RARE EARTH MINERALS PLC

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2015

Company No 05234262

RARE EARTH MINERALS PLC

COMPANY INFORMATION

For the year ended 31 December 2015

Company registration number:	05234262
Registered office:	Suite 3B Princes House 38 Jermyn Street London SW1Y 6DN
Directors:	Andrew Suckling (Non-Executive Chairman) Don Strang (Finance Director) Kiran Morzaria (Chief Executive) Adrian Fairbourn (Non-executive Director)
Secretary:	Don Strang
Nominated adviser and Nominated broker:	W. H. Ireland Limited 24 Martin Lane London EC4R 0DR
Registrars:	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Bankers:	Barclays Bank Plc 1 Churchill Place London E14 5HP
Solicitors:	Kerman & Co 200 Strand London WC2R 1DJ
Auditors:	Chapman Davis Registered Auditor Chartered Accountants 2 Chapel Court London SE1 1HH

RARE EARTH MINERALS PLC

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For the year ended 31 December 2015

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 REM, 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 REM 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 REM 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 REM 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.

CHAIRMAN'S STATEMENT

For the year ended 31 December 2015

Fellow shareholders, 2015 was a year of intense activity and substantial progress for our investee companies and for Rare Earth Minerals (“REM”).

I was thrilled to be appointed Non-Executive Chairman as the year end approached and took over the leadership of our board from David Lenigas, who decided to step down.

The Board records its sincere thanks to David for both creating the Company that has become REM and for his shrewd leadership in making investments in limited supply commodities. Lithium in particular is coming into high demand across the globe, driven by rapid technological advances in electric vehicles and stationary storage and political imperatives.

Our investments continued to grow and make excellent operational progress last year. These now encompass the Sonora project in northern Mexico (both directly and indirectly through our holding in Bacanora Minerals); the Cinovec lithium project in the Czech Republic, via our holding in European Metals Holdings (“EMH”); the newer investment in Macarthur Minerals and the Yangibana rare earth project in Australia

Since the year end, plans for production of 35,000 tonnes of lithium carbonate per year at Sonora have been unveiled. Highly positive Pre-Feasibility Studies have been published for both the Sonora and Yangibana projects and they represent significant steps forward in the de-risking of each project and establishing their commercial potential. EMH has also recently increased and upgraded its lithium resources at the Cinovec project.

The board remains confident that each of its significant projects will continue to grow.

Investment activity has also continued apace, supported by a £3.55m fundraising earlier this year. REM further increased its exposure to lithium exploration with the purchase of a 15.5% stake in Macarthur Minerals in Australia, while further increasing investment in EMH to take REM’s equity position in that company to 19.7%.

During the year we continued to invest in Bacanora Minerals, with the Company’s direct equity position now at 15.6% and the overall economic interest in the Mexalit and Megalit portions of the Sonora project at 40.1%.

To further enhance interest and liquidity in REM shares, the Company launched an ADR programme in New York and joined the ISDX Exchange in London while maintaining its listing on AIM.

The board is committed to the strategy and vision of investing in low-cost, large and scalable lithium deposits. The Company’s current investments demonstrate this and were the result of extensive due diligence and detailed research. Independent research from industry experts at Roskill has highlighted Sonora and Cinovec as two potentially large suppliers of battery-grade lithium.

There is currently high trend volatility in resource equities. The board’s view, looking beyond these short-term factors, is that the current share price of REM does not reflect the true value of our assets.

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

These remain very exciting times for our Company.

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

Andrew Suckling
Non-Executive Chairman
25 May 2016

Within our investment portfolio, most notable is the prominence of Bacanora Minerals and our joint ownerships with this company on the Sonora Lithium Project. This investment represented approximately 87% of marketable securities at the end of the year. After the year-end the Company has sought to diversify away from this single investment, and has taken significant stakes in companies within the lithium sector, which have the potential for similar or higher capital growth. This strategy has proven effective to date with these assets now representing some 23% of the portfolio (30/04/2016). These investments have also delivered some of the strongest growth, and we still see further potential in this regard.

Several of our investments and joint ventures provided economic studies during the year and after the year-end. They varied in stage-of-progress from Scoping Study to Pre-Feasibility Studies. We have reviewed these and have looked to establish an estimate of the potential free cash flows to REM.

	31/12/2015	30/04/2016
Mark to Market Equity Value (GB£ ,000)	**13,943**	**16,935**
Realised Value from Equity Sales (GB£,000)	**Nil**	**980**
Total (GB£,000)	**13,943**	**17,915**
Absolute Return on Equity (%)	**25%**	**49%**
Attributable NPV to REM from equity and joint ventures (GB£ ,000) *	**39,000**	**168,200**

*Company estimates are based on discounted cash flows from both equity and joint venture or direct project interests. The Company has used pre-feasibility or scoping studies in the public domain and has estimated the future cash flows that it could receive assuming all free cash flow is distributed to equity and that the project is entirely equity funded with REM retaining its interest and contributing on a pro rata basis.

LITHIUM MARKET REVIEW

2015 was the year that the broader financial markets realised the importance of lithium within the battery revolution. Several major international banks have published extensive reports, on the lithium market and potential growth within the lithium compound market.

The key drivers of the continued growth in the market are electric vehicles (“EV”), which have been pioneered in Nevada in recent years, but the larger catalyst for global mass market uptakes is EV technology in China. Deutsche Bank has forecasted that global sales of EV’s in 2025 to be 16 million vehicles per annum (current sales are just 2 million). This increase should lift lithium consumption in EV’s 8-fold from 25-kilo tonnes (Kt) of Lithium Carbonate Equivalent (“LCE”) in 2015 to 205Kt in 2025. This along with the other increases in global lithium demand is expected to increase LCE demand to around 535Kt of LCE by 2025. This new demand is being driven by the improved economics of electric vehicles and energy storage products. In particular in the last five years lithium-ion costs have dropped from US$900/kWh to US$225/kWh.

We still believe that in the short term supply will lag demand. This can be seen in the recent price spike in the small spot market in China. In the medium term we expect to see pricing increases in lithium compound contracts, which should incentivise new producers to enter the market. We believe that the assets which we have invested in will form part of the medium term lithium supply chain from late 2018 onwards.

REM still maintains its belief that lithium prices will continue rise in both real and nominal terms. REM anticipates that this pattern will continue for the foreseeable future. In particular, battery grade lithium carbonate and lithium hydroxide should, REM believes, see steady price increases.

INVESTMENT REVIEW

Bacanora Minerals Ltd (“Bacanora”)

REM holds an interest in Bacanora through a 15.57% (25/05/2016) direct equity holding and a 30% stake in the joint venture interests in each of Mexalit S.A. de CV ("Mexalit") and Megalit S.A. de CV ("Megalit"). Bacanora is a Canadian and London-listed minerals explorer (TSX-V: BCN and AIM: BCN). Bacanora explores and develops industrial mineral projects, with a primary focus on lithium and borates. Bacanora’s operations are based in Hermosillo in northern Mexico and it currently has two significant projects under development in the state of Sonora. The two primary assets of Bacanora are the Sonora Lithium Project, which consists of ten mining concession areas covering approximately 100 thousand hectares in the northeast of Sonora State and the Magdalena Borate Project, covering 16,503 hectares in Sonora State, Mexico.

	31/12/2015	30/04/2016
Mark to Market Equity Value (GB£ ,000)	**12,225**	**13,430**
Absolute Return on Equity (%)	**32%**	**44%**
Attributable NPV to REM from equity and joint venture (GB£ ,000) *	**N/A**	**101,800**

* Company estimates are based on discounted cash flows from both equity and joint venture or direct project interests. The Company has used pre-feasibility or scoping studies in the public domain and has estimated the future cash flows that it could receive assuming all free cash flow is distributed to equity and that the project is entirely equity funded with REM retaining its interest and contributing on a pro rata basis.

Summary of Activities

Bacanora and the Sonora Lithium project, reached several critical milestones during the year, transforming the company from an explorer to a developer of one of the largest hard rock lithium deposits in the world. The mine has a targeted initial production of 17,500 tonnes (t) of lithium carbonate (Li_2CO_3)per annum, expanding to 35,000 t of Li_2CO_3 per annum two years later. Once at this level this mine would represent one of the single largest sources of lithium compounds in the current market.

Continued drilling during the year resulted in a substantial upgrade to the Sonora Lithium Project's Mineral Resources. In particular we saw a significant increase in the resource in the Indicated category. The Mineral Resource Estimate comprises an Indicated Mineral Resource estimated at 259 million tonnes ("Mt") averaging 3,200 ppm Li for 4.5 Mt of LCE, in addition to an Inferred Mineral Resource estimated at 160 Mt averaging 3,200 ppm Li for 2.7 Mt of LCE.

The upgrades of the Mineral Resource Estimate formed a key component of the continued work of the Pre- Feasibility Study ("PFS"). The PFS activities continued throughout the year, which focused on a plant design capable of delivering of up to 35,000 tonnes of lithium carbonate per annum.

After the period end Bacanora published a PFS, with a pre-tax NPV of US$776 million and an IRR of 29%. Bacanora has commenced the Bankable Feasibility Study ("BFS") which is scheduled for completion in Q1 2017 with detailed design and site preparation in Q2 2017. The highlights of the Sonora PFS are summarised below:

- Phase 1: 17,500 tonnes per year of battery-grade Li_2CO_3, for the first two years
- Phase 2: Expansion to 35,000 tonnes Li_2CO_3 per year
- Potential to produce up to 50,000 tonnes per year of K_2SO_4 in the third year, for sale to the domestic Mexican fertiliser industry
- Estimated Project pre-tax IRR of 29%; NPV of US$776M, (at an 8% discount rate); and simple payback of five years, based on a flat US$6,000/t for battery grade lithium carbonate over the Life Of Mine - recent price increases have seen spot prices of Li_2CO_3 in Asia increase to above US$6,000/t
- Average annual earnings before interest, taxes, depreciation and amortisation ("EBITDA") estimated at US$134M per annum
- Stage 1 capital cost estimate of US$240M includes processing plant, on and off-site infrastructure, Tailings Management Facility construction, and general administration costs

During the period REM and Bacanora entered into a conditional long-term lithium hydroxide supply agreement, the full details of which were outlined in the press release issued on 28 August 2015, which can be viewed http://www.rareearthmineralsplc.com/index.php?cID=287&id=13211514 .

In the coming year we expect Bacanora to focus on the BFS and in particular the production of further battery-grade lithium carbonate samples for distribution to potential partners in Asia, in Q3 2016. We also expect significant progress to be made with various offtakers, banks, debt providers and strategic investors to develop a project financing strategy.

To this end we have already seen Bacanora complete an extensive trenching programme with over 80 tonnes of mineralised material extracted for processing at the pilot plant in Hermosillo and external facilities.

Bacanora is fully funded until the end of the BFS, having raised £8.8 million in early November 2015 (REM maintained its interest in its investment for a consideration of approximately £1.52 million.) After the year-end (May 2016) BCN raised a further £7.7 million from funds managed by Blackrock.

Details of REM's ownership
REM owns a direct interest of 15.57% 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; REM, through its direct interest of 15.57% of Bacanora, has an indirect interest in these concessions of 15.57%.
- El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions, which are held by Mexilit S.A. de C.V. ("Mexilit"). REM has a 30% direct interest in Mexalit through its Joint Venture with Bacanora, and when combined with REM's direct interest of 15.57% in Bacanora, has a total economic interest in Mexalit of 40.90%.
- The Buenavista, and San Gabriel concessions, which are held by Megalit S.A de C.V ("Megalit"). REM has a 30% direct interest in Megalit through its Joint Venture with Bacanora, and when combined with REM's direct interest of 15.57% in Bacanora, has a total economic interest in Megalit of 40.90%

European Metals Holdings Limited (European Metals)
In June 2015 REM acquired an initial strategic interest in the largest lithium deposit in Europe. REM has subsequently increased its holding to 19.7% in the Cinovec deposit in the Czech Republic through a direct holding in the share capital of European Metals Holdings Limited (ASX code: EMH) that owns 100 per cent of the exploration rights to the Cinovec lithium/tin deposit. The Cinovec lithium and tin deposit is located in the Krusne Hory, a mountain range that straddles the border between Germany and the Czech Republic. The district has an extensive mining history, with various metals having been extracted since the 14th Century.

	31/12/2015	**30/04/2016**
Mark to Market Equity Value (GB£ ,000)	**869**	**2,694**
Absolute Return on Equity (%)	**47%**	**114%**
Attributable NPV to REM from equity (GB£ ,000) *	**39,000**	**51,000**

Company estimates are based on discounted cash flows from both equity and joint venture or direct project interests. The Company has used pre-feasibility or scoping studies in the public domain and has estimated the future cash flows that it could receive assuming all free cash flow is distributed to equity and that the project is entirely equity funded with REM retaining its interest and contributing on a pro rata basis.

Summary of Activities
European Metals made significant progress during 2015. The Company spent the first part of the year conducting a Scoping Study on the Cinovec Lithium and Tin Project. The results from the Scoping Study demonstrated the significant economic upside from the Cinovec deposit.

- 19,400 tonnes per year of battery-grade Li_2CO_3, 4,200 tonnes per annum of tin and 800 tonnes per annum of tungsten
- REM estimates average annual EBITDA of US$110M per annum.
- Pre-production capital costs estimated at US$326M.

Metallurgy test work early in 2015. The results of this work were excellent from both flotation and leach with 98% of lithium recovered to concentrate via flotation and 99.5% recovered via leaching from the concentrate. Significantly, European Metals was able to produce battery-grade lithium carbonate from the Cinovec ore sample with a grade of 99.56%. This test work along with the scoping study estimated the cost of production of battery grade lithium carbonate to be approximately US$1,500 per tonne.

Drilling continued during the year and after the year-end culminating in an upgrade and increase in Mineral Resources were announced in May 2016.

- Maiden Indicated Resource of 0.5Mt LCE, contained in 49.1Mt @0.43% Li_2O (0.1% Li cutoff)
- Total Resource increased to 5.7Mt LCE, contained in 532Mt @ 0.43% Li_2O (0.1% Li cutoff)
- Additional Exploration Target remains 3.4 to 5.3Mt LCE, contained in 350 to 450Mt @ 0.39 to 0.47% Li_2O (0.1% Li cutoff)
- Tin (Sn) Indicated Resource more than doubled to 15.7Mt @ 0.26% Sn, 0.50% Li_2O (0.1% Sn cutoff) for 40kt Sn, 0.19Mt LCE

We expect to see significant progress being made by European Metals in the coming year, culminating with the completion of the pre-feasibility study in Q4 2016.

Details of REM's ownership
REM owns a direct interest of 19.7% of European Metals, with an option over a further 2 million shares (approximately 2%) and an exercise price of AS$0.20. These options expire on the 14/10/2016.

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

	31/12/2015	30/04/2016
Attributable NPV to REM from joint venture (GB£ ,000) *	**N/A**	**15,400**

*Company estimates are based on discounted cash flows from both equity and joint venture or direct project interests. The Company has used pre-feasibility or scoping studies in the public domain and has estimated the future cash flows that it could receive assuming all free cash flow is distributed to equity and that the project is entirely equity funded with REM retaining its interest and contributing on a pro rata basis.

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 with extensive drilling and pre-feasibility work. Of particular note was the Mineral Resource update on the joint venture assets announced in the second half of the year.

- Update JORC resource estimates for Yangibana North, Gossan, Hook, Kanes Gossan, Lions Ear and Bald Hill North issued.
    - Indicated Resources at these assets now stand at 2.7 million tonnes at 1.46% TREO** containing 0.50% Nd_2O_3-Eq*
    - Inferred Resources at these assets now stand at 2.6 million tonnes at 1.25% TREO** containing 0.42% Nd_2O_3-Eq*
    - Total Mineral Resource are now 71,828 contained tonnes of TREO**
- Joint Venture Asset resources are now estimated to contain approximately
    - 14,890 tonnes of Nd_2O_3
    - 4,450 tonnes of Pr_2O_3
    - 216 tonnes of Dy_2O_3
    - 419 tonnes of Eu_2O_3

After the period under review Hastings published its pre-feasibility study, which showed a pre-tax NPV of US$700 – US$750 M at an 8% discount rate and a 40% internal rate of return. The PFS was not specific as to the total quantum that was to be mined from the joint venture areas. However the Company has used the mining inventory defined in the mine plan to assess the potential NPV to REM under the joint venture.

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

	31/12/2015	30/04/2016
Mark to Market Equity Value (GB£,000)	**N/A**	**573**
Absolute Return on Equity (%)	**N/A**	**246%**

Summary of Activities
Macarthur Minerals has applied for a total of 1,379 square kilometers in the Pilbara region of Western Australia. Macarthur Minerals continues to expand its acreage under application and has one of the largest acreages prospective for 'hard rock' lithium of any junior exploration company globally.

Macarthur Minerals strategy is to apply for prospective acreage proximate to known lithium occurrences or where there are either, producing lithium mines or lithium mines under development. Consistent with this strategy, the Company has applied for acreage in the Pilbara region where Pilbara Minerals Limited has its Pilgangoora lithium-tantalum project and Dakota Minerals Limited has its Lynas Find Project. Macarthur Minerals has also applied for acreage in the Ravensthorpe region where Galaxy Resources Limited has commenced production for spodumene and tantalum concentrate at its Mt Cattlin project.

Minority Interests
As part of it ongoing investment strategy, in addition to its long-term strategic investments, REM will make short-term investments within the lithium and or critical elements sector, to maximise the use of our capital. During the year Western Lithium merged with Lithium Americas, which diluted REM's position to approximately 1.4%. Therefore, REM no longer viewed this investment as strategic and after the year-end disposed of its entire interest.

	31/12/2015	30/04/2016
Mark to Market Equity Value (GB£ ,000)	**849**	**238**
Realised Value from Equity Sales (GB£,000)	**Nil**	**980**
Total (GB£ ,000)	**849**	**1,218**
Absolute Return on Equity (%)	**-34%**	**-5%**

FINANCIAL REVIEW
During the period the Group made an operating loss of £2.25 million compared to £3.17 million for the year ending 31 December 2014. Lower administrative expenditure drove the reduction in operating losses. There was a basic loss per share of 0.05p (31 December 2014: loss per share 0.06p). As a result of increases in the value of available for sale assets total comprehensive loss for the period was £0.55 million (31 December 2014 total comprehensive loss of £3.68million).

The total assets of the Group increased from £15.64 million at the end of last year (31 December 2014) to £19.58 million. Of this amount £13.94 million represent the market value of our investments at the period end.

During the period our net cash outflow from operating activities was £0.97 million, which was lower than the £1.39 million during the same period last year. We invested £5.74 million in available for sale assets, and £0.64 million in exploration assets which represented our net cash outflow from investing activities.

These investments plus other costs were funded by cash flows from investing activities totaling £6.78 million. This included £2.50 million of proceeds from the issue of share capital, which was completed in January 2015, proceeds of £3.16 million from the settlement of the share swap and an increase in borrowing of £1.72 million At the end of the period the Company had cash and cash equivalents of £0.89 million. Subsequent to the period the end the Company raised £3.55 million via the issue of 645,619,670 new ordinary shares.

Kiran Morzaria
Chief Executive
25 May 2016

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 2015.

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

Rare Earth 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 14. 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 6.

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, with the exception of the equity swap arrangement , based on the Company’s own share price, which has now been concluded. 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 18 to the financial statements.

Interest rate risk
The Group only has borrowings at a fixed coupon rate of 10% with YAGM 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 was subject to the risk of movement in its own share price as a result of the equity swap agreement. To minimise this risk, settlement terms of the equity swap could be deferred once during the settlement period.

Directors

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

Don Strang
Adrian Fairbourn
Kiran Morzaria (appointed 31 July 2015)
Andrew Suckling (appointed 22 April 2015)
David Lenigas (resigned 21 December 2015)

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 23 May 2016 were as follows:

	Ordinary shares held Number	Percentage of capital %
Barclayshare Nominees Limited	915,002,5340	12.26
Hargreaves Lansdown (Nominees) Limited	722,373,620	9.68
Hargreaves Lansdown (Nominees) Limited	479,558,505	6.43
TD Direct Investing Nominees (Europe) Limited	435,238,724	5.83
HSDL Nominees Limited	423,916,393	5.68
HSDL Nominees Limited	417,532,123	5.60
TD Direct Investing Nominees (Europe) Limited	354,675,500	4.75
Hargreaves Lansdown (Nominees) Limited	315,929,636	4.23
HSBC Client Holding Nominee (UK) Limited	285,525,873	3.83
Forest (Nominees) Limited	281,326,000	3.77
Investor Nominees Limited	237,258,151	3.18

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 note the substantial losses that the Group has made for the Year Ended 31 December 2015. The Directors have prepared cash flow forecasts for the period ending 31 May 2017 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 2016

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 Fairburn (Chairman), Donald Strang, and Andrew Suckling, and the Remuneration Committee comprises, Andrew Suckling and Adrian Fairbourn (Chairman).

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**	**D Lenigas**	**K Morzaria**	**D Strang**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Short-term employment benefits:						
Year to 31 December 2015						
Salary and fees	48,000	25,000	210,000	85,000	210,000	578,000
Share based payments	-	-	-	-	-	-
Total	**48,000**	**25,000**	**210,000**	**85,000**	**210,000**	**578,000**
Year to 31 December 2014						
Salary and fees	100,000	-	180,000	-	180,000	460,000
Share based payments	188,453	-	-	-	282,680	471,133
Total	288,453	-	180,000	-	462,680	931,133

At 31 December 2015 the following amounts were outstanding in fees to directors; A Suckling £25,000 (2014: £Nil), D Strang £Nil (2014: £195,000), K Morzaria £25,000 (2014: £nil).

Pensions
The company does not operate a pension scheme for its directors.

Benefits in kind
No benefits in kind were paid during the year to 31 December 2015 or the year ended 31 December 2014.

Bonuses
No amounts were payable for bonuses in respect of the Year ended 31 December 2015 or the year ended 31 December 2014.

Notice periods

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

Share option incentives

At 31 December 2015 the following options were held by the Directors:

	Date of grant	**Exercise price**	**Number of options**
K Morzaria	21 May 2014	0.48p	60,000,000
			60,000,000
A Fairbourn	13 December 2012	0.06p	20,000,000
A Fairbourn	21 May 2014	0.48p	40,000,000
			60,000,000
D Strang	21 May 2014	0.48p	60,000,000
			60,000,000

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

The high and low share price for the year were 1.23p and 0.555p respectively (year ended 31 December 2014: 1.95p and 0.41p). The share price at 31 December 2014 was 0.745p (31 December 2014: 0.94p).

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF RARE EARTH MINERALS PLC

We have audited the Group and Parent Company financial statements of Rare Earth Minerals plc for the Year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the Company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows, the company statement of cash flows, the accounting policies, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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.

Respective responsibilities of the Directors and auditor

As explained more fully in the Directors’ Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Company's affairs as at 31 December 2015 and of the Group’s loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The 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.

Keith Fulton
Senior Statutory Auditor
for and on behalf of Chapman Davis LLP
Statutory Auditor, Chartered Accountants
LONDON

Date: 25 May 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	**Year ended 31 December 2015 £'000**	Year ended 31 December 2014 £'000
Other administrative expenses		**(2,252)**	(3,173)
Total administrative expenses		**(2,252)**	(3,173)
Operating (loss)	*1*	**(2,252)**	(3,173)
Share of associates losses	*8*	**(129)**	(19)
(Loss)/gain on equity swap settlements	*13*	**(545)**	456
Finance cost	*3*	**(419)**	(342)
Loss before taxation		**(3,345)**	(3,078)
Taxation	*4*	-	-
Loss attributable to the equity holders of the Company		**(3,345)**	(3,078)
Other comprehensive income			
Foreign exchange		**(92)**	(61)
Fair value adjustment of equity swap		**-**	(389)
Transfer to income statement of hedging and available for sale reserve		**389**	(580)
Increase in value of available for sale assets		**2,493**	429
Other comprehensive income for the period, net of tax		**2,790**	(601)
Total comprehensive loss for the year, attributable to the equity holders of the company		**(555)**	(3,679)
Loss per ordinary share			
Basic loss per share (pence)	*5*	**(0.05)**	(0.06)
Diluted loss per share (pence)	*5*	**(0.05)**	(0.06)

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

RARE EARTH MINERALS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	**31 December 2015**	31 December 2014
ASSETS	*Note*	**£'000**	£'000
Non-current			
Intangible assets	*6*	**1,706**	1,174
Investment in associate	*8*	**2,804**	2,933
Total non-current assets		**4,510**	4,107
Current			
Trade and other receivables	*10*	**229**	1,047
Derivative financial instrument	*13*	**-**	3,311
Available for sale investments	*9*	**13,944**	5,708
Cash and cash equivalents		**893**	1,463
Total current assets		**15,066**	11,529
Total assets		**19,576**	15,636
LIABILITIES			
Current			
Trade and other payables	*11*	**230**	475
Borrowings	*12*	**2,407**	635
Total current liabilities		**2,637**	1,110
Total liabilities		**2,637**	1,110
EQUITY			
Issued share capital	*14*	**1,098**	1,067
Share premium		**22,161**	19,865
Share based premium reserve		**2,783**	2,240
Available for sale asset reserve		**2,719**	226
Hedging & Exchange reserve		**(277)**	(574)
Retained earnings		**(11,545)**	(8,298)
Equity attributable to equity holders of the Company		**16,939**	14,526
Total equity and liabilities		**19,576**	15,636

The consolidated financial statements were approved by the Board on 25 May 2015, and signed on their behalf by;

Kiran Morzaria
Director
Company number 05234262

Don Strang
Director

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

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2015

		31 December 2015	31 December 2014
			(restated)
ASSETS	***Note***	**£'000**	£'000
Non-current			
Intangible assets	*6*	**-**	44
Investment in subsidiaries	*7*	**906**	906
Total non-current assets		**906**	950
Current			
Trade and other receivables	*10*	**4,354**	4,538
Derivative financial instrument	*13*	**-**	3,311
Available for sale investments	*9*	**13,944**	5,708
Cash and cash equivalents		**893**	1,463
Total current assets		**19,191**	15,020
Total assets		**20,097**	15,970
LIABILITIES			
Current			
Trade and other payables	*11*	**230**	475
Borrowings	*12*	**2,407**	636
Total current liabilities		**2,637**	1,111
Total liabilities		**2,637**	1,111
EQUITY			
Issued share capital	*14*	**1,098**	1,067
Share premium		**22,161**	19,865
Share based premium reserve		**2,783**	2,240
Available for sale asset reserve		**2,719**	226
Hedging & Exchange reserve		**(103)**	(436)
Retained earnings		**(11,198)**	(8,103)
Equity attributable to equity holders of the Company		**17,460**	14,859
Total equity and liabilities		**20,097**	15,970

The Company financial statements were approved by the Board on 25 May 2015, 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

At 31 December 2015

	Share capital	Share premium	Share based payment reserves	Available for sale reserve	Hedging & Exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2014	819	8,699	500	(203)	456	(5,326)	4,945
Share based payments	-	-	1,846	-	-	-	1,846
Transfer on exercise of options	-	-	(106)	-	-	106	-
Share issue	248	12,126	-	-	-	-	12,374
Share placing costs	-	(960)	-	-	-	-	(960)
Transactions with owners	248	11,166	1,740	-	-	106	18,205
Foreign exchange	-	-	-	-	(61)	-	(61)
Fair value adjustment on equity swap	-	-	-	-	(389)	-	(389)
Transfer to income statement	-	-	-	-	(580)	-	(580)
Increase in value of available for sale asset	-	-	-	429	-	-	429
Loss for the year	-	-	-	-	-	(3,078)	(3,078)
Total comprehensive loss for the period	-	-	-	429	(1,030)	(3,078)	(3,679)
Balance at 31 December 2014	1,067	19,865	2,240	226	(574)	(8,298)	14,526
Share based payments	-	-	641	-	-	-	641
Transfer on lapse of options	-	-	(98)	-	-	98	-
Share issue	31	2,469	-	-	-	-	2,500
Share placing costs	-	(173)	-	-	-	-	(173)
Transactions with owners	31	2,296	543	-	-	98	2,968
Foreign exchange	-	-	-	-	(92)	-	(92)
Transfer to income statement	-	-	-	-	389	-	389
Increase in value of available for sale asset	-	-	-	2,493	-	-	2,493
Loss for the period	-	-	-	-	-	(3,345)	(3,345)
Total comprehensive loss for the period	-	-	-	2,493	297	(3,345)	(555)
Balance at 31 December 2015	**1,098**	**22,161**	**2,783**	**2,719**	**(277)**	**(11,545)**	**16,939**

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

RARE EARTH MINERALS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

At 31 December 2015

	Share capital	Share premium	Share based payment reserves	Available for sale reserve	Hedging & Exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2014 (restated)	819	8,699	500	(203)	580	(5,192)	5,203
Share based payments	-	-	1,846	-	-	-	1,846
Transfer on exercise of options	-	-	(106)	-	-	106	-
Share issue	248	12,126	-	-	-	-	12,374
Share placing costs	-	(960)	-	-	-	-	(960)
Transactions with owners	248	11,166	1,740	-	-	106	13,260
Foreign exchange	-	-	-	-	(47)	-	(47)
Fair value adjustment on equity swap	-	-	-	-	(389)	-	(389)
Transfer to income statement	-	-	-	-	(580)	-	(580)
Increase in value of available for sale asset	-	-	-	429	-	-	429
Loss for the year	-	-	-	-	-	(3,017)	(3,017)
Total comprehensive loss for the period	-	-	-	429	(1,016)	(3,017)	(3,604)
Balance at 31 December 2014 (restated)	1,067	19,865	2,240	226	(436)	(8,103)	14,859
Share based payments	-	-	641	-	-	-	641
Transfer on lapse of options	-	-	(98)	-	-	98	-
Share issue	31	2,469	-	-	-	-	2,500
Share placing costs	-	(173)	-	-	-	-	(173)
Transactions with owners	31	2,296	543	-	-	98	2,968
Foreign exchange	-	-	-	-	(56)	-	(56)
Transfer to income statement	-	-	-	-	389	-	389
Increase in value of available for sale asset	-	-	-	2,493	-	-	2,493
Loss for the period	-	-	-	-	-	(3,193)	(3,193)
Total comprehensive loss for the period	-	-	-	2,493	333	(3,193)	(367)
Balance at 31 December 2015	**1,098**	**22,161**	**2,783**	**2,719**	**(103)**	**(11,198)**	**17,460**

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

CONSOLIDATED STATEMEMT OF CASH FLOWS

For the year ended 31 December 2015

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Cash flow from operating activities		
Operating loss	**(2,252)**	(3,173)
Amortisation of intangibles	**29**	49
Exploration costs written-off	**37**	-
Equity settled share based payments	**641**	1,846
Decrease/(increase) in trade and other receivables	**818**	(359)
(Decrease)/increase in trade and other payables	**(245)**	248
Net cash (outflow) from operating activities from continuing operations	**(972)**	(1,389)
Cash flows from investing activities		
Net payment for investment in associate	**-**	(1,456)
Investment in exploration costs	**(635)**	(539)
Payments for investments in AFS assets	**(5,743)**	(4,580)
Net cash outflow from investing activities	**(6,378)**	(6,575)
Cash flows from financing activities		
Proceeds from issue of share capital	**2,500**	12,280
Proceeds from share swap	**3,155**	506
Investment in share swap	**-**	(3,700)
Share issue costs	**(173)**	(960)
Net borrowings	**1,717**	682
Finance cost	**(419)**	(342)
Net cash inflow from financing activities	**6,780**	8,466
Net change in cash and cash equivalents	**(570)**	502
Cash and cash equivalents at beginning of period	**1,463**	961
Cash and cash equivalents at end of period	**893**	1,463

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

COMPANY STATEMEMT OF CASH FLOWS

For the year ended 31 December 2015

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Cash flow from operating activities		
Operating loss	**(2,231)**	(3,131)
Amortisation of intangibles	**7**	7
Exploration costs written-off	**37**	-
Equity settled share based payments	**641**	1,846
Decrease/(increase) in trade and other receivables	**184**	(2,354)
(Decrease)/increase in trade and other payables	**(245)**	248
Net cash (outflow) from operating activities from continuing operations	**(1,607)**	(3,384)
Cash flows from investing activities		
Payments for investments in AFS assets	**(5,743)**	(4,580)
Net cash outflow from investing activities	**(5,743)**	(4,580)
Cash flows from financing activities		
Proceeds from issue of share capital	**2,500**	12,280
Proceeds from share swap	**3,155**	506
Investment in share swap	**-**	(3,700)
Share issue costs	**(173)**	(960)
Net borrowings	**1,717**	682
Finance cost	**(419)**	(342)
Net cash inflow from financing activities	**6,780**	8,466
Net change in cash and cash equivalents	**(570)**	502
Cash and cash equivalents at beginning of period	**1,463**	961
Cash and cash equivalents at end of period	**893**	1,463

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

GENERAL INFORMATION

Rare Earth 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 ISDX Growth Market as operated by ICAP Securities & Derivatives Exchange Limited ("ISDX").

The Financial Statements are for the year ended 31 December 2015 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 2016 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 this 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 note the substantial losses that the Group has made for the Year ended 31 December 2015. The Directors have prepared cash flow forecasts for the period ending 31 May 2017 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 2015 the Company had cash and cash equivalents of £893,000 and borrowings of £2,407,000, and also raised £3.55million in February 2016 to further enhance the working capital position. 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.

FIRST – TIME ADOPTION

The Company has adopted IFRS from 1 January 2012, being the date of the transition. This is the first year in which the Company has prepared its financial statements under IFRS and the comparatives have been restated from UK Generally Accