance at 31 December 2017	<u>18,416</u>	<u>(30,465)</u>	<u>-</u>	<u>11,997</u>	<u>(52)</u>
Changes in equity					
Issue of share capital	42	-	-	439	481
Share based payment charge	-	-	25	-	25
Cost of share issue	-	-	-	(5)	(5)
Total comprehensive income	-	(645)	-	-	(645)
Balance at 31 December 2018	<u>18,458</u>	<u>(31,110)</u>	<u>25</u>	<u>12,431</u>	<u>(196)</u>

The notes form part of these financial statements

**Company Statement of Changes in Equity
for the Year Ended 31 December 2018**

	Called up share capital £'000	Retained earnings £'000	Share Based Payments £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2017	18,345	(29,850)	-	11,445	(60)
Changes in equity					
Issue of share capital	71	-	-	552	623
Total comprehensive income	-	(615)	-	-	(615)
Balance at 31 December 2017	<u>18,416</u>	<u>(30,465)</u>	<u>-</u>	<u>11,997</u>	<u>(52)</u>
Changes in equity					
Issue of share capital	42	-	-	439	481
Share based payment charge	-	-	25	-	25
Cost of share issue	-	-	-	(5)	(5)
Total comprehensive income	-	(645)	-	-	(645)
Balance at 31 December 2018	<u>18,458</u>	<u>(31,110)</u>	<u>25</u>	<u>12,431</u>	<u>(196)</u>

PATHFINDER MINERALS PLC**Consolidated Statement of Cash Flows
for the Year Ended 31 December 2018**

	2018 £'000	2017 £'000
Cash flows from operating activities		
Operating loss	<u>(645)</u>	<u>(615)</u>
Adjustments for:		
Share-based payments	106	-
(Increase)/decrease in receivables	(136)	10
Increase/(decrease) in payables	86	96
Foreign exchange loss	(2)	-
 Net cash from operating activities	 <u>(591)</u>	 <u>(509)</u>
 Cash flows from investing activities		
Purchase of tangible fixed assets	-	-
Interest received	<u>-</u>	<u>-</u>
 Net cash from investing activities-	 <u>-</u>	 <u>-</u>
 Cash flows from financing activities		
Proceeds on issuing ordinary shares	400	664
Share issue expenses	<u>(5)</u>	<u>(41)</u>
 Net cash from financing activities	 <u>395</u>	 <u>623</u>
 Increase in cash and cash equivalents	 <u>(196)</u>	 <u>114</u>
Cash and cash equivalents at beginning of year	 <u>248</u>	 <u>134</u>
 Cash and cash equivalents at end of year	 <u><u>52</u></u>	 <u><u>248</u></u>

The notes form part of these financial statements

PATHFINDER MINERALS PLC

**Company Statement of Cash Flows
for the Year Ended 31 December 2018**

	2018 £'000	2017 £'000
Cash flows from operating activities		
Operating loss	<u>(645)</u>	<u>(615)</u>
Adjustments for:		
Share-based payments	106	-
(Increase)/decrease in receivables	(136)	10
Increase/(decrease) in payables	86	96
Foreign exchange loss	(2)	-
 Net cash from operating activities	 <u>(591)</u>	 <u>(509)</u>
 Cash flows from investing activities		
Purchase of tangible fixed assets	-	-
Interest received	<u>-</u>	<u>-</u>
 Net cash from investing activities-	 <u>-</u>	 <u>-</u>
 Cash flows from financing activities		
Proceeds on issuing ordinary shares	400	664
Share issue expenses	<u>(5)</u>	<u>(41)</u>
 Net cash from financing activities	 <u>395</u>	 <u>623</u>
 Increase in cash and cash equivalents	 <u>(196)</u>	 <u>114</u>
Cash and cash equivalents at beginning of year	 <u>248</u>	 <u>134</u>
 Cash and cash equivalents at end of year	 <u><u>52</u></u>	 <u><u>248</u></u>

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2018**

1. **GENERAL INFORMATION**

Pathfinder Minerals Plc is a public limited company whose ordinary shares are quoted on the AIM, a market operated by the London Stock Exchange; and is incorporated and domiciled in the UK. The address of its registered office is Becket House, 36 Old Jewry, London EC2R 8DD.

