

29 September 2016

**Rare Earth Minerals plc**  
**("Rare Earth Minerals", "REM" or "the Company")**

**Interim Results for the six months ended 30 June 2016**

Rare Earth Minerals plc (AIM: REM.L), announces its interim results for the six months ended 30 June 2016.

**CHAIRMAN'S STATEMENT:**

The Company's strategy and vision of investing in low-cost, large and scalable lithium deposits has continued to yield excellent results over the 6 months ending June 2016. Our investments have shown solid growth, driven by both the fundamental progress that has been made towards production at these assets and the overall macro environment within the lithium sector which continues to show forecasted significant growth with constraints on supply.

The market performance of the Company's investment has resulted in the Company reporting a Total Comprehensive Income for the period of £6.08 million compared to a Total Comprehensive Expenditure of £2.65 million compared to the same period last year. This has also driven the majority of the increase in our Total Assets which has increased from £19.58 million (31 December 2015) to £28.66 million (30 June 2016).

REM's principal investments, the Sonora project in northern Mexico (both directly and indirectly through our holding in Bacanora Minerals Ltd and the Cinovec lithium project in the Czech Republic, via our holding in European Metals Holdings; have continued to advance rapidly up the development curve and have delivered promising economics.

In addition, our investments in Macarthur Minerals and Yangibana have also progressed substantially over the period with Yangibana completing a robust Pre-Feasibility Study ("PFS") and Macarthur Minerals securing new lithium exploration ground in the Pilbara region and in Australia and in Nevada.

**Outlook**

Looking ahead, our strategy for delivering long-term material value to shareholders will stay focused on two things. First, to support existing projects through to production. Second, to identify new strategic investments, principally, further lithium exploration assets which demonstrate a high potential to be brought into commercial production.

We continue to expect to make further good progress in the months ahead.

**INVESTMENT REVIEW:**

**Bacanora Minerals Ltd ("Bacanora")**

At the period end REM held an interest in Bacanora through a 15.6% direct equity holding and a 30% stake in the joint venture interests in each of Mexalit S.A. de CV ("Mexalit") and Megalit S.A. de CV ("Megalit"). However subsequent to the period end REM agreed to acquire a further 4.5 million Bacanora shares which on completion would increase its direct equity holding in Bacanora to 19.8%. Bacanora is a Canadian and London-quoted minerals explorer (TSX-V: BCN and AIM: BCN). Bacanora explores and develops industrial mineral projects, with a primary focus on lithium. Bacanora's operations

are based in Hermosillo in northern Mexico and it currently has two projects under development in the state of Sonora. The primary asset of Bacanora is the Sonora Lithium Project, which consists of ten mining concession areas covering approximately 100,000 hectares in the northeast of Sonora State.

### Summary of Activities

During the period Bacanora and the Sonora Lithium project, published a PFS, with a pre-tax NPV of US\$776 million and an IRR of 29%. Bacanora has commenced the Bankable Feasibility Study ("BFS") which is scheduled for completion in Q1 2017. The highlights of the Sonora PFS are summarised below:

- Phase 1: 17,500 tonnes per year of battery-grade lithium carbonate ( $\text{Li}_2\text{CO}_3$ ), for the first two years
- Phase 2: Expansion to 35,000 tonnes  $\text{Li}_2\text{CO}_3$  per year
- Potential to produce up to 50,000 tonnes per year of potassium sulphate ( $\text{K}_2\text{SO}_4$ ) in the third year, for sale to the domestic Mexican fertiliser industry
- Estimated Project pre-tax IRR of 29%; NPV of US\$776M, (at an 8% discount rate); and simple payback of five years, based on a flat US\$6,000/t for battery grade lithium carbonate over the Life Of Mine - recent price increases have seen spot prices of  $\text{Li}_2\text{CO}_3$  in Asia increase to above US\$6,000/t
- Average annual earnings before interest, taxes, depreciation and amortisation ("EBITDA") estimated at US\$134M per annum
- Stage 1 capital cost estimate of US\$240M includes processing plant, on and off-site infrastructure, Tailings Management Facility construction, and general administration costs

We expect Bacanora will focus on the BFS and in particular the production of further battery-grade lithium carbonate samples for distribution to potential partners in Asia.

