CADENCE MINERALS PLC

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2017

Company No 05234262

CADENCE MINERALS PLC

COMPANY INFORMATION

For the year ended 31 December 2017

Company registration number:	05234262
Registered office:	Suite 3B Princes House 38 Jermyn Street London SW1Y 6DN
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Auditors:	Chapman Davis LLP Registered Auditor Chartered Accountants 2 Chapel Court London SE1 1HH

CONTENTS

For the year ended 31 December 2017

Forward-looking Statement

This annual report contains ‘forward-looking information’, which may include, but is not limited to, statements with respect to the future financial and operating performance of Cadence Minerals, its subsidiaries, investment assets and affiliated companies, the estimation of mineral resources, the realisation of mineral resource estimates, costs of production, capital and exploration expenditures, costs and timing of the development of new deposits, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, licenses, environmental risks, title disputes or claims.

Often, but not always, forward-looking statements can be identified by the use of words such as ‘plans’, ‘expects’, ‘is expected’, ‘budget’, ‘scheduled’, ‘estimates’, ‘forecasts’, ‘intends’, ‘anticipates’ or ‘believes’, or variations (including negative variations) of such words and phrases, or state that certain actions, events or results ‘may’, ‘could’, ‘would’, ‘might’ or ‘will’ be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Cadence and/or its subsidiaries, investment assets and/or its affiliated companies to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of UK Pounds Sterling relative to the United States Dollar, and other foreign currencies; changes in project parameters as plans continue to be refined; future prices of products; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, adverse weather conditions, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities.

Although Cadence has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may well be other factors that cause actions, events or results to differ from those currently anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of this annual report and Cadence disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this annual report should be construed as a profit forecast.

STRONG ASSET GROWTH AND RETURN ON EQUITY

The rise in electric vehicle usage is fast approaching and with that the demand for batteries is increasing. More and more governments are committing to phasing out vehicles burning oil products and investment in new battery technologies continues apace For example China's New Energy Vehicle Mandate Policy of Sept 2017 and California's ZEV (Zero emission vehicle). Recent significant announcements from the world's major automakers to boost production of hybrid and fully electric vehicles complement this global drive to legislate for more rapid and intensive take up of emissions-free transportation.

Cobalt, lithium , Nickel along with rare earth elements have been identified as key strategic minerals in this rapidly expanding market. Supply of each must be increased substantially over the coming years to match predicted demand. This is precisely where Cadence is focused, particularly on mining projects that are both low-cost and scalable. We have witnessed continued consolidation in the Lithium space , along with institutional and strategic involvement in a number of assets and projects Cadence was early to identify. Lithium's importance has been highlighted at the political and legislative level globally.

Our principal investments now include stakes in Bacanora Minerals, European Metals Holdings, Macarthur Minerals, Yangibana North Project , Clancy , San Luis stakes in Argentina and Auroch Minerals.

The sale of part of our stake in Bacanora was a strategic decision centered on reinvestment. Cadence will redeploy some of the profits in other early-stage mineral exploration companies where we can both hold larger stakes and add our considerable mining and financial management expertise. This will provide us with an opportunity to achieve returns of a similarly high level to those made on our Bacanora investment to date.

Cadence continues to have great confidence in Bacanora Minerals and its management team, and we look forward to being a supportive shareholder and joint-venture partner in the development of the Sonora Lithium Project. We believe that Sonora has the potential to be a significant producer of battery-grade lithium carbonate, forming an important part of the global lithium-compound supply chain in the coming years.

The board and Cadence's strategy have evolved significantly since the company took a stake in Bacanora four years ago. We have begun to take an active role in management of the companies in which we invest.

Cadence's future prospects are growing and are very exciting. We will continue to support our investee companies and identify new areas for expansion that offer the potential for superior returns on capital.

Our strategy for delivering material value to shareholders rests on three pillars:

- Supporting existing projects through to production.
- Identifying new strategic investments which principally will be lithium exploration assets demonstrating a high probability of entering into commercial production
- Evaluation of the investment potential in other key metals used widely in the rapidly expanding energy-storage sector, such as cobalt, copper and nickel.

In this regard, we see added value in acquiring stakes in assets that are currently unlisted but fit our investment criteria, an approach which has to date delivered excellent returns. In this way we will provide our shareholders access to assets that have the same fundamentals as prior investments offerring potentially higher returns.

We continue to view the medium and long term prospects for the Company with confidence.

The directors would like to take this opportunity to thank our shareholders, staff and consultants for their continued support.

Andrew Suckling
Executive Chairman
25 May 2018

Our focus in 2017 was to continue our investment strategy, that is, to identify, invest and play an active role in the development and progress in assets and companies that have unique access to projects that have the right chemistry, are low cost and represent a value investment.

Cadence typically invests at the early stage of the resource development cycle. This can be as early as target delineation and up to scoping study level. The risk associated with investing in any resource projects at an early stage is high particularly within the lithium sector, which is not commoditised and the success or failure of a project is highly dependent on the metallurgical risks.

Our approach to mitigate this risk is to obtain a deep fundamental understanding of the resource, its chemistry and management team. By doing so we can eliminate the many potential investments that we review during the year and fund projects that we believe will come to production and deliver value to our shareholders. Importantly we also take an active approach to our investments by either being part of the management team or, if not, assisting incumbent management in their endeavours.

This approach has led to good absolute return figures which at the end of the financial year stood at 119% for our public listed investments and around 121% inclusive of our non listed investments. The mark market valutions of all our investments, inclusive of our portions of joint ventrures stood at some £33 million, while the valution of our public assets stood at £24.8 million (table 1).

Table 1: Absolute Return Figures

	31/12/2015	31/12/2016	31/12/2017
Book Value	9,876	17,689	11,345
Mark to Market Equity Value (GB£ ,000)	14,232	24,152	24,869
Absolute Return on Equity (%)	44%	36%	119%

LITHIUM MARKET REVIEW

The primary driver for the increasing demand in lithium and lithium compounds is the penetration of electric vehicles ("EV"). 2017 was the year that dramatically changed the EV industry. Several prominent countries announced mandatory EV adoption rates. Many car companies from the U.S. to China to Europe announced new EV cars or at times introduced plans to electrify their entire fleet. Examples of this include, GM's commitment of at least 20 new EVs by 2023, Mercedes announcing that it will electrify its entire line up by 2022, VW announcing to invest $84 billion to bring 300 new EV models to the market by 2030 and the most aggressive target by Volvo who announced that all of their new models will be EV by 2019.

Looking back at how lithium prices performed in 2017, it's clear that prices remained strong throughout the year with CIF in Asia for 99% Lithium Carbonate increasing from US$15,500 per tonne at the beginning of the year to US$20,750 at the end of the year. This was a surprise to a lot of commentators, however given the positive moves from the demand curve and the disappointments in the supply curve it became inevitable that we would see upward movement in prices.

In the early part of 2018 we saw several negative forecasts for pricing, based erroneously on the "wave" of supply from SQM and several other assets forecast to come online, these analysts still fail to understand the industry. In making this forecast they have applied some of the most optimistic factors to construction and commissioning and applied a linear approach to growth curves, which for a disruptive technology such as EV's is inappropriate.

Our forecast suggests that there could be up to 800kt lithium compound demand by 2025. The big caveat to this is that supply comes online in time and projects gett financed. It is the latter point that Cadence sees as the largest constraint to EV adoption. In essence there is a pipeline of project which would allow the penetration of EV's of 25%, however the large majority of these do not have financing in place, by our estimates there is some US$8 billion to be invested to hit production targets and in addition given the timelines to production it seems unlikely that there will be enough supply to deliver 800kt of lithium per annum by 2025, which will mean continued supply constraints.

We continue to see plenty of evidence demand growth, Benchmark Mineral Intelligence is now tracking 26 battery mega-factories, up from just three back in 2014. The combined planned capacity of these plants is 344.5 GWh. To put that into perspective, total lithium-ion cell demand in 2017 is estimated at 100 GWh.

Looking ahead to 2018, supply constraints look set to continue as the lithium demand forecast rises. In terms of demand, analysts agree that the lithium space will be led by battery production.

Cadence still maintains its belief that lithium prices will remain strong and anticipates that this pattern will continue for the foreseeable future. We believe that the assets that we have invested in will form part of the medium-term lithium supply chain from 2020 onwards.

INVESTMENT REVIEW

Bacanora Lithium Plc ("Bacanora")

Cadence holds an interest in Bacanora through a direct equity holding of approximately 8%, 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"). Mexalit forms part of the Sonora Lithium Project. Bacanora is a London-listed lithium asset developer and explorer (AIM: BCN).

Bacanora's has two key projects under development. The first is the Sonora Lithium Project in Northern Mexico and the second is the Zinnwald Lithium Project in southern Saxony, Germany.

Sonora Lithium Project

The Sonora Lithium Project consists of ten contiguous concessions covering 97,389 hectares. Two of the concessions (La Ventana, La Ventana 1) are owned 100% by Bacanora through its wholly-owned subsidiary Minera Sonora Borax S.A de C.V. ("MSB"). El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions are owned by, Mexilit S.A. de C.V. ("Mexilit") (which is owned 70% by Bacanora and 30% by Cadence). These concessions are located approximately 190 kilometres northeast of the city of Hermosillo, in Sonora State, Mexico. They are roughly 170 kilometres south of the border with Arizona, USA. The San Gabriel and Buenavista concessions are owned by Minera Megalit S.A. de C.V. ("Megalit") (which is owned 70% by Bacanora and 30% by Cadence)

Key Operational Highlights on the Sonora Project are as follows:

- On April 10th, 2017, Bacanora announced that it had entered into a strategic partnership with Hanwa Co. Ltd. ("Hanwa"), a leading Japan-based global trading company and one of the larger traders of battery chemicals in Japan, with reported net sales of more than ¥1,000 billion in 2016. Hanwa was awarded an off-take agreement for up to 100% of Bacanora's stage 1 production of the lithium carbonate ("Li2CO3") produced at the Sonora Lithium Project at market price at the time. Hanwa also acquired a 10% equity stake in Bacanora by purchasing 12,333,261 of the Company's common shares and has an option to increase its interest up to 19.9%.
- On October 20th, 2017, Bacanora announced that the Environmental Impact Statement, the Manifestacion de Impacto Ambiental ("MIA"), for its flagship Sonora project has been approved by SEMARNAT, the Environment Ministry of Mexico. The approval represents a major milestone for Bacanora as it grants Bacanora the governments' approval to construct an open pit mine and a large-scale beneficiation processing facility at Sonora.
- On December 12th, 2017, Bacanora announced the results of the Feasibility Study ("FS") for Sonora prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). The results of the FS confirm the positive economics and favourable operating costs of a 35,000 tonnes per annum ("tpa") battery grade lithium carbonate ("Li2CO3") operation.
    - The FS estimates a pre-tax project Net Present Value ("NPV") of US$1.253 billion at an 8% discount rate and
    - an Internal Rate of Return ("IRR") of 26.1%, and
    - Life of Mine ("LOM") operating costs of US$3,910/t Li2CO3.