The financial statements of Pathfinder Minerals PLC for the year ended 31 December 2018 were authorised for issue by the Board on 27 June 2019 and the statement of consolidated financial position signed on the Board's behalf by Sir Henry Bellingham.

2. **STATUTORY INFORMATION**

Pathfinder Minerals Plc is a public company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the General Information page.

3. **ACCOUNTING POLICIES**

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention and are presented in the functional currency in £'000.

As a result of the funding activities undertaken since the year end, the Company has improved its short-term liquidity position. The Board has reviewed the Company's cash requirements for the next 12 months and, after taking account of reasonably possible changes in both expenditure and equity investment, have concluded that the Company should be able to operate within its current level of financing.

The directors have considered the appropriateness of the going concern concept in the preparation of the financial statements, especially considering the negative equity position the company is in. After a review of the cash requirements of the Company, the directors believe that the company will have sufficient cash reserves available for at least the next 12 months from the date of this report. As disclosed in note 20, the Company has raised £335,000 via new share issues, £183,000 from warrant exercise and settled deferred director fees totaling £309,000 after the balance sheet date in order to remedy the negative equity position.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Although the Company's direct subsidiary, IM Minerals Limited, itself holds the whole of the issued share capital of Companhia Mineira de Naburi SARL, which in turn holds the whole of the issued share capital of Sociedade Geral de Mineracao de Moçambique SARL, events in 2011 indicated that the Company does not control either of these sub-subsidiaries. Neither has it been possible to obtain audited accounts for them. Accordingly these financial statements consolidate the financial statements of IM Minerals Limited only. IM Minerals Limited is a dormant intermediate holding company.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery - 33% on cost

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

3. **ACCOUNTING POLICIES - continued**

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the income statement in the period to which they relate.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short term highly liquid deposits with original maturities of three months or less.

New standards, amendments and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

No retrospective adjustments were required following the adoption of IFRS 9 and IFRS 15.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate IFRS 9 categories. No reclassifications were required.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.
- IFRS 17 Insurance Contracts (effective date 1 January 2021).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

Critical accounting estimates and judgements

The preparation of financial information in accordance with generally accepted accounting practice, in the case of the Group using International Financial Reporting Standards as adopted by the European Union, requires the directors to make estimates and judgements that affect the reported amount of assets, liabilities, income and expenditure and the disclosures made in the financial statements. Such estimates and judgements must be continually evaluated based on historical experience and other factors, including expectations of future events.

Details of accounting estimates and judgements that have the most significant effect on the amounts recognised in the financial statements have been disclosed under the relevant note or accounting policy for each area where disclosure is required.

4. SEGMENTAL REPORTING

The Group has one activity only. Of the Group's administrative expenses, £73,000 (2017: £21,000) was spent in Mozambique relating to legal and consulting. The whole of the value of the Group's and the Company's net assets in their respective financial statements at 31 December 2018 and 2017 was attributable to UK assets and liabilities.

5. ADMINISTRATIVE EXPENSES

Group and Company

	2018 £'000	2017 £'000
Loss from operations has been arrived at after charging:	(645)	(615)
Directors Remuneration	195	278
Share based payment charge – Director options issue	25	-
Legal Fees	80	43
Nomad Fees	70	46
Audit fees	10	10

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

6. EMPLOYEES AND DIRECTORS

There were no employees, other than the directors.

The following tables set out and analyse the remuneration of directors for the years ended 31 December 2018 and 2017.

Year ended 31 December 2018:

	Salary £000	Benefits in kind £000	Total emoluments £000	Contributions to Pension schemes £000	Share based Payments £000	Total Remuneration 2018 £000
Henry Bellingham	30	-	30	-	5	35
S Farrell	9	-	9	-	10	19
S Richardson Brown	9	-	9	-	10	19
Nicholas Trew	105	-	105	4	-	109
Robert Easby	38	-	38	-	-	38
	<u>191</u>	<u>-</u>	<u>191</u>	<u>4</u>	<u>25</u>	<u>220</u>

Year ended 31 December 2017:

	Salary £000	Benefits in kind £000	Total emoluments £000	Contributions to pension schemes £000	Total remuneration 2017 £000
Henry Bellingham	48	-	48	-	48
Nicholas Trew	150	5	155	15	170
Robert Easby	60	-	60	-	60
	<u>258</u>	<u>5</u>	<u>263</u>	<u>15</u>	<u>278</u>

No share options were exercised by the directors, and no shares were received or receivable by any director in respect of qualifying services under a long-term incentive scheme.

7. NET FINANCE INCOME

	2018 £'000	2017 £'000
Finance income:		
Deposit account interest	<u>-</u>	<u>-</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

8. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2018 nor for the year ended 31 December 2017.

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £'000	2017 £'000
Loss before income tax	(645)	(615)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19%)	(123)	(117)
Effects of:		
Non-deductible expenses (£25,000 Share Issue Expense)	5	-
Income not chargeable to tax	-	(32)
Unrelieved tax losses carried forward	118	148
Tax expense	-	-

9. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £645,240 (2017 - £615,224).

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018

10. LOSS PER SHARE

Basic loss per share is calculated, as set out in the tables below, by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

A diluted loss per share has not been calculated as the effect of the exercise of outstanding warrants and options would be anti-dilutive.

	Loss £'000	2018 Weighted average number of shares	Per-share amount pence
Basic			
Earnings/(loss) attributable to ordinary shareholders	(645)	250,218,268	(0.26)
	<u> </u>	<u> </u>	<u> </u>
Diluted			
Adjusted earnings	<u>(645)</u>	<u>250,218,268</u>	<u>(0.26)</u>

	Loss £'000	2017 Weighted average number of shares	Per-share amount pence
Basic			
Earnings/(loss) attributable to ordinary shareholders	(615)	185,404,008	(0.33)
Effect of dilutive securities	<u>-</u>	<u>-</u>	<u>-</u>
Diluted			
Adjusted earnings	<u>(615)</u>	<u>185,404,008</u>	<u>(0.33)</u>

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery £'000
COST	
At 1 January 2018	<u>2</u>
At 31 December 2018	<u>2</u>
DEPRECIATION	
At 1 January 2018	2
Charge for year	<u>-</u>
At 31 December 2018	<u>2</u>
NET BOOK VALUE	
At 31 December 2018	<u><u>-</u></u>
At 31 December 2017	<u><u>-</u></u>

Company

	Plant and machinery £'000
COST	
At 1 January 2018	<u>2</u>
At 31 December 2018	<u>2</u>
DEPRECIATION	
At 1 January 2018	2
Charge for year	<u>-</u>
At 31 December 2018	<u>2</u>
NET BOOK VALUE	
At 31 December 2018	<u><u>-</u></u>
At 31 December 2017	<u><u>-</u></u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

12. INVESTMENTS

Company

	Shares in group undertakings £'000
COST	
At 1 January 2018	
and 31 December 2018	<u>34,806</u>
PROVISIONS	
At 1 January 2018	
and 31 December 2018	<u>34,806</u>
NET BOOK VALUE	
At 31 December 2018	<u><u>-</u></u>
At 31 December 2017	<u><u>-</u></u>

The Group or the Company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries**I M Minerals Limited**

Registered office: United Kingdom
Nature of business: Holding company

Class of shares:	%
Ordinary	holding 100.00

Companhia Mineira de Naburi SARL

Registered office: Mozambique
Nature of business: Mining

Class of shares:	%
Ordinary	holding 100.00

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018

12. INVESTMENTS - continued

Company

Sociedade Geral de Mineracao de Moçambique SARL

Registered office: Mozambique

Nature of business: Dormant

Class of shares:	%
Ordinary	holding 100.00

IM Minerals Limited held the shares in Companhia Mineira de Naburi SARL which held titanium dioxide mining concessions in the Republic of Mozambique. In November 2011 the original vendors of IM Minerals' subsidiary, Companhia Mineira de Naburi SARL ("CMdN"), advised the Company that they had procured the cancellation of IM Minerals' shares in CMdN and the transfer of its assets (the mining licences) to another company controlled by them. Whilst the Company is taking legal and other action in order to recover the shares and the licences, the Company, in the interest of accounting prudence, made full provision in the 2011 financial statements against the cost of its investment in IM Minerals.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current:				
Other debtors	109	35	109	35
VAT	4	7	4	7
Prepayments and accrued income	79	14	79	14
	<u>192</u>	<u>56</u>	<u>192</u>	<u>56</u>

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank accounts	<u>52</u>	<u>248</u>	<u>52</u>	<u>248</u>

15. SHARE CAPITAL

a) Called up, allotted, issued and fully paid Ordinary shares of 0.1p each

Number:	Class:	Nominal value:	2018 £'000	2017 £'000
272,930,288	Ordinary	0.1p	273	231
183,688,116	Deferred	9.9p	<u>18,185</u>	<u>18,185</u>
			<u>18,458</u>	<u>18,416</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

15. CALLED UP SHARE CAPITAL - continued

During the year the company made the following issues of Ordinary shares of 0.1p each for cash consideration:

25,000,000 Ordinary shares of 0.1p each at a premium of 0.9p per share; and
11,111,106 Ordinary shares of 0.1p each at a premium of 1.25p per share.

In addition, 6,000,000 Ordinary shares of 0.1p each at a premium of 1.25p were issued in return for corporate services provided by a third party.

b) Share options & warrants in issue

<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Number</u>
3p	15 November 2021	6,875,000
1.5p	17 May 2021	25,000,000
1.75p	20 September 2023	21,250,000
1.75p	21 October 2021	11,111,111

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current:				
Trade creditors	29	12	29	12
Social security and other taxes	-	11	-	11
Other creditors	401	324	403	324
Accruals and deferred income	10	10	10	10
	<hr/>	<hr/>	<hr/>	<hr/>
	440	356	442	356
	<hr/>	<hr/>	<hr/>	<hr/>

17. CONTINGENT LIABILITIES

- i) As part of the agreement for the purchase of the shares in its subsidiary, Companhia Mineira de Naburi SARL (CMdN), the Company's subsidiary, IM Minerals Limited, 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. This sum has since been reduced by advances of £90,083, made by IM Minerals Limited, and £75,933, made by the Company, to one of the vendors, Mr Diogo Cavaco.

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, CMdN 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. This obligation is guaranteed by IM Minerals Limited

- ii) The Company has entered into a fixed period consultancy agreement, until 30 September 2019, with Africa Focus Group Limited ("AFG") (the "Consultancy Agreement"), a Hong Kong-based company with a Johannesburg consultancy office specialising in mergers and acquisitions in southern Africa. Under the Consultancy Agreement, AFG will provide assistance to the Company in pursuing completion of a legally binding transaction with the owners of Pathfinder Moçambique, S.A pursuant to which Pathfinder or a wholly owned subsidiary of Pathfinder would acquire, or otherwise be reinstated with or receive transfer of, direct ownership and effective control of Mining Concession 4623C on such terms and conditions as the Company, at its sole discretion, may agree with the owners of Pathfinder Moçambique, S.A. (the "Proposed Transaction").

In consideration of the provision of services under the Consultancy Agreement, the Company shall, only following the effective legal completion of the Proposed Transaction, pay AFG a fee in cash of £1,000,000 (inclusive of any VAT) (the "Fee"). The Fee is conditional on and only becomes due and payable if the Company has successfully raised sufficient funds to make payment of the Fee in full. The Company has agreed to use its reasonable endeavors to take the necessary steps to procure that sufficient funds are raised by the Company to enable satisfaction of the payment obligation within a reasonable period after completion of the Proposed Transaction.

While there is no legal obligation or other form of undertaking by the Company to do so nor any other informal arrangement with AFG to that effect, the Company intends to consider in good faith a request by AFG (if made) to allow the Fee (when due and payable) to be used to subscribe for new ordinary shares in the Company in due course (the "New Shares"). In the event that this does occur any such arrangement, to allow the Fee to be used to pay up a subscription of New Shares, shall be on the basis that the aggregate number of New Shares issued to AFG shall not exceed 9 per cent of the entire issued share capital of the Company at the time of such issue and as enlarged by the issue of the New Shares.