### Details of REM's equity and project interests

At the end of the period REM owned a direct interest of 15.6% of Bacanora. Subsequent to the period end REM agreed to acquire a further 4.5 million existing ordinary shares in Bacanora for a consideration of £4.5 million. Once this acquisition is complete REM will own a direct interest of 19.8% of Bacanora. REM holds joint venture interests of 30% in each of Mexalit S.A. de CV ("Mexalit") and Megalit S.A. de CV ("Megalit") as fully described below.

- La Ventana, La Ventana 1, and Megalit concessions, which are 100 percent owned by Minera Sonora Borax S.A. de C.V. ("MSB"), a wholly-owned subsidiary of Bacanora; REM, through its direct interest of 19.8% of Bacanora, will on completion have an indirect interest in these concessions of 19.8%.

- El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions, which are held by Mexilit S.A. de C.V. ("Mexilit"). REM has a 30% direct interest in Mexalit through its Joint Venture with Bacanora, and when combined with REM's direct interest of 19.8% in Bacanora, will on completion have a total economic interest in Mexalit of 43.9%.

- The Buenavista, and San Gabriel concessions, which are held by Megalit S.A de C.V. ("Megalit"). REM has a 30% direct interest in Megalit through its Joint Venture with Bacanora, and when combined with REM's direct interest of 19.8% in Bacanora, will on completion have a total economic interest in Megalit of 43.9%.

### **European Metals Holdings Limited (European Metals)**

REM holds a 16.4% strategic interest in the largest lithium deposit in Europe, the Cinovec deposit in the Czech Republic through a direct holding in the share capital of European Metals Holdings Limited (ASX code: EMH) that owns 100 per cent of the exploration rights to the deposit. The Cinovec lithium and tin deposit is located in the Krusne Hory, a mountain range that straddles the border between Germany and the Czech Republic. The district has an extensive mining history, with various metals having been extracted since the 14th Century.

#### Summary of Activities

European Metals made significant progress over the last 6 months.

The drilling programme that began in late 2015 continued during the year and after the year-end culminating in an upgrade and increase in Mineral Resources that was announced in May 2016.

- Maiden Indicated Resource of 0.5Mt LCE, contained in 49.1Mt @0.43% Li<sub>2</sub>O (0.1% Li cutoff)
- Total Resource increased to 5.7Mt LCE, contained in 532Mt @ 0.43% Li<sub>2</sub>O (0.1% Li cutoff)
- Additional Exploration Target remains 3.4 to 5.3Mt LCE, contained in 350 to 450Mt @ 0.39 to 0.47% Li<sub>2</sub>O (0.1% Li cutoff)
- Tin (Sn) Indicated Resource more than doubled to 15.7Mt @ 0.26% Sn, 0.50% Li<sub>2</sub>O (0.1% Sn cutoff) for 40kt Sn, 0.19Mt LCE

We expect to see significant progress being made by European Metals in the coming year, in particular the publication of the pre-feasibility study early next year.

#### Details of REM's equity interest

REM owns a direct interest of 16.4% of European Metals, with an option over a further 2 million shares (approximately 2%) and an exercise price of A\$0.20. These options expire on the 14/10/2016.

#### **Macarthur Minerals Limited (“Macarthur Minerals”)**

During the period REM made a strategic investment in Macarthur Minerals (TSX-V: MMS). REM owns 15.5%. In addition, each common share has one whole warrant attached at an exercise price of CAD\$0.05.

#### Summary of Activities

During the period Macarthur Minerals applied for a total of 1,379 square kilometers in the Pilbara region of Western Australia. The Pilbara region is where Pilbara Minerals Limited has its Pilgangoora lithium-tantalum project and Dakota Minerals Limited has its Lynas Find Project. Macarthur Minerals has also applied for acreage in the Ravensthorpe region where Galaxy Resources Limited has commenced production for spodumene and tantalum concentrate at its Mt Cattlin project.

It has also entered into a memorandum of understanding to enter into a farm-in and joint venture agreement over Sulphur Springs lithium project.

#### **Yangibana Project, Australia**

Since December 2011 REM has owned a 30% interest in the Yangibana North rare earth project situated in the Gascoyne region of Western Australia which forms part of the overall Yangibana Project. REM's interest is free carried up to the commencement of the bankable feasibility study on Yangibana.