Both the equity stake in Bacanora and our ownership in the Mexalit joint venture could represent a substantial return for Cadence in the form of cash flow from the Sonora Lithium Project.

Zinnwald Lithium Project

On 21 February 2017 Bacanora announced the acquisition of a 50% interest in, and joint operational control of, the Zinnwald Lithium Project ("Zinnwald") in southern Saxony, Germany from SolarWorld AG ("SolarWorld").

Bacanora holds 50% interest in a jointly controlled entity, Deutsche Lithium GmbH, which operates the Zinnwald Project located in southern Saxony, Germany, adjacent to the border of the Czech Republic and within 5 kilometres of the towns of Altenberg and Freiberg. The Company acquired its interest in February 2017 for a cash consideration of €5 million and an undertaking to contribute up to €5 million toward the costs of completion of a feasibility study, which is anticipated to be completed during the second quarter of 2019.

Bacanora has an option to acquire the remaining 50% of the jointly controlled entity, alone or together with any reasonably acceptable third party within a 24-month period for €30 million. In the event that Bacanora does not exercise this right within the above stated timeframe, then SolarWorld has the right but not the obligation to purchase the Company's 50% interest for €1.

Deutsche Lithium represents a strategic asset located in close proximity to a thriving market for lithium and energy products, which is being fuelled by Germany's electric automotive industry and the rise of renewable energy storage. Zinnwald is located in a world-class granite hosted Sn/W/Li belt that has been mined historically for tin, tungsten and lithium at different times over the past 300 years.

The project has a historical resource estimate which was reported in accordance with the PERC Code1, comprised of Measured, Indicated and Inferred Resources. A Qualified Person (under NI 43-101) has not done sufficient work to confirm the historical estimate; hence the Company is not treating the historical estimate as current Mineral Resources or Mineral Reserves. demonstrates its potential for economic extraction of lithium products, as well as potential by-products of tin, tantalum and SOP. Bacanora's investment and expertise will facilitate further development in order to achieve higher-value, downstream lithium products which command higher prices in the market.

A resource infill drilling programme to upgrade the existing resource model in accordance with NI 41-101 has now been completed. Collection of a 100 tonne bulk ore sample from the legacy mine at Zinnwald to provide samples for metallurgical testwork has also been completed. On completion of the concentration testwork, hydrometallurgical testwork for downstream processing will be undertaken, focusing on the production of higher value lithium battery chemical products.

Deutsche Lithium has been granted a mining licence covering 256.5 hectares of the Zinnwald project.The 30 year mining licence has been issued by the Saxony State Mining Authority.

Subsequent to the transaction SolarWorld filed for bankruptcy protection in Germany due to ongoing pricing pressures in its core solar markets. The Company is confident that the SolarWorld insolvency process will have no material impact on the Company's interest in Deutsche Lithium and the Zinnwald project.

<u>Details of Cadence's ownership</u>
Cadence owns approximately 8% of Bacanora. The Sonora Lithium Project is comprised of the following lithium properties.

- 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; Cadence, through its approximate direct interest of 8% of Bacanora, has an indirect interest in these concessions of 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"). Cadence has a 30% direct interest in Mexalit through its Joint Venture with Bacanora, and when combined with Cadence's direct interest of approximately 8% in Bacanora, has a total economic interest in Mexalit of 35%.

Cadence also owns a 30% direct interest in The Megalit, Buenavista, and San Gabriel concessions, which are held by Megalit S.A de C.V ("Megalit") which when combined with Cadences' direct interest of approximately 8% in Bacanora, has a total economic interest in Megalit of 35%.These areas are not part of the mining plans of the Sonora Lithium Project and have not been assessed in sufficient detail to provide a 43-101 compliant Mineral Resource Estimate.

<u>European Metals Holdings Limited (European Metals)</u>

Cadence has been investing in EMH since June 2015 and continued to do so during the period. It currently owns approximately 20% in the Cinovec deposit in the Czech Republic through a direct holding in the share capital of European Metals Holdings Limited that owns 100 per cent of the exploration rights to the Cinovec lithium/tin deposit.

The Cinovec lithium and tin deposit is located in the Krusne Hory mountain range. The deposit that straddles the border between Germany and the Czech Republic and in Germany, it is known as the Zinnwald deposit (50% owned by Bacanora). 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 during the year. With the Company's efforts focusing on the completion of a pre-feasibility study ("PFS"). This was announced in April 2017 and confirmed the potential that the Cinovec deposit could be developed into a low-cost producer of lithium products.

Highlights of the PFS include:

• Net overall cost of production -	• US$3,483 /tonne Li_2CO_3
• Net Present Value (NPV) -	• US$540 M (post tax, 8%)
• Internal Rate of Return (IRR) -	• 21 % (post tax)
• Total Capital Cost -	• US$393 M
• Annual production of Battery Grade Lithium Carbonate -	• 20,800 tonnes

Project development for the year was centered on a significant drilling program embarked upon by the Company. There were numerous updates to this program released to the market during the period. Overall, results from the program either confirmed or exceeded expectations with respect of both lithium content and width of mineralisation.

In November 2016, the Company announced a significant increase in the indicated resource at Cinovec. This upgrade was a result of the drilling program to that point and increased the indicated resource by approximately 420%.

Highlights from the Mineral Resource Estimate include:

- Lithium Indicated Resource increased 420% to 2.6 Mt LCE, contained in 232.8 Mt @ 0.45% Li2O (0.1% Li cutoff)
- Lithium total resource increased 11.8% to 6.46 Mt LCE, contained in 606.8 Mt @ 0.43% Li2O (0.1% Li cutoff)
- Tin Indicated Resource increased by 64% to 28.6 Mt @ 0.23% Sn, 0.54% Li2O (0.1% Sn cutoff) for 65.8 kt Sn, 0.38 Mt LCE
- Lithium exploration target remains 350 to 450 Mt @ 0.39% to 0.47% for 3.4 Mt to 5.3 Mt of LCE

In June 2017, and based on the PFS taken on the Cinovec Project, European Metals declared a maiden Probable Ore Reserve of 34.5 Mt @0.65% Li2O.

This drilling program provided important data to the Company's Preliminary Feasibility Study ("PFS") which was ongoing throughout the period. The Company released various updates with regards to this study throughout the year, and the completion at the end of March 2017.

Highlights of the work program for the PFS included a significant reduction of pre-production capital costs and outstanding recoveries, and the successful manufacture of >99.5% pure lithium carbonate using an industry proven, sodium sulphate roast-based flow-sheet.

Since the completion of the PFS European Metals has been embarking on elements of the Definitive Feasibility Study, including the appointments a DFS manager, further optimisation testwork on the metallurgy and further increases in indicated resource figures.

European Metals is now progressing its permits, environmental studies and the BFS and we look forward to 2018 and the progress that will be made to bring this asset into production.

Details of Cadence's ownership
Cadence owns a direct interest of approximately 20% of European Metals.

San Luis Lithium Project, Argentina

In December 2017 Cadence Minerals announced that it had executed binding investment agreements wto acquire up to 100% of six prospective hard rock lithium assets in Argentina.

These transactions mark the start of the Company's strategic shift to earn in to early stage lithium assets in well-known lithium jurisdictions where we see the potential to deliver shareholder value by investing in projects that have shorter development timeline to cashflow than a typical lithium carbonate producer.

The San Luis Project Consist of claims over 55,773 hectares for six exploration permits within the known spodumene bearing pegmatite fields in San Luis Province, Central Argentina. The pegmatite fields of San Luis have an important past record of producing mica, beryl, spodumene, tantalite (tantalum oxide), columbite (niobium oxide), and recently potassium feldspar, albite and quartz. Historic mines outside of the claims have produced lithium oxide ("Li_2O") at grades ranging from 4.5% to 6.5%.

On grant of the exploration permits Cadence will acquire up to 49% by spending £1.1m on exploration and drilling, and by issuing £0.4 million of new ordinary shares in Cadence to The Vendors. Cadence has an option to acquire up to 100% by issuing a further £1.75m of new ordinary shares in Cadence.

Subsequent to the year-end, remote exploration has begun on the assets, including geophysical, remote mapping and historic data collection. We anticipate publishing these results over the coming weeks. Once the exploration licenses are granted we can progress with the field mapping and drilling with the aim of delivering a maiden ore resource.

Clancy Exploration Limited ("Clancy Exploration")

In September 2017 Cadence announced that Clancy's investigations into its tenure determined that there were 28 overlapping licences out of Clancy's 200 licences that were preceding priority claimants ('Preceding Claims'). These Preceding Claims cover a total area of approximately 12km2 and included the historical Nockelberg and Leogang mines. Clancy continues to have priority over the balance of the project area, being 172 licences covering approximately 68km2 ('Remaining Licenses').

Prior to the investigations, Cadence acquired a 10% interest (refer to ASX release dated 3 July 2017) in all 200 licences held by Clancy, and the parties entered into a joint venture. Cadence was subsequently made aware of the licensing situation and we agreed with Clancy to continue to evaluate the Remaining Licenses, in which Cadence holds 10%.

Furthermore. the board of Clancy, in discussions with Cadence, have considered it appropriate to issue Cadence 140,000,000 fully paid ordinary shares at a deemed price of $0.003 ('Clancy Shares') as compensation for the discovery of third party priority over the 28 overlapping licenses (including the historical Nockelberg and Leogang mines).

Yangibana Project, Australia

Since December 2011 Cadence has owned a 30% interest in the Yangibana rare earth project situated in the Gascoyne region of Western Australia. Cadence'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 explore and develop the Yangibana project during the year.

Hastings continued to develop the Yangibana project as a whole (inclusive or areas outside our interest) with the publictions of the Yangibana Definitive Feasibility Study published in November 2017. This study did not include any material mined from the joint venture with Hastings.

Discussions with management have determined that given the mineralogy of the deposit on the joint venture areas, processing of the ore prior to the ten years contemplated in the Definitive Feasibility Study would reduce the economics of the project as a whole there it has been excluded, it has yet to be determined if the joint venture areas would form part of the twenty year mine plan.

Macarthur Minerals Limited (“Macarthur”)

In March 2016 Cadence Minerals made a strategic investment in Macarthur (TSX-V: MMS) and now currently holds approximately 15% of Macarthur.

Summary of Activities
Macarthur has made progress on several fronts during the year.

Western Australina Gold Prospects
During the period Macarthur has been active in the development of its Gold exploration business. Securing options over or applications over several prospective gold properties in Western Australia. The most significant of which appears to be the Hillside Gold Project.