If at any time prior to the earlier of the termination of the Consultancy Agreement, the end of the Consultancy Agreement or the completion of the Proposed Transaction, more than 50 per cent of the entire issued share capital of Company is held by a single shareholder, together with its concert parties, following a successful takeover offer, then the Company shall pay to AFG an abort fee in cash of £250,000.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

18. RELATED PARTY DISCLOSURES

In order to ease the pressure on the company's cash resources, the following directors deferred payment of their contracted salaries or fees and, where applicable, pension contributions. The amounts deferred, and included in other creditors, were as follows:

	Salary/ fees deferred at 1 January 2018 £000	Pension contributions deferred at 1 January 2018 £000	Salary/fees deferred during the year £000	Pension contributions deferred during the year £000	Salary/fees deferred at 31 December 2018 £000	Pension contributions deferred at 31 December 2018 £000
NS Trew	130	34	9	4	139	38
JP Normand	27	4	-	-	27	4
H Bellingham	44	-	13	-	57	-
R P Easby	37	-	16	-	53	-
J P McKeon	1	-	-	-	1	-
S Farrell	-	-	9	-	9	-
S Richardson Brown	-	-	9	-	9	-
Total	239	38	56	4	295	42

Following the end of the reporting period (as disclosed in note 20) amounts totaling £309,333 were settled in relation to deferred salaries & fees by the issue of 13,293,927 ordinary shares.

Details of directors' remuneration are given in note 6 above.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

19. SHARE BASED PAYMENTS

The Company granted the following share options to directors on 21 September 2018:

Director	Number of shares the subject of options or warrants	Exercise price per share	Latest exercise date
H C Bellingham	6,000,000	1.75p	20 September 2023
S Farrell	6,000,000	1.75p	20 September 2023
S Richardson Brown	<u>3,250,000</u>	1.75p	20 September 2023
	<u>15,250,000</u>		

The Company used the Black-Scholes model to determine the value of the options and the inputs were as follows:

	Issued 21/09/18
Share price at grant (pence)	1.28p
Fair Value price at grant (pence)	24.71%
Expected volatility (%)	
Expected life (years)	5 years
Risk free rate (%)	1%
Expected dividends (pence)	-

Expected volatility was determined by using the Company's share price for the preceding 12 months.

The total share-based payment expense in the year for the Company was £24,478 expense in relation to options (2017: £nil) and £nil finance charges in relation to warrants (2017: nil).

20. EVENTS AFTER THE REPORTING PERIOD

Post the reporting period end, on 11 February 2019, the Company announced it had engaged Africa Focus Group Limited ("AFG"), a Hong Kong-based company with a Johannesburg consultancy office specialising in mergers and acquisitions in southern Africa, to provide assistance to the Company in pursuing completion of a transaction with the owners of Pathfinder Moçambique, S.A (the current Licence holder) pursuant to which Pathfinder, or a wholly owned subsidiary of Pathfinder, would re-establish an interest in the Licence. Details of the engagement have been included at note 17.

On 10 April 2019, the Company announced the updated scoping study on the licence and the issue of 10,000,000 new ordinary shares at 2p to raise £200,000. In addition, the Company announced the issue of, in aggregate, 7,500,000 new Ordinary Shares at 2.0p per share to a current director and certain former directors in satisfaction of deferred salary that has been accrued.

On 10 April 2019, the Company also granted a total of 7,500,000 share options exercisable at 2.50p over a 3 year period to Scott Richardson Brown.

On 3 June 2019, the Company announced the appointment of John Taylor as Chief Executive Officer and a director and the resignation of Scott Richardson Brown as Chief Executive Officer and a director.

On 5 June 2019, the Company announced a cash subscription for 4,909,091 new Ordinary shares at 2.75p to raise £135,000 in cash. The Company also settled past accrued director fees amounting to £159,333 by the issue of 5,793,927 new shares Pursuant to the share placement and settlement share issue the Company issued one warrant for each new share exercisable at 3.5p over a three year period.

During the month of June 2019 the Company received warrant exercise proceeds of £183,016 and issued 11,892,564 new shares.