#### Summary of Activities

Hastings Technology Metals Limited (“Hastings”) is the manager of the Project and holds a 70% interest. Hastings continued to develop the Yangibana project during the period with the completion of a pre-feasibility which showed a pre-tax NPV of US\$700 – US\$750 M at an 8% discount rate and a 40% internal

rate of return. The pre-feasibility study covered the whole of the Yangibana project including concessions in which REM has no interest and was not specific as to the total quantum that was to be mined from the joint venture areas.

#### **FINANCIAL RESULTS:**

During the period the Group made a loss before taxation of £1.11 million (6 months ended 30 June 2015: loss £1.21 million year ended 31 December 2015: loss £3.35 million). There was a weighted basic loss per share of 0.01p (30 June 2015: loss per share 0.02p, 31 December 2015: loss per share 0.05p). As a result of increases in the value of available for sale assets comprehensive income for the period was £6.14 million (30 June 2015: total comprehensive income of £2.65 million, 31 December 2015: total comprehensive expenditure of £0.56 million).

The total assets of the group increased from £19.58 million at 31 December 2015 to £28.66 million. Of this amount £21.48 million represent the market value of our investments at the period end.

During the period our net cash outflow from operating activities was £1.23 million, and our net cash position was up £1.02 million at £1.92 million. Our activities were funded by £3.41 million of net proceeds from the issue of share capital. During the period we reduced our debt by £0.91 million.

**RARE EARTH MINERALS PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE PERIOD ENDED 30 JUNE 2016

	<i>Notes</i>	<b>Unaudited Period ended 30 June 2016</b>	Unaudited Period ended 30 June 2015	Audited Year ended 31 December 2015
		<b>£'000</b>	£'000	£'000
Income		90	-	-
Other administrative expenses		<b>(1,012)</b>	(1,000)	(2,252)
Total administrative expenses		<b>(1,012)</b>	(1,000)	(2,252)
<b>Operating (loss)</b>		<b>(922)</b>	(1,000)	(2,252)
Share of associates losses		<b>(51)</b>	(10)	(129)
(Loss)/gain on equity swap settlements		-	(97)	(545)
Finance cost		<b>(133)</b>	(110)	(419)
<b>Loss before taxation</b>		<b>(1,106)</b>	(1,217)	(3,345)
Taxation		<b>(14)</b>	-	-
<b>Loss attributable to the equity holders of the Company</b>		<b>(1,120)</b>	(1,217)	(3,345)
<b>Other comprehensive income</b>				
Foreign currency translation differences		<b>(122)</b>	274	(92)
Fair value adjustment of equity swap		-	(130)	-
Transfer to income statement of hedging & available for sale asset reserve		-	-	389
Increase/(decrease) in value of available for sale asset		<b>7,328</b>	3,723	2,493
<b>Other comprehensive income for the period net of tax</b>		<b>7,206</b>	3,867	2,790
<b>Total comprehensive income/(expenditure) for the period</b>		<b>6,086</b>	2,650	(555)
<b>Loss per share</b>				
Basic (pence per share)	4	<b>(0.02)</b>	(0.02)	(0.05)
Diluted (pence per share)	4	<b>(0.01)</b>	(0.02)	(0.05)