The Hillside Gold Project encompasses Exploration Licence Applications E45/4824, E45/4708 and E45/4709 held by Macarthur Lithium Pty Ltd (“MLi”), a wholly owned subsidiary of Macarthur Minerals. Macarthur has also entered into an option agreement to acquire Exploration Licence E45/4685, which immediately adjoins the tenements of the Hillside Gold Project. This group of tenements are located approximately 185 kilometres (“km”) South East of Port Hedland and 50 km South West of Marble Bar (the “Hillside Gold Project”).

The Hillside Gold Project is highly prospective for gold and copper. The area has previously been explored by various companies for gold, copper, zinc and lead but limited drilling exists. Historical rock chip sampling by Great Southern Mines in 1998 returned 37 samples grading above one gram per tonne (g/t) up to a maximum of 447 g/t Au.

These tenements surround the mining lease of the historic Edelwiess gold mine. A limited drilling program consisting of six rotary percussion (“RC”) holes conducted by Metana Minerals N.L in 1980 intersected gold mineralisation associated with quartz veins. Gold was recorded in three holes with an average grade of approximately 12 g/t Au and a maximum of 25.83 Au g/t. In addition, sampling along a discontinuous outcropping gossan over a strike of 18 km, showed high potential for copper mineralisation. A total of 20 results yielded above 1,000 ppm Cu to a maximum of 7.8% Cu.

Macarthur recently conducted a reconnaissance field trip to the Hillside Gold Project to investigate further the highly anomalous gold results previously reported. This trip confirmed the potential for high grade gold on the Hillside Gold Project.

Western Australian Lithium Projects
Macarthur Minerals has 11 Exploration Licenses and 5 Exploration License Applications in the Pilbara covering a total area of approximately 1,312 km2.

In prior years Macarthur completed two heliborne reconnaissance field trips across a portion of its tenements in the Pilbara region. Sampling across several pegmatites yielded encouraging results warranting further exploration. The best lithium results are from a swarm of pegmatites within Exploration Licence application E45/4702 exploited in the past for tin and tantalum. A sample of lithium muscovite from one old working returned 0.2% Li_2O and elevated tantalum and tin values confirming the rare element character of this pegmatite. A feldspar-quartz-muscovite pegmatite within Exploration Licence E45/4711 also returned 111 parts per million (“ppm”) lithium (“Li”). In addition to the reconnaissance sampling, historical results of the Geological Society of WA (“GSWA”) include the Tambourah North lithium pegmatite located in Exploration Licence Application E45/4848. A rock sample collected by Fortescue Metals Group Ltd in 2012 on the western edge of Exploration Licence E45/4702 returned a result of 876 ppm Li (0.19% Li_2O).

Nevada Brine Project
On June 15, 2017 Macarthur announced that it had staked 210 new unpatented placer mining claims at its new Reynolds Springs Lithium Brine Project (“Reynolds Springs Project”) in the Railroad Valley, Nevada.

The new claims are located near the town of Currant, in Nye County, Nevada. The Reynolds Springs Project is located approximately 180 miles (300 km) North of Las Vegas, Nevada. A total of 206 soil samples were collected across the full extent of the Reynolds Springs Project. Lithium values in the soil samples ranged from a low of 39.3 ppm to a high of 405 ppm Li. Samples were consistently high averaging 168.3 ppm Li with 85% of samples recording over 100 ppm Li and 19% greater than 200 ppm Li.

These results are considered high in comparison to the majority of non-lithium producing playas and amongst the highest we have seen outside of the Clayton Valley.

Western Australian Iron Ore Projects
Macarthur Minerals' Iron Ore Projects are located on mining tenements covering approximately 62 km2 located 175 km northwest of Kalgoorlie in Western Australia. Within the tenements, at least 33 km strike extent of outcropping banded iron formation ("BIF") occurs as low ridges, surrounded by intensely weathered and mostly unexposed granites, basalts and ultramafic rocks.

The Iron Ore Projects are situated in the Yilgarn Region of south-western, Western Australia. The Yilgarn Region is a host to many significant mineral deposits that have been or are being mined for iron ore. The tenements cover the Yeriligee greenstone belt which is some 80 km in length and lies within the Southern Cross Province of the Yilgarn. The Iron Ore Projects are approximately 107 km from the existing Eastern Goldfields Railway (located near the township of Menzies) that has a direct connection to the Port of Esperance in Western Australia, where it is intended that ore from the Projects will be shipped. Export is subject to capacity becoming available, which is not certain.

The Ularring Hematite Project's Mineral Resources are comprised of Indicated Mineral Resources of approximately 54.5 Mt @ 47.2% Fe and approximately 26Mt @ 45.4% Fe Inferred resources.

The Mineral Resource estimates were prepared by CSA Global on behalf of Macarthur Minerals (N143-101 Technical Report, 20123) and reported in accordance with the JORC Code. Macarthur Minerals' Iron Ore Projects are located on mining tenements covering approximately 62 km2 located 175 km northwest of Kalgoorlie in Western Australia. Within the tenements, at least 33 km strike extent of outcropping banded iron formation ("BIF") occurs as low ridges, surrounded by intensely weathered and mostly unexposed granites, basalts and ultramafic rocks.

<u>Auroch Minerals Ltd ("Auroch")</u>

Cadence owns a direct interest of approximately 7% of Auroch.

Auroch is an Australian ASX listed company which during the year focused on the development of three prospective, lithium, copper and cobalt assets. After the year-end Auroch terminated or decided not to pursue these projects further.

Auroch has instead completed the acquisition of 90% of the tenement known as the Arden Zinc Project (Arden Project) and 100% of the tenement known as the Bonaventura Zinc Project. Highlights form both projects are outlined below

- The Arden Zinc Project (Arden) has the potential to host large-scale zinc, lead, copper and cobalt stratiform sedimentary exhalative (SEDEX) deposits
  - Large 710km^2 Exploration Licence (EL) already granted with several key mineralised targets already identified within the tenure
  - Multiple assays of between 9-10% zinc and 0.1% cobalt in historic trench-sampling at the Arden target over a strike length of 1.5km, with a total strike length of the prospective geological unit of over 10km
  - Up to 2.5% cobalt[1] from recent sampling at the Kanyaka target within the Arden Project
  - The Arden Project is supported by excellent infrastructure including rail, sealed roads and grid power
- The Bonaventura Zinc Project (Bonaventura) covers highly prospective geology and historic mines along 30km of strike of the regional-scale Cygnet-Snelling Fault
  - Previous drilling at Bonaventura hit high-grade zinc intersections, including:
    - 16m @ 3.4% Zn and 0.7% Pb from 52m (including 6m @ 6.3% Zn)
    - 11m @ 3.1% Zn and 1.5% Pb from 26m (including 1m @ 8.0% Zn)
  - Samples from the historic Kohinoor gold mine returned grades up to 28 g/t Au
  - The Bonaventura Project has several high-grade zinc (base-metal) and gold targets that are drill-ready.

Greenland Rare Earth Projects

During the year Cadence reduced it licenses' exposure to 1 in Greenland, of which it owns 100%. This licenses abuts the northern and eastern boundaries of Greenland Minerals and Energy Limited's 'GGG' licences that encompass the world-class Kvanefjeld, Sørenson, Zone 3 and Steenstrupfjeld Rare Earth Element (REE) deposits.

An extensive exploration programme was carried out on all of Cadence's exploration licences in south Greenland from June to August 2014. We have continued to review these licenses on an annual basis. We will continue to review these licenses on an annual basis, and will monitor the progress that GGG makes over the coming year as it progresses the Kvanefjeld REE deposits.

FINANCIAL REVIEW

During the period the Group made an operating profit of £2.51 million (2016: £2.84 million). This slight decrease was due to a £300,000 impairment on our Greenland investment (2016: nil).

Total comprehensive profit for the year attributable to equity holders was £1.88m (2016: £0.13m). This increase is mainly due to reduced finance costs (approximately£1m reduction for the period) and favourable foreign exchange (approximately £1m increase for the period).

Diluted earnings per share were 0.013p (2016 : 0.007p).).

Administrative costs decreased by approximately 30% for the period to £1.80m (2016: £2.22m). We anticipate to be able to deliver further cost savings in the coming year. Subsequent to the year end, Directors cash remuneration reduced on average by some 28%.

The net assets of the Group increased to £26.72 million at 31 December 2017 (2016: £24.53 million). This was driven by the part repayment of the convertible loan note and the increase in value of available for sale investments.

During the period our net cash outflow from operating activities was £2.06 million (2016: £1.83m). We had a net inflow from our investing activities of £6.29m, associated with the sale of part of our available sale investments, in particular our sale of just under 50% of our stake in Bacanora Minerals. These receipts were used to pay back some of the convertible loan notes, which resulted in a net cash outflow from financing activities of £6.34 million. As a result of the above we had a net reduction in cash and cash equivalents of £2.16 million for the period and cash equivalents of £2.04 million at the end of the period.

Kiran Morzaria
Chief Executive Officer
25 May 2018

The Directors present their annual report together with the audited consolidated financial statements of the Group and the Company for the Year Ended 31 December 2017.

Principal activity

The principal activity of the Group and the Company is that of the identification, investment and development of Lithium and rare earth assets. The Group is also exploring other mining related opportunities.

Domicile and principal place of business

Cadence Minerals plc is domiciled in the United Kingdom, which is also its principal place of business.

Business review

The results of the Group are shown on page 21. The directors do not recommend the payment of a dividend.

A review of the performance of the Group and its future prospects is included in the Chairman's Statement and the Strategic Report on pages 1 to 9.

Key Performance Indicators

Due to the current status of the Group, the Board has not identified any performance indicators as key.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group involve the ability to raise funding in order to finance the acquisition and exploitation of mining opportunities and the exposure to fluctuating commodity prices.

In addition, the amount and quality of minerals available and the related costs of extraction and production represent a significant risk to the group.

Financial risk management objectives and policies

The Group's principal financial instruments are available for sale assets, trade receivables, trade payables, loans and cash at bank. The main purpose of these financial instruments are to fund the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are liquidity risk and interest rate risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources. Further details of this are provided in the principal accounting policies, headed 'going concern' and note 17 to the financial statements.

Interest rate risk
The Group only has borrowings at a fixed coupon rate of 10% and therefore minimal interest rate risk, as this is deemed its only material exposure thereto. The Group seeks the highest rate of interest receivable on its cash deposits whilst minimising risk.

Market risk
The Group is subject to market risk in relation to its investments in listed Companies held as available for sale assets.

Directors

The membership of the Board is set out below. All directors served throughout the period unless otherwise stated.