**RARE EARTH MINERALS PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE PERIOD ENDED 30 JUNE 2016

	Share capital	Share premium account (restated)	Share-based payment reserve	Available for sale asset reserve	Hedging & Exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2015</b>	<b>1,067</b>	<b>19,865</b>	<b>2,240</b>	<b>226</b>	<b>(574)</b>	<b>(8,298)</b>	<b>14,526</b>
Issue of share capital	31	2,469	-	-	-	-	2,500
Share based payments	-	-	133	-	-	-	133
<b>Transactions with owners</b>	<b>31</b>	<b>2,469</b>	<b>133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,633</b>
Foreign exchange	-	-	-	-	274	-	274
Transfer to income statement	-	-	-	-	(130)	-	(130)
Increase in value of available for sale asset	-	-	-	3,723	-	-	3,723
Loss for the period	-	-	-	-	-	(1,217)	(1,217)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,723</b>	<b>144</b>	<b>(1,217)</b>	<b>2,650</b>
<b>Balance at 30 June 2015 (unaudited)</b>	<b>1,098</b>	<b>22,334</b>	<b>2,373</b>	<b>3,949</b>	<b>(430)</b>	<b>(9,515)</b>	<b>19,809</b>
Share issue costs	-	(173)	-	-	-	-	(173)
Share based payments	-	-	508	-	-	-	508
Transfer on lapse of options	-	-	(98)	-	-	98	-
<b>Transactions with owners</b>	<b>-</b>	<b>(173)</b>	<b>410</b>	<b>-</b>	<b>-</b>	<b>98</b>	<b>335</b>
Foreign exchange	-	-	-	-	(366)	-	(366)
Transfer to income statement	-	-	-	-	519	-	519
Decrease in value of available for sale asset	-	-	-	(1,230)	-	-	(1,230)
Loss for the period	-	-	-	-	-	(2,128)	(2,128)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,230)</b>	<b>153</b>	<b>(2,128)</b>	<b>(3,205)</b>
<b>Balance at 31 December 2015</b>	<b>1,098</b>	<b>22,161</b>	<b>2,783</b>	<b>2,719</b>	<b>(277)</b>	<b>(11,545)</b>	<b>16,939</b>
Issue of share capital	65	3,486	-	-	-	-	3,551
Share issue costs	-	(139)	-	-	-	-	(139)
Transfer on lapse of options	-	-	(80)	-	-	79	-
<b>Transactions with owners</b>	<b>65</b>	<b>3,347</b>	<b>(80)</b>	<b>-</b>	<b>-</b>	<b>79</b>	<b>3,411</b>
Foreign exchange	-	-	-	-	(122)	-	(122)
Transfer to income statement	-	-	-	417	-	-	417
Increase in value of available for sale asset	-	-	-	7,328	-	-	7,328
Loss for the period	-	-	-	-	-	(1,120)	(1,120)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,745</b>	<b>(122)</b>	<b>(1,120)</b>	<b>6,503</b>
<b>Balance at 30 June 2016 (unaudited)</b>	<b>1,163</b>	<b>25,508</b>	<b>2,703</b>	<b>10,464</b>	<b>(399)</b>	<b>(12,586)</b>	<b>26,853</b>

		Unaudited 30 June 2016	Unaudited 30 June 2015	Audited 31 December 2015
Assets	Notes	£'000	£'000	£'000
<b>Non-current</b>				
Intangible assets		1,774	1,146	1,706
Tangible assets		1	-	-
Investment in associate		2,753	2,932	2,804
		<b>4,528</b>	<b>4,078</b>	<b>4,510</b>
Current assets				
Trade and other receivables		731	1,114	229
Derivative financial instrument		-	2,207	-
Available for sale asset		21,479	12,744	13,944
Cash and cash equivalents		1,917	1,656	893
<b>Total current assets</b>		<b>24,127</b>	<b>17,721</b>	<b>15,066</b>
<b>Total assets</b>		<b>28,655</b>	<b>21,799</b>	<b>19,576</b>
<b>EQUITY AND LIABILITIES</b>				
Current liabilities				
Trade and other payables		306	606	230
Borrowings		1,496	1,384	2,407
<b>Total current liabilities and total liabilities</b>		<b>1,802</b>	<b>1,990</b>	<b>2,637</b>
<b>Equity</b>				
Share capital	4	1,163	1,098	1,098
Share premium		25,508	22,334	22,161
Share based payment reserve		2,703	2,373	2,783
Available for sale asset reserve		10,464	3,949	2,719
Hedging & Exchange reserve		(399)	(430)	(277)
Retained earnings		(12,586)	(9,515)	(11,545)
<b>Total equity and liabilities to owners of the company</b>		<b>26,853</b>	<b>19,809</b>	<b>16,939</b>
<b>Total equity and liabilities</b>		<b>28,655</b>	<b>21,799</b>	<b>19,576</b>

**RARE EARTH MINERALS PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE PERIOD 30 JUNE 2016

	<b>Unaudited Period ended</b>	Unaudited Period ended	Audited Year ended
	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>31 December 2015</b>
	<b>£'000</b>	£'000	£'000
<b>Cash flows from operating activities</b>			
Operating loss	(922)	(1,000)	(2,252)
Amortisation of intangibles	-	23	29
Exploration costs written off	-	-	37
Realised loss on disposal of AFSA	123	-	-
Equity settled share-based payments	-	133	641
(Increase)/decrease in trade and other receivables	(502)	(67)	818
Increase/(decrease) in trade and other payables	76	132	(245)
<b>Net cash outflow from operating activities</b>	<b>(1,225)</b>	<b>(779)</b>	<b>(972)</b>
<b>Taxation</b>	<b>(14)</b>	-	-
<b>Cash flows from investing activities</b>			
Net payments for investment in associate	-	(9)	-
Payments for investments in AFS assets	(883)	(3,184)	(5,743)
Purchase of tangible fixed assets	(1)	-	-
Investment in exploration	-	-	(635)
Receipt on sale of AFS assets	970	-	-
<b>Net cash outflow from investing activities</b>	<b>86</b>	<b>(3,193)</b>	<b>(6,378)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	3,551	2,500	2,500
Proceed from settlement of share swap	-	1,048	3,155
Net loan repayments/(borrowings)	(1,102)	727	1,717
Finance cost	(133)	(110)	(419)
Share issue costs	(139)	-	(173)
<b>Net cash inflow from financing activities</b>	<b>2,177</b>	<b>4,165</b>	<b>6,780</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>1,024</b>	<b>193</b>	<b>(570)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>893</b>	<b>1,463</b>	<b>1,463</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,917</b>	<b>1,656</b>	<b>893</b>



## **NOTES TO THE INTERIM REPORT**

FOR THE PERIOD ENDED 30 JUNE 2016

### **1 BASIS OF PREPARATION**

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial information set out in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2015 have been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified.

The principal accounting policies of the Group are consistent with those detailed in the 31 December 2015 financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

#### **GOING CONCERN**

The Directors have prepared cash flow forecasts for the period ending 30 September 2017. The forecasts demonstrate that the Group has sufficient funds to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the accounts have been prepared on a going concern basis.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results

### **2 SEGMENTAL REPORTING**

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

The chief operating decision maker reviews financial information for and makes decisions about the Group's performance as a whole. The Group has not actively traded during the period.

Subject to further acquisitions the Group expects to further review its segmental information during the forthcoming financial year.

### **3 LOSS PER SHARE**

The calculation of the loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

	<b>Unaudited six months ended 30 June 2016</b>	Unaudited six months ended 30 June 2015	Audited year ended 31 December 2015
	<b>£'000</b>	£'000	£'000
Loss on ordinary activities after tax (£'000)	<u><b>(1,120)</b></u>	<u>(1,217)</u>	<u>(3,345)</u>
Weighted average number of shares for calculating basic loss per share	<u><b>7,248,431,515</b></u>	<u>6,789,755,704</u>	<u>6,802,811,028</u>
Share options and warrants exercisable	<u><b>578,298,201</b></u>	<u>440,218,448</u>	<u>582,123,201</u>
Weighted average number of shares for calculating diluted loss per share	<u><b>7,826,729,716</b></u>	<u>7,229,974,152</u>	<u>7,384,934,229</u>
<b>Basic and diluted loss per share (pence)</b>	<u><b>(0.02)</b></u>	<u>(0.02)</u>	<u>(0.05)</u>
<b>Diluted loss per share (pence)</b>	<u><b>(0.01)</b></u>	<u>(0.02)</u>	<u>(0.05)</u>

The share options are anti-dilutive, as a consequence of the loss for the period.

#### 4 SHARE CAPITAL

	<b>Unaudited 30 June 2016</b>	Unaudited 30 June 2015	Audited 31 December 2015
	<b>£'000</b>	£'000	£'000
Allotted, issued and fully paid			
173,619,050 deferred shares of 0.24p (30 June and 31 December 2015: 173,619,050)	<b>417</b>	417	417
7,461,273,165 ordinary shares of 0.01p (30 June 2015: 6,815,653,495,682, 31 December 2015: 6,815,653,495,682)	<b>746</b>	681	681
	<u><b>1,163</b></u>	<u>1,098</u>	<u>1,098</u>

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