Andrew Suckling
Kiran Morzaria
Don Strang
Adrian Fairbourn

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 10 May 2018 were as follows:

	Ordinary shares held Number	Percentage of capital %
Barclays Direct Investing Nominees Limited	866,101,816.00	11.03%
Hargreaves Lansdown (Nominees) Limited Des:CLIENT1	866,044,049.00	11.03%
Interactive Investor Services Nominees Limited Des:SMKTNOMS	612,438,459.00	7.80%
Interactive Investor Services Nominees Limited Des:SMKTISAS	540,102,200.00	6.88%
Hargreaves Lansdown (Nominees) Limited Des:VRA	497,246,751.00	6.33%
HSDL Nominees Limited Des:MAXI	437,264,827.00	5.57%
Hargreaves Lansdown (Nominees) Limited Des:HLNOM	408,295,871.00	5.20%
HSDL Nominees Limited	338,309,489.00	4.31%
HSBC Client Holdings Nominee (UK) Limited	285,249,689.00	3.63%
Forest Nominees Limited	277,646,000.00	3.54%

Payment to suppliers

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and to pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Group does not have a standard or code dealing specifically with the payment of suppliers.

Trade payables at the year end all relate to sundry administrative overheads and disclosure of the number of days purchases represented by year end payables is therefore not meaningful.

Events after the Reporting Period

Events after the Reporting Period are outlined in Note 20 to the Financial Statements.

Going concern

The Directors have prepared cash flow forecasts for the period ending 31 May 2019 which take account of the current cost and operational structure of the Group.

The cost structure of the Group comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Group to operate within its available funding.

These forecasts demonstrate that the Group has sufficient cash funds available 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 financial statements have been prepared on a going concern basis.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report 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 Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 and 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 estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Chapman Davis LLP, offer themselves for re-appointment as auditor in accordance with Section 489 of the Companies Act 2006.

ON BEHALF OF THE BOARD

Kiran Morzaria
Director
Date: 25 May 2018

Directors

The Group supports the concept of an effective board leading and controlling the Group. The Board is responsible for approving Group policy and strategy. It meets on a regular basis and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professional advice at the Group's expense.

The Board consists of four Directors, who hold the key operational positions in the Company. The Chairman of the Board is Andrew Suckling and the Group's business is run by the Chief Executive, Kiran Morzaria.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. The Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and financial statements.

Internal control

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investments and the Group's assets. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

Board Committees

Audit and Remuneration Committees have been established. The Audit committee comprises Adrian Fairbourn (Chairman), Donald Strang, and Andrew Suckling, and the Remuneration Committee comprises Adrian Fairbourn (Chairman) and Andrew Suckling.

The role of the Remuneration Committee is to review the performance of the executive Directors and to set the scale and structure of their remuneration, including bonus arrangements. The Remuneration Committee also administers and establishes performance targets for the Group's employee share schemes and executive incentive schemes for key management. In exercising this role, the terms of reference of the Remuneration Committee require it to comply with the Code of Best Practice published in the Combined Code.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, and received and reviews reports from management and the Company's auditors on the internal control systems in use throughout the Group and its accounting policies.

Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders. The Group operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

Policy on executive Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives.

The remuneration of the Directors was as follows:

	A Fairbourn	**A Suckling**	**K Morzaria**	**D Strang**	**Total**
	£	**£**	**£**	**£**	**£**
Short-term employment benefits:					
Year to 31 December 2017					
Salary and fees	-	-	150,000	28,800	178,800
Consulting fees	85,000	150,000	-	121,200	356,200
Share based payments (1)	283	654	654	654	2,245
Total	**85,283**	**150,654**	**150,654**	**150,654**	**537,245**
Year to 31 December 2016					
Salary and fees	6,000	6,000	150,000	12,000	174,000
Consulting fees	42,000	144,000	-	138,000	324,000
Share based payments (1)	143,280	286,560	143,280	143,280	716,400
Total	191,280	436,560	293,280	293,280	1,214,400

(1) Share based payments represent a Black and Scholes valuation of the incentive options granted to the directors during the year. Options are used to incentivise directors and are a non-cash form of remuneration.

At 31 December 2017 the following amount was outstanding in fees to directors; £138,000 (2016: £150,000).

Pensions
The company only operates a basic pension scheme for its directors and employees as required by UK legislation.

Benefits in kind
No benefits in kind were paid during the year to 31 December 2017 or the year ended 31 December 2016.

Bonuses
No amounts were payable for bonuses in respect of the Year ended 31 December 2017 or the year ended 31 December 2016.

Notice periods

Andrew Suckling, Kiran Morzaria, Don Strang and Adrian Fairbourn, each have a 12 month rolling notice period.

Share option incentives

At 31 December 2017 the following options were held by the Directors:

	Date of grant	Exercise price	Number of options	Note
K Morzaria	21 May 2014	0.48p	60,000,000	
K Morzaria	29 August 2017	0p	6,032,608	1
K Morzaria	29 August 2017	0p	7,994,506	2
K Morzaria	29 August 2017	0p	33,302,753	3
			107,329,867	
A Fairbourn	13 December 2012	0.06p	20,000,000	
A Fairbourn	21 May 2014	0.48p	40,000,000	
A Fairbourn	29 August 2017	0p	5,570,652	1
A Fairbourn	29 August 2017	0p	7,760,989	2
A Fairbourn	29 August 2017	0p	32,522,936	3
			105,854,577	
D Strang	21 May 2014	0.48p	60,000,000	
D Strang	29 August 2017	0p	6,032,608	1
D Strang	29 August 2017	0p	7,994,506	2
D Strang	29 August 2017	0p	33,302,753	3
			107,329,867	
A Suckling	29 August 2017	0p	11,250,000	1
A Suckling	29 August 2017	0p	15,576,923	2
A Suckling	29 August 2017	0p	65,229,358	3
			92,056,281	

Note 1 - Only vest if VWAP is greater or equal to 0.92p on vesting date

Note 2 - Only vest if VWAP is greater or equal to 1.82p on vesting date

Note 3 - Only vest if VWAP is greater or equal to 2.18p on vesting date

Additionally the option holder must have made market purchases of ordinary shares equal to a total of one third of the Option Holders's annual salary or particpated in a Company share purchase programme for a period of at least six months prior to the grant date.

All options are exercisable between 18 months and ten years from the date of grant.

The high and low share price for the year were 0.60p and 0.249p respectively (year ended 31 December 2016: 0.925p and 0.404p). The share price at 31 December 2017 was 0.315p (31 December 2016: 0.5p).

OPINION

We have audited the financial statements of Cadence Minerals Plc (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the company financial statements 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 2017 and of the Group’s losses for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 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, 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 RELATING TO 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 Group’s or 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, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit. Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

We have determined the matters described below to be the key audit matters to be communicated in our report.

CARRYING VALUE OF AVAILABLE FOR SALE INVESTMENTS

The Group's Available for Sale Investment assets ('AFS assets') represents one of the most significant asset on its statement of financial position totalling £13.5m as at 31 December 2017, all of which includes listed investments.

The carrying value of AFS assets represents significant assets of the Group and Parent Company, and assessing whether facts or circumstances exist to suggest that impairment indicators were present, and if present, whether the carrying amount of these asset may exceed its recoverable amount was considered key to the audit. This assessment involves significant judgement applied by management to the Group and Parent Company's listed investments.

We considered it necessary to assess whether facts and circumstances existed to suggest that impairment indicators were present, and if present, whether the carrying amount of these assets may exceed its recoverable amount.

How the Matter was addressed in the Audit

The procedures included, but were not limited to, assessing and evaluating management's assessment of whether any impairment indicators have been identified across the Group and Parent Company's AFS assets, the indicators being:

- Expiring, or imminently expiring, rights to licences or assets held by the investee Companies.
- A lack of flow of information in regards to the investee companies exploration activities and/or production, trading or strategic advancement.
- Discontinuation of, or a plan to discontinue, exploration activities in the areas, or cessation or delays in trading of interest by the Investee Companies.
- Sufficient data exists to suggest carrying value of exploration and evaluation assets is unlikely be recovered in full through successful development or sale by the Investee Companies.
- Updates on trading activities by Investee Companies.

We also reviewed Stock Exchange RNS announcements and Board meeting minutes for the year and subsequent to year end for activity to identify any indicators of impairment.

We also assessed the disclosures included in the financial statements and our results found the carrying value for AFS assets to be acceptable.

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 misstatements identified. Based on professional judgement, we determined overall materiality for the Group financial statements as a whole to be £310,000, based on a 1% percentage consideration of the Group's total assets.

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 Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have 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 Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' 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 DIRECTORS

As explained more fully in the Directors' responsibilities statement, 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 and Parent Company'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 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.

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, Statutory Auditor
London
Chapman Davis LLP is a limited liability partnership registered in England and Wales (with registered number OC306037).

25 May 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**Year ended 31 December 2017 £'000**	Year ended 31 December 2016 £'000
Income			
Unrealised profit on available for sale assets	*9*	**1,353**	5,701
Realised profit/(loss) on available for sale assets	*9*	**3,118**	(107)
Other income	*1*	**145**	189
		4,616	5,783
Share based payments		**(2)**	(717)
Impairment of intangible assets	6	**(300)**	-
Other administrative expenses		**(1,800)**	(2,223)
Total administrative expenses		**(2,102)**	(2,940)
Operating profit	*1*	**2,514**	2,843
Share of associates losses	*8*	**(339)**	(200)
Finance cost	*3*	**(986)**	(2,027)
Profit before taxation		**1,189**	616
Taxation	*4*	**-**	-
Profit attributable to the equity holders of the Company		**1,189**	616
Other comprehensive income			
Foreign exchange		**686**	(484)
Total other comprehensive income for the period, net of tax		**686**	(484)
Total comprehensive profit for the year, attributable to the equity holders of the company		**1,875**	132
Earnings per ordinary share			
Basic earnings per share (pence)	*5*	**0.015**	0.008
Diluted earnings per share (pence)	*5*	**0.013**	0.007

The accompanying principal accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITITON

As at 31 December 2017

ASSETS	*Note*	**31 December 2017 £'000**	31 December 2016 £'000
Non-current			
Intangible assets	*6*	**1,887**	1,909
Investment in associates	*8*	**12,988**	12,982
		14,875	14,891
Current			
Trade and other receivables	*10*	**722**	402
Available for resale assets	*9*	**13,534**	15,967
Cash and cash equivalents		**2,037**	4,192
Total current assets		**16,293**	20,561
Total assets		**31,168**	35,452
LIABILITIES			
Current			
Trade and other payables	*11*	**262**	603
Borrowings	*12*	**4,182**	10,324
Total current liabilities		**4,444**	10,927
Total liabilities		**4,444**	10,927
EQUITY			
Issued share capital	*13*	**1,202**	1,192
Share premium		**27,552**	27,145
Share based premium reserve		**3,178**	4,410
Equity loan and exchange reserve		**337**	(254)
Retained earnings		**(5,545)**	(7,968)
Equity attributable to equity holders of the Company		**26,724**	24,525
Total equity and liabilities		**31,168**	35,452

The consolidated financial statements were approved by the Board on 25 May 2018, and signed on their behalf by;

Kiran Morzaria
Director

Don Strang
Director

Company number 05234262

The accompanying principal accounting policies and notes form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		31 December 2017	31 December 2016
ASSETS	***Note***	**£'000**	£'000
Non-current			
Investment in associates	*8*	**10,292**	10,297
Investment in subsidiaries	*7*	**906**	906
		11,198	11,203
Current			
Trade and other receivables	*10*	**4,921**	4,632
Available for resale assets	*9*	**13,534**	15,967
Cash and cash equivalents		**2,037**	4,192
Total current assets		**20,492**	24,791
Total assets		**31,690**	35,994
LIABILITIES			
Current			
Trade and other payables	*11*	**262**	603
Borrowings	*12*	**4,182**	10,324
Total current liabilities		**4,444**	10,927
Total liabilities		**4,444**	10,927
EQUITY			
Issued share capital	*13*	**1,202**	1,192
Share premium		**27,552**	27,145
Share based premium reserve		**3,178**	4,410
Equity loan and exchange reserve		**406**	(178)
Retained earnings		**(5,092)**	(7,502)
Equity attributable to equity holders of the Company		**27,246**	25,067
Total equity and liabilities		**31,690**	35,994

The Company financial statements were approved by the Board on 25 May 2018, and signed on their behalf by;

Kiran Morzaria
Director

Don Strang
Director

Company number 05234262

The accompanying principal accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2017

	Share capital	Share premium	Share based payment reserves	Equity loan and exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2015	1,098	22,161	2,783	(277)	(8,826)	16,939
Share based payments	-	-	717	-	-	717
Warrants issued	-	-	1,152	-	-	1,152
Transfer on lapse of options	-	-	(80)	-	80	-
Transfer on exercise of options	-	-	(162)	-	162	-
Equity component on issue of loan notes	-	-	-	507	-	507
Share issue	94	5,123	-	-	-	5,217
Share placing costs	-	(139)	-	-	-	(139)
Transactions with owners	94	4,984	1,627	507	242	7,454
Foreign exchange	-	-	-	(484)	-	(484)
Profit for the period	-	-	-	-	616	616
Total comprehensive income for the period	-	-	-	(484)	616	132
Balance at 31 December 2016	1,192	27,145	4,410	(254)	(7,968)	24,525
Share based payments	-	-	2	-	-	2
Transfer on lapse of warrants	-	-	(681)	-	681	-
Transfer on cancellation of options	-	-	(553)	-	553	-
On issue of loan notes	-	-	-	412	-	412
On settlement of loan notes	-	-	-	(507)	-	(507)
Share issue	10	407	-	-	-	417
Transactions with owners	10	407	(1,232)	(95)	1,234	324
Foreign exchange	-	-	-	686	-	686
Profit for the period	-	-	-	-	1,189	1,189
Total comprehensive income for the period	-	-	-	686	1,189	1,875
Balance at 31 December 2017	**1,202**	**27,552**	**3,178**	**337**	**(5,545)**	**26,724**

The accompanying principal accounting policies and notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2017

	Share capital	Share premium	Share based payment reserves	Equity loan and exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2015	1,098	22,161	2,783	(103)	(8,479)	17,460
Share based payments	-	-	717	-	-	717
Warrants issued	-	-	1,152	-	-	1,152
Transfer on lapse of options	-	-	(80)	-	80	-
Transfer on exercise of options	-	-	(162)	-	162	-
On issue of loan notes	-	-	-	507	-	507
Share issue	94	5,123	-	-	-	5,217
Share placing costs	-	(139)	-	-	-	(139)
Transactions with owners	94	4,984	1,627	507	242	7,454
Foreign exchange	-	-	-	(582)	-	(582)
Profit for the period	-	-	-	-	735	735
Total comprehensive income for the period	-	-	-	(582)	735	153
Balance at 31 December 2016	1,192	27,145	4,410	(178)	(7,502)	25,067
Share based payments	-	-	2	-	-	2
Transfer on lapse of warrants	-	-	(681)	-	681	-
Transfer on cancellation of options	-	-	(553)	-	553	-
On issue of loan notes	-	-	-	412	-	412
On settlement of loan notes	-	-	-	(507)	-	(507)
Share issue	10	407	-	-	-	417
Transactions with owners	10	407	(1,232)	(95)	1,234	324
Foreign exchange	-	-	-	679	-	679
Profit for the period	-	-	-	-	1,176	1,176
Total comprehensive income for the period	-	-	-	679	1,176	1,855
Balance at 31 December 2017	**1,202**	**27,552**	**3,178**	**406**	**(5,092)**	**27,246**

The accompanying principal accounting policies and notes form an integral part of these financial statements.

CADENCE MINERALS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flow from operating activities		
Continuing operations		
Operating profit	**2,514**	2,843
Net realised/unrealised profit on AFSA	**(4,471)**	(5,594)
Impairment of intangible assets	**300**	-
Equity settled share-based payments	**2**	717
(Increase) in trade and other receivables	**(320)**	(173)
(Decrease)/increase in trade and other payables	**(83)**	373
Net cash outflow from operating activities from continuing operations	**(2,058)**	(1,834)
Cash flows from investing activities		
Investment in exploration costs	**(270)**	(105)
Payments for investments in associates	**(345)**	-
Payments for investments in AFS assets	**(214)**	(7,847)
Receipts on sale of AFS assets	**7,118**	1,040
Net cash inflow/(outflow) from investing activities	**6,289**	(6,912)
Cash flows from financing activities		
Proceeds from issue of share capital	**-**	3,728
Share issue costs	**-**	(139)
Net borrowings	**(5,400)**	9,331
Finance costs	**(986)**	(875)
Net cash (outflow)/inflow from financing activities	**(6,386)**	12,045
Net change in cash and cash equivalents	**(2,155)**	3,299
Cash and cash equivalents at beginning of period	**4,192**	893
Cash and cash equivalents at end of period	**2,037**	4,192

The accompanying principal accounting policies and notes form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flow from operating activities		
Continuing operations		
Operating profit	**2,513**	2,843
Net realised/unrealised profit on AFSA	**(4,471)**	(5,594)
Equity settled share-based payments	**2**	717
(Increase) in trade and other receivables	**(289)**	(278)
(Decrease)/increase in trade and other payables	**(83)**	373
Net cash outflow from operating activities from continuing operations	**(2,328)**	(1,939)
Cash flows from investing activities		
Payments for investments in associates	**(345)**	-
Payments for investments in AFS assets	**(214)**	(7,847)
Receipts on sale of AFS assets	**7,118**	1,040
Net cash inflow/(outflow) from investing activities	**6,559**	(6,807)
Cash flows from financing activities		
Proceeds from issue of share capital	**-**	3,728
Share issue costs	**-**	(139)
Net borrowings	**(5,400)**	9,331
Finance costs	**(986)**	(875)
Net cash (outflow)/inflow from financing activities	**(6,386)**	12,045
Net change in cash and cash equivalents	**(2,155)**	3,299
Cash and cash equivalents at beginning of period	**4,192**	893
Cash and cash equivalents at end of period	**2,037**	4,192

The accompanying principal accounting policies and notes form an integral part of these financial statements.

GENERAL INFORMATION

Cadence Minerals plc is a company incorporated in the United Kingdom. The Company's shares are listed on the AIM market of the London Stock Exchange, and on the NEX Exchange Growth Market as operated by NEX Exchange Limited (“NEX”).

The Financial Statements are for the year ended 31 December 2017 and have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). These Financial Statements (the "Financial Statements") have been prepared and approved by the Directors on 25 May 2018 and signed on their behalf by Donald Strang and Kiran Morzaria.

The accounting policies have been applied consistently throughout the preparation of these Financial Statements, and the financial report is presented in Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£‘000) unless otherwise stated.

INVESTING POLICY

The Company’s investing policy, which was approved at a General Meeting on 29 November 2010, is to acquire a diverse portfolio of direct and indirect interests in exploration and producing rare earth minerals and/or other metals projects and assets (‘Investing Policy’). In light of the nature of the assets and projects that will be the focus of the Investing Policy, the Company will consider investment opportunities anywhere in the world.

The Directors have considerable investment experience, both in structuring and executing deals and in raising funds. Further details of the Directors’ expertise are set out on the Company website. The Directors will use this experience to identify and investigate investment opportunities, and to negotiate acquisitions. Wherever necessary, the Company will engage suitably qualified technical personnel to carry out specialist due diligence prior to making an acquisition or an investment. For the acquisitions that they expect the Company to make, the Directors may adopt earn-out structures with specific performance targets being set for the sellers of the businesses acquired and with suitable metrics applied.

The Company may invest by way of outright acquisition or by the acquisition of assets – including the intellectual property – of a relevant business, partnership or joint venture arrangement. Such investments may result in the Company acquiring the whole or part of a company or project (which, in the case of an investment in a company, may be private or listed on a stock exchange, and which may be pre-revenue), and such investments may constitute a minority stake in the company or project in question. The Company’s investments may take the form of equity, joint venture, debt, convertible documents, licence rights, or other financial instruments such as the Directors deem appropriate.

The Company may be both an active and a passive investor depending on the nature of the individual investments in its portfolio. Although the Company intends to be a long-term investor, the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest, or on the proportion of the Company’s gross assets that any investment may represent at any time, and the Company will consider possible opportunities anywhere in the world.

The Directors may offer new ordinary shares in the capital of the Company by way of consideration as well as cash, thereby helping to preserve the Company’s cash for working capital and as a reserve against unforeseen contingencies including, by way of example and without limit, delays in collecting accounts receivable, unexpected changes in the economic environment and unforeseen operational problems. The Company may, in appropriate circumstances, issue debt securities or otherwise borrow money to complete an investment. There are no borrowing limits in the Articles of Association of the Company. The Directors do not intend to acquire any cross-holdings in other corporate entities that have an interest in the ordinary shares.

GOING CONCERN

The Directors have prepared cash flow forecasts for the period ending 31 May 2019 which take account of the current cost and operational structure of the Group.

The cost structure of the Group comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Group to operate within its available funding.

These forecasts demonstrate that the Group has sufficient cash funds available 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 financial statements have been prepared on a going concern basis.

It is the prime responsibility of the Board to ensure the Group and Company remains a going concern. At 31 December 2017 the Company had cash and cash equivalents of £2,037,000 and borrowings of £4,182,000. The Group has minimal contractual expenditure commitments and the Board considers the present funds sufficient to maintain the working capital of the Company for a period of at least 12 months from the date of signing the Annual Report and Financial Statements. For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements.

STATEMENT OF COMPLIANCE WITH IFRS

The Group and the Company's financial statements have been prepared under the historical cost convention and the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and Company are set out below.

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiaries are entities over which the Company has the power to control, directly or indirectly, the financial and operating policies so as to obtain benefits from their activities. The Company obtains and exercises control through voting rights. Subsidiaries are fully consolidated from the date at which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Unrealised gains on transactions between the Company and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Acquisition costs are written off as incurred.

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associate. The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

REVENUE

Other income represents the total value, excluding VAT of income receivable from professional services. Income is recognised as the services are provided.

The realised and unrealised gains and losses on Available For Sale Assets which are quoted investments are taken into income, less any related costs of purchase or sale.

TAXATION

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

FINANCIAL ASSETS

The Group's financial assets include cash, other receivables and available for sale assets. All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs. Trade and other receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the writedown is determined as the difference between the asset’s carrying amount and the present value of estimated future cash flows.

Derivative instruments are recorded at costs, and adjusted for their market value as applicable. They are assessed for any equity and debt component which is subsequently accounted for in accordance with IFRS’s. The Group’s and Company’s only derivative is considered to be the Convertible Loans as detailed in Note 12, which are accounted for on a fair value basis in accordance with the terms of the agreements, being based around the Company’s share price as traded on AIM.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group’s available-for-sale financial assets include listed and unlisted securities. These available-for-sale financial assets are measured at fair value. Gains and losses are recognised in the statement of comprehensive income as revenue. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income. Reversals of impairment losses are recognised in other comprehensive income.

INTANGIBLE ASSETS – LICENCES

Licences are recognised as an intangible asset at historical cost and are carried at cost less accumulated amortisation and accumulated impairment losses. The licences have a finite life and no residual value and are amortised over the life of the licence.

EXPLORATION OF MINERAL RESOURCES

Acquired intangible assets, which consist of mining rights, are valued at cost less accumulated amortisation.

The Group applies the full cost method of accounting for exploration and evaluation costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. All costs associated with mining development and investment are capitalised on a project by project basis pending determination of the feasibility of the project. Such expenditure comprises appropriate technical and administrative expenses but not general overheads.

Such exploration and evaluation costs are capitalised provided that the Group's rights to tenure are current and one of the following conditions is met:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
(ii) the activities have not reached a stage which permits a reasonable assessment of whether or not economically recoverable resources exist; or
(iii) active and significant operations in relation to the area are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any exploration and evaluation costs previously capitalised in respect of that area are written off to profit or loss.

Amortisation does not take place until production commences in these areas. Once production commences, amortisation is calculated on the unit of production method, over the remaining life of the mine. Impairment assessments are carried out regularly by the directors. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist.

The asset's residual value and useful lives are reviewed and adjusted if appropriate, at each reporting date. An assets' carrying value is written down immediately to its recoverable value if the assets carrying amount is greater than its listed recoverable amount.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand, bank deposits repayable on demand, and other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less advances from banks repayable within three months from the date of advance if the advance forms part of the Group's cash management.

GOODWILL

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in profit or loss.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE ASSETS

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

EQUITY

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The share based payment reserve represents the cumulative amount which has been expensed in the income statement in connection with share based payments, less any amounts transferred to retained earnings on the exercise of share options.

The equity loan and exchange reserve represents the equity component of the issued convertible loan notes, and currency translation movements in foreign exchange.

Retained earnings include all current and prior period results as disclosed in the income statement.

FOREIGN CURRENCIES

The financial statements are presented in Sterling, which is also the functional currency of the parent Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss.

In the consolidated financial statements, the financial statements of subsidiaries, originally presented in a functional currency, have been translated into Sterling. Assets and liabilities have been translated into Sterling at the exchange rates ruling at the balance sheet date. Profit and losses have been translated at an average monthly rate for the period. Any differences arising from this procedure are taken to the foreign exchange reserve. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities to the foreign entity and translated into Sterling at the closing rates.

SHARE BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense or share issue cost recognised in prior periods if fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

FINANCIAL LIABILITIES

The Group’s financial liabilities include trade and other payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

All financial liabilities are recognised initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method with interest related charges recognised as an expense in the income statement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant judgments and estimates
The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reported period. The estimates and associated judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

- The estimates and underlying judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

- In the preparation of these consolidated financial statements, estimates and judgments have been made by management concerning calculating the fair values of the assets acquired on business combinations, and the assumptions used in the calculation of the fair value of the share options. Actual amounts could differ from those estimates.

- Management has made the following estimates that have the most significant effect on the amounts recognised in the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment of goodwill

The basis of review of the carrying value of goodwill is as detailed in note 6. The carrying value of goodwill is £638,000 at the balance sheet date. Management do not consider that any reasonably foreseeable changes in the key assumptions would result in an impairment. Further details of management's assessment of the goodwill for impairment are included in note 6.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognised in the income statement in the subsequent period.

Share-based payments

The Group measures the cost of the equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The charge for the period ended 31 December 2017 of £2,000 (2016: £1,869,000) is determined using a Black-Scholes Valuation model, using the assumptions detailed in note 14.

Treatment of exploration and evaluation costs

IFRS 6 "Exploration for and Evaluation of Mineral Resources" requires an entity to consistently apply a policy to account for expenditure on exploration and evaluation of a mineral resource. The directors have set out their policy in respect of the treatment of these costs in the accounting policies. Amounts capitalised in the year to 31 December 2017 were £270,000 (2016: £105,000). Additionally £300,000 of costs previously capitalised have been impaired in the year to 31 December 2017 (2016: £Nil).

Treatment of licenses

The Company purchased the entire share capital of Mojito Resources Limited during the period ended 31 December 2011. Mojito Resources Limited is the beneficial owner of a 30% interest in the Tenements in the Yangibana Rare Earth Project. These have been treated in the accounting records of Mojito Resources Limited and on consolidation as an intangible asset. The directors consider the fair value of the tenements to be equal to the book value in Mojito Resources Limited at the date of acquisition as the interest in the tenements were purchased during the financial period. In addition Mojito Resources Limited has entered into an Agreement with GTI Resources Limited and Gascoyne Metals Pty Limited in respect of the Yangibana Project. Mojito Resources is not however liable for any of the exploration costs in the initial sole funding period until a Feasibility Report is produced by the operators (GTI Resources Limited). At this stage therefore the directors have treated the licenses as an intangible asset. Following the completion of the Feasibility report the directors will review the accounting treatment going forward giving consideration to their respective responsibilities for the development of the project.

ADOPTION OF NEW OR AMENDED IFRS

New standards, amendments and interpretations adopted by the Company

No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the Company.

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 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.

- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018.

- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.

- IFRS 17 in respect of Insurance Contracts will be effective for accounting periods beginning on or after 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 Company.

1. PROFIT BEFORE TAXATION AND SEGMENTAL INFORMATION

Profit before taxation - continuing operations

The profit before taxation is attributable to the principal activities of the Group.

The profit before taxation is stated after charging:

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
Share based payment charge	**2**	717
Impairment of intangibles	**300**	-
Foreign exchange (gain)	**(155)**	(104)
Directors fees and consulting (see note 2)	**535**	498
Fees payable to the Company's auditor for the audit of the financial statements	**18**	21
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance	**-**	-

Segmental information

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 has defined that the Group's only reportable operating segment during the period is the investment in and development of lithium and rare earth assets.

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

The Group generated revenues from external customers totalling £145,000 (2016: £189,000) during the period.

In respect of the total assets, £2,759,000 (2016: £4,592,000) arise in the UK, and £317,000 (2016: £618,000) arise in Greenland, £15,684,000 arise in Mexico (2016: £17,646,000), £10,931,000 (2016: £646,000) arise in Australia and £1,477,000 arise in Canada (2016: £950,000).

2. EMPLOYEE REMUNERATION

Employee benefits expense

The expense recognised for employee benefits, including Directors' emoluments, is analysed below:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages, salaries and consulting fees	**583**	521
Share based payments	**2**	717
	585	1,238

The average number of employees (including directors) employed by the Group during the period was:

	2017 No.	2016 No.
Directors	**4**	4
Other	**1**	1
	5	5

Included within the above are amounts in respect of Directors, who are considered to be the key management personnel, as follows:

	Group	
	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages, salaries and consulting fees	**535**	498
Share based payments	**2**	717
	537	1,215

Details of Directors' emoluments are included in the Report on Remuneration on pages 14 to 16.

3. FINANCE COSTS

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
Other interest & penalties	**9**	-
Loan interest	**421**	381
Finance Fees	**556**	1,646
	986	2,027

4. TAXATION

The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows:

	Year ended 31 December 2017	**2017**	Year ended 31 December 2016
	£'000	**%**	£'000
Profit before taxation	1,189		616
Profit multiplied by standard rate of corporation tax in the UK	229	**19.25**	123
Effect of:			
Offset against losses/deferred tax asset not recognised	(431)		(270)
Expenses not deductible for tax purposes	202		147
Total tax charge for year	**-**		-

The Group has tax losses in the UK, subject to Her Majesty's Revenue and Customs approval, available for offset against future operating profits. The Group has not recognised any deferred tax asset in respect of these losses, due to there being insufficient certainty regarding its recovery.

5. EARNINGS PER SHARE

The calculation of the basic Eearnings per share is calculated by dividing the consolidated profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
Profit attributable to owners of the Company	**1,189**	616

	2017	2016
	Number	Number
Weighted average number of shares for calculating basic earnings per share	**7,811,370,698**	7,418,126,097
Share options and warrants exercisable	**1,664,564,973**	1,738,283,823
Weighted average number of shares for calculating diluted earnings per share	**9,475,935,671**	9,156,409,920

	2017	2016
	Pence	Pence
Basic earnings per share	**0.015**	0.008
Diluted earnings per share	**0.013**	0.007

The impact of the share options are considered anti-dilutive when the group's result for a period is a loss.

6. INTANGIBLE ASSETS

Group Intangible Assets

	Exploration costs £'000	Goodwill £'000	Licences £'000	Total £'000
Cost				
At 1 January 2016	1,174	532	207	1,913
Additions	105	-	-	105
Licence expiry	-	-	(33)	(33)
Exchange Difference	-	98	-	98
At 31 December 2016	1,279	630	174	2,083
Additions	270	-	-	270
Exchange Difference	-	8	-	8
At 31 December 2017	1,549	638	174	2,361
Amortisation and impairment				
At 1 January 2016	-	-	(207)	(207)
Amortisation charge in the year	-	-	-	-
Elimination on licence expiry	-	-	33	33
At 31 December 2016	-	-	(174)	(174)
Amortisation charge in the year	-	-	-	-
Impairment	(300)	-	-	(300)
At 31 December 2017	(300)	-	(174)	(474)
Net book value at 31 December 2017	**1,249**	**638**	**-**	**1,887**
Net book value at 31 December 2016	1,279	630	-	1,909
Net book value at 1 January 2016	1,174	532	-	1,706

In the year to 31 December 2017 £270,000 (2016: £105,000) was invested in Exploration costs by REM Mexico Ltd and £Nil (2016: £Nil) invested in Exploration costs by Rare Earth Resources Ltd. The Exploration costs in Rare Earth Resources Ltd were impaired by £300,000 in the year to 31 December 2017 (2016: £Nil).

Goodwill arose on the acquisition of Mojito Resources Limited, the licences being the only asset held within that company. The directors are continuing to review their provisional assessment of the fair value of the licences acquired although do not expect any material adjustment. The directors have therefore identified only one cash generating unit to which the goodwill is allocated. As set out in the accounting policies Goodwill is reviewed annually or in the event of an indication of impairment. The recoverable amount of goodwill has been determined by the fair value less costs to sell. The directors consider that there have been no changes in circumstances between acquisition on 1 December 2013 and 31 December 2017 that would give rise to an impairment charge.

6. INTANGIBLE ASSETS CONTINUED

At this stage the Feasibility Study has not been completed to fully assess the potential future cash flows of developing the area under licence. The directors, however, having given consideration to the past exploration of the Project which has identified nine individual occurrences of rare earth elements known to occur within the Project areas consider that the goodwill is not impaired. Management's review of the recoverable amount is most sensitive to changes in the commodity prices of the underlying minerals and the existence of the rare earth elements within the Project Area. Since the acquisition date there has been no significant fluctuation in the commodity prices of the underlying minerals or any material changes to the Project Area. The directors consider that no impairment is required at 31 December 2017.

7. INVESTMENTS IN SUBSIDIARIES – COMPANY

	Investment in group undertakings
	£'000
Cost and carrying value	
At 31 December 2017 and 31 December 2016	**906**

Subsidiary	**Proportion of ordinary share capital held**	**Nature of business**	**Country of incorporation**
Mojito Resources Ltd	100%	Mining	British Virgin Islands
REM Mexico Limited	100%	Mining	UK
Rare Earth Resources Limited	100%	Mining	UK

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertaking held directly by the parent company do not differ from the proportion of the ordinary shares held. The following companies are taking an exception from the audit of the financial statements as per S479A of the Companies Act; REM Mexico Ltd (08022329), Rare Earth Resources Ltd (08390571).

8. INVESTMENT IN ASSOCIATES

Group

	31 December 2017	31 December 2016
	£'000	£'000
Changes in equity accounted investment		
Carrying value at beginning of year	**12,982**	2,804
Investment in associate - transferred from AFSA	**-**	10,378
Equity purchases	**345**	-
Share of retained (losses) attributable to the group	**(339)**	(200)
Investment carrying value as at year end	**12,988**	12,982

8. INVESTMENT IN ASSOCIATES CONTINUED

The Group's two Mexican associate companies have a reporting date of 30 June. These shares are not publicly listed on a stock exchange and hence published results are not available. Therefore the fair value of the Group's investment equates to the carrying book value of £2,696,000 (31 December 2016: £2,685,000).

On 24 November 2016 the Company's investment in European Metal Holdings Ltd ("EMH") increased above a 20% shareholding, therefore this has been reclassified as an associate. EMH is listed on the ASX and on AIM. The market value of the shareholding at 31 December 2017 was £10,747,000 (2016: £9,101,086), with a carrying value of £10,292,000 (2016: £10,297,000). During the year ended 31 December 2017 the company acquired a further 985,714 CDIs in European Metal Holdings Inc.

The Group's share of results of its associates, which are unlisted, and their aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/(Loss)	% interest held
		As at 31 December 2017		Year to 31 December 2017		
		£'000	£'000	£'000	£'000	
Mexilit S.A. de C.V.	Mexico	1,673	(1,348)	£Nil	38	30%
Minera Megalit S.A. de C.V.	Mexico	439	(272)	£Nil	2	30%
European Metals Holding Ltd (1)	BVI	9,029	(320)	£Nil	(1,701)	20.042%

Company

	31 December 2017	31 December 2016
	£'000	£'000
Changes in equity accounted investment		
Carrying value at beginning of year	**10,297**	-
Investment in associate - transferred from AFSA	**-**	10,378
Equity purchases	**345**	-
Share of retained (losses) attributable to the group	**(350)**	(81)
Investment carrying value as at year end	**10,292**	10,297

9. AVAILABLE FOR SALE INVESTMENTS

Available for sale assets	**31 December 2017**	31 December 2016
	£'000	£'000
Current Assets - Listed Investments		
Valuation at 1 January	**15,967**	13,944
Additions at cost	**214**	7,847
Disposal proceeds	**(7,118)**	(1,040)
Realised profit/(loss) on disposal	**3,118**	(107)
Change in fair value recognised in income statement	**1,353**	5,701
Reclassified as investment in associate	**-**	(10,378)
Valuation at 31 December	**13,534**	15,967

During the year ended 31 December 2017 the company acquired a net 7,424,000 shares in MacArthur Minerals Ltd, and the company also disposed of its remaining 3,636,563 shares in Hastings Rare Metals Ltd and 9,861,857 shares of its current shareholding in Bacanora Minerals Limited,

Available-for-sale assets comprise investments in listed securities which are traded on stock markets throughout the world, and are held by the Group as a mix of strategic and short term investments.

10. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
	£'000	£'000	**£'000**	£'000
Current				
Trade receivables	**48**	43	**48**	43
Other receivables	**133**	210	**133**	210
Amounts owed by subsidiaries	**-**	-	**4,199**	4,230
Prepayments and accrued income	**541**	149	**541**	149
	722	402	**4,921**	4,632

There is no impairment of receivables and no amounts are past due at 31 December 2017 or 31 December 2016.

The fair value of these financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

11. TRADE AND OTHER PAYABLES

	Group		Company	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
	£'000	£'000	**£'000**	£'000
Trade payables	**98**	404	**98**	404
Tax and social security	**-**	11	**-**	11
Other payables	**-**	3	**-**	3
Accruals and deferred income	**164**	185	**164**	185
	262	603	**262**	603

The fair value of trade and other payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

12. BORROWINGS

	31 December 2017	31 December 2016
	£'000	£'000
Current liabilities		
Convertible loan notes	**4,130**	10,148
Interest accrued	**52**	176
	4,182	10,324

On 8 August 2016, the Company agreed a $15million Convertible Loan Facility with Iskandar Mineral Asset Fund. The Convertible Loan was secured by a pledge over the assets of the Company, and had an interest rate of 5%. The principle is convertible at 0.65 pence which represented a premium of 5 % over the closing price on 8 August 2016. The noteholders had the right to convert the Convertible Loan into shares of REM on the earlier of: (i) the 12 month anniversary of the date the Convertible Note was issued to the noteholders; and (ii) the achievement by REM of certain performance measures, including the volume weighted average price of REM shares being above the 0.65 pence for 90 consecutive days or relating to potential future investments. In addition, each US$1 of the Convertible Loan had forty warrants attached with the right to subscribe to forty new ordinary shares at a price of 0.8 pence per share for a period of 2 years. The warrant exercise price is a 23% premium to the closing price on the 8 August 2016. The Loan Note was redeemable at the Company's option prior to conversion.

The full $15million was drawn down during the year ended 31 December 2016 and 600million warrants were issued. During the year ended 31 December 2016 $1,850,000 of the capital was converted into 229,063,331 ordinary shares of 0.01p, leaving the balance outstanding of $13,150,000 plus interest accrued. The Loan Note was initially recognised as a liability of £10,672,000 (USD$14,286,000) and an equity element of £534,000 (USD$714,000).

On 31 January 2017, a further US$200,000 of the convertible loan was converted into 24,529,629 new ordinary shares in the Company at a price of 0.65 pence per share, reducing the balance to $12,950,000. On 1 November 2017 the Company announced that the remaining loan had been restructured, with approximately 50% plus the accrued interest being repaid in cash. The outstanding balance of $6,130,034 at that date was restructured into two loans as follows:

Loan 1 for $2,365,017 has an interest rate of 10%, a principle and interest rate repayment holiday until January 2018, after which the principle and interest will be paid via equal instalments over a nine-month period. The loan notes are convertible at any time during this period at 0.473 pence, being a 46% premium to the closing mid-market price as at 31 October 2017.

12. BORROWINGS CONTINUED

Loan 2 for $3,765,017 carries zero interest rate and the principle will be repaid in September 2018. The loan notes are convertible at any time during this period at 0.364 pence, being a 12% premium to the closing mid-market price as at 31 October 2017.

Both Convertible Loans are secured by a pledge over the assets of the Company.

Loan Note 1 was initially recognised as a liability of £1,591,000 (USD$2,150,000) and an equity element of £159,000 (USD$215,000). Loan Note 2 was initially recognised as a liability of £2,523,000 (USD$3,423,000) and an equity element of £253,000 (USD$342,000).

13. SHARE CAPITAL

	31 December 2017 £'000	31 December 2016 £'000
Allotted, issued and fully paid		
173,619,050 deferred shares of 0.24p	**417**	417
7,851,440,338 ordinary shares of 0.01p (31 December 2016: 7,753,160,709)	**785**	775
	1,202	1,192

	Ordinary shares No.	£'000
Allotted and issued		
At 31 December 2016	7,753,160,709	775
Issue of shares during the year	98,279,629	10
At 31 December 2017	**7,851,440,338**	**785**

On 31 January 2017, $200,000 of the loan was converted into 24,529,629 Ordinary Shares of 0.01p. On 7 July 2017, 73,750,000 Ordinary Shares of 0.01p were issued in respect of acquiring an interest in the Leogang Project which has yet to be concluded. (During year ended 31 December 2016, 937,507,214 shares were issued.)

The deferred shares have no voting rights and are not eligible for dividends.

Warrants issued

Each warrant issued is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Company. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting rights, pre-emptive rights or other rights attaching to Ordinary Shares. All warrants issued vest in full. Warrants fall outside the scope of IFRS2 if they have been issued to shareholders in their capacity as shareholders and have therefore not been treated as share based payments. During the year ended 31 December 2016, 322,809,835 warrants were issued to shareholders in their capacity as shareholders and 600,000,000 warrants were issued in connection with the Convertible Loan. The treatment of these has been covered in Note 14. During the year ended 31 December 2017, no warrants were issued.

13. SHARE CAPITAL CONTINUED

The following table shows details of the warrants granted and exercised during the year:

	31 December 2017		31 December 2016	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**1,158,283,823**	**0.00855**	254,298,201	0.0105
Granted	**-**	**-**	922,809,835	0.00784
Exercised	**-**	**-**	(18,824,213)	0.0080
Lapsed	**(73,718,850)**	**0.0126**	-	-
Outstanding at the end of the year	**1,084,564,973**	**0.00828**	1,158,283,823	0.00855
Exercisable at year end	**1,084,564,973**		1,158,283,823	

14. SHARE BASED PAYMENTS

Share Options

The Group operates share option schemes for certain employees (including directors). Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The expected life of the options varies between 1 and 6 years. All options issued in the prior years vested immediately, with no vesting requirements. . The options issued during the year ended 31 December 2017 have vesting conditions attached thereto, and these are detailed on the subsequent disclosures within this note.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the period are as follows:

	31 December 2017		31 December 2016	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**580,000,000**	**0.00437**	327,825,000	0.00457
Granted	**232,570,592**	**-**	300,000,000	0.0044
Replaced	**(300,000,000)**	**0.0044**	-	-
Exercised	**-**	**-**	(44,000,000)	(0.006)
Lapsed	**-**	**-**	(3,825,000)	(0.03)
Outstanding at the end of the year	**512,570,592**	**0.00237**	580,000,000	0.00437
Exercisable at year end	**280,000,000**		580,000,000	

14. SHARE BASED PAYMENTS CONTINUED

The share options outstanding at the end of the period have a weighted average remaining contractual life of 2.15 years (31 December 2016: 4.24 years) and have the following exercise prices and fair values at the date of grant:

First exercise date (when vesting conditions are met)	Grant date	Exercise price	Fair value	**31 December 2017**	31 December 2016
		£	£	**Number**	Number
28 January 2013	28 January 2010		0.0004	10,000,000	10,000,000
13 December 2012	13 December 2012	0.0006	0.00055	20,000,000	20,000,000
28 June 2013	28 June 2013	0.0006	0.000371	10,000,000	10,000,000
21 May 2014	21 May 2014	0.0048	0.004711	200,000,000	200,000,000
23 May 2014	23 May 2014	0.0058	0.005574	40,000,000	40,000,000
1 July 2016	1 July 2016	0.0044	0.002388	-	300,000,000
1 March 2019	29 August 2017	0	0.00415	28,885,868	-
1 March 2019	29 August 2017	0	0.00415	39,326,924	-
1 March 2019	29 August 2017	0	0.00415	164,357,800	-
				512,570,592	580,000,000

The share options issued on 29 August 2017 can only be exercised 18 months after issue if the share price meets certain targets and the director makes purchases of shares into the company as detailed in the Report on Remuneration on pages 14 to 16. All other options can be exercised up to seven years after the date first exercisable.

At 31 December 2017 280,000,000 options were exercisable (31 December 2016: 580,000,000).

Share Warrants

During the year ended 31 December 2016, 322,809,835 warrants were issued to shareholders in their capacity as shareholders and 600,000,000 warrants were issued in connection with the Convertible Loan. No warrants were issued during the year to 31 December 2017.

14. SHARE BASED PAYMENTS CONTINUED

First exercise date (when vesting conditions are met)	Grant date	Exercise price	**31 December 2017**	31 December 2016
		£	**Number**	Number
13 June 2014	13 June 2014	0.011	-	49,068,529
19 September 2014	19 September 2014	0.018	-	10,848,654
22 October 2014	22 October 2014	0.014	-	13,801,667
29 June 2015	29 June 2015	1.200	33,574,598	33,574,598
29 July 2015	29 July 2015	1.130	17,656,007	17,656,007
02 October 2015	02 October 2015	0.960	34,341,188	34,341,188
23 October 2015	23 October 2015	0.950	34,366,078	34,366,078
16 November 2015	16 November 2015	0.840	19,647,535	19,647,535
20 November 2015	20 November 2015	0.790	40,993,945	40,993,945
29 February 2016	29 February 2016	0.800	303,985,622	303,985,622
09 August 2016	09 August 2016	0.800	600,000,000	600,000,000
			1,084,564,973	1,158,283,823

These warrants can be exercised up to three years after the date first exercisable. At 31 December 2017 all of the 1,084,564,973 warrants were exercisable (31 December 2016: 1,158,283,823).

For those options and warrants granted where IFRS 2 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model for the current and prior year were as follows:

	Risk free rate	Share price volatility	Expected life	Share price at date of grant
01 July 2016	2.00%	63%	6 months	£0.0044
09 August 2016	2.00%	68%	5 months	£0.0063
29 August 2017	n/a	n/a	18 months	£0.00415

Expected volatility was determined by calculating the historical volatility of the Company's share price for 12 months prior to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The options granted on 29 August 2017, had a zero exercise price and therefore the value was the share price at the time of issue of 0.415p, irrespective of the interest rate and volatility.

All of the options are exercisable 18 months after the grant date provided that the share price has met a certain price. Should the share price not be achieved the options will lapse.

28,885,868 options only vest if VWAP is greater or equal to 0.92p on vesting date

39,226,924 options only vest if VWAP is greater or equal to 1.82p on vesting date

164,357,800 options only vest if VWAP is greater or equal to 2.18p on vesting date

14. SHARE BASED PAYMENTS CONTINUED

Additionally the option holder must have made market purchases of ordinary shares equal to a total of one third of the Option Holders's annual salary or participated in a Company share purchase programme for a period of at least six months prior to the grant date.

It has been assumed that the likelihood on the options of the three sets of options vesting is 60%, 20% and 10% respectively, and the share option has been calculated accordingly.

Of the 232,570,592 options issued, 223,632,074 were replacement options for the 300,000,000 options issued in July 2016, which were cancelled at the time the new options were issued. The charge in respect of these would have been £163,000, but as £716,000 had already been charged in respect of the 2016 options no charge has been made. The remaining 8,938,518 new options carry a charge of £10,000 which has been spread over the 18 month vesting period.

The Group therefore recognised total expenses of £2,000 (year ended 31 December 2016: £1,869,000) relating to equity-settled share-based payment transactions during the period.

15. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2017 or 31 December 2016.

16. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2017 or 31 December 2016.

17. FINANCIAL INSTRUMENTS

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for co-ordinating the Group's risk management and focuses on actively securing the Group's short to medium term cash flows. Long term financial investments are managed to generate lasting returns.

The Group has purchased shares in Companies which are listed on public trading exchanges such as the LSE, TSX and ASX, and these shares are held as an available-for-sale asset. The most significant risks to which the Group is exposed are described below:

a Credit risk

The Group's credit risk will be primarily attributable to its trade receivables. At 31 December 2017, the Group had minimal trade receivables and therefore minimal risk arises.

17. FINANCIAL INSTRUMENTS CONTINUED

Generally, the Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	31 December 2017				31 December 2016			
	AFS (carried at fair value)	**Loans and receivables**	**Derivative financial assets**	**Statement of Financial position total**	AFS (carried at fair value)	Loans and receivables	Derivative financial assets	Statement of financial position total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
								-
Available-for-sale financial asset	**13,534**	**-**	**-**	**13,534**	15,967	-	-	15,967
Other long term financial assets	**13,534**	**-**	**-**	**13,534**	15,967	-	-	15,967
Trade receivables	**-**	**48**	**-**	**48**	-	43	-	43
Other receivables	**-**	**133**	**-**	**133**	-	210	-	210
Prepayments and accrued income	**-**	**541**	**-**	**541**	-	149	-	149
Cash and cash equivalents	**-**	**2,037**	**-**	**2,037**	-	4,192	-	4,192
Total	**13,534**	**2,759**	**-**	**16,293**	15,967	4,594	-	20,561

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment.

Investments
The Group's investment in shares in Listed Companies are included as an available-for-sale asset has been classified as Level 1, as market prices are available and the market is considered an active, liquid market.

The credit risk on liquid funds is limited because the Group only places deposits with leading financial institutions in the United Kingdom.

17. FINANCIAL INSTRUMENTS CONTINUED

b Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Directors prepare rolling cash flow forecasts and seek to raise additional equity funding whenever a shortfall in funding is forecast. Details of the going concern basis of preparing the financial statements are included in the principal accounting policies.

c Market risk

The amount and quality of minerals available and the related costs of extraction and production represent a significant risk to the group. The group is exposed to fluctuating commodity prices in respect of the underlying assets. The Group seeks to manage this risk by carrying out appropriate due diligence in respect of the projects in which it invests.

The Group is exposed to the volatility of the stock markets around the world, on which it holds shares in various listed entities, and the fluctuation of share prices of these underlying companies. The Group manages this risk through constant monitoring of its investments share prices and news information, but does not hedge against these investments.

Interest rate risk

The Group only has borrowings at a fixed coupon rate of 10% and therefore minimal interest rate risk, as this is deemed its only material exposure thereto.

d Financial liabilities

The group's financial liabilities are classified as follows:

	31 December 2017			31 December 2016		
	Other financial liabilities at amortised cost	**Liabilities not within the scope of IAS 39**	**Total**	Other financial liabilities at amortised cost	Liabilities not within the scope of IAS 39	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Trade payables	**98**	**-**	**98**	404	-	404
Tax and social security	**-**	**-**	**-**	11	-	11
Other payables	**-**	**-**	**-**	3	-	3
Accruals and deferred income	**-**	**164**	**164**	-	185	185
Borrowings	**4,182**	**-**	**4,182**	10,324	-	10,324
Total	**4,280**	**164**	**4,444**	10,742	185	10,927

17. FINANCIAL INSTRUMENTS CONTINUED

Maturity of financial liabilities

All financial liabilities at 31 December 2017 and 31 December 2016 mature in less than one year.

Borrowing facilities for the period ended 31 December 2017

The Group has committed borrowing facilities at 31 December 2017 of £4,182,000 (31 December 2016: £10,324,000). See Note 12 for details.

e Capital risk management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for the shareholders;
- to support the Group's stability and growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure, to ensure an optimal capital structure, and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Short-term borrowings	**Total**
1 January 2017	**10,324**	**10,324**
Cash-flows:		
- Interest charged	421	421
- Realised foreign exchange	(198)	(198)
- Repayments	(5,623)	(5,623)
Non-cash:		
- Loans converted	(158)	(158)
- Transfer from equity	507	507
- Transfer to equity	(412)	(412)
- Unrealised Foreign exchange movement	(679)	(679)
31 December 2017	**4,182**	**4,182**

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES CONTINUED

	Short-term borrowings	Total
1 January 2016	**2,407**	**2,407**
Cash-flows:		
- Proceeds	11,461	11,461
- Realised foreign exchange	337	337
- Interest charged	381	381
- Repayments	(2,848)	(2,848)
Non-cash:		
- Loans converted	(1,489)	(1,489)
- Transfer to equity	(507)	(507)
- Unrealised Foreign exchange movement	582	582
31 December 2016	**10,324**	**10,324**

19. RELATED PARTY TRANSACTIONS

There are no related party transactions to disclose.

Key Management Personnel are considered to be the Company Directors only, and their fees and remuneration are disclosed in the Directors Remuneration on pages 14 to 16, and within Note 2 to the financial statements.

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events after the end of the reporting period to disclose.

21. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no controlling party.

22. PROFIT AND LOSS ACCOUNT OF THE PARENT COMPANY

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The parent company profit for the year was £1,176,000 (2016: £735,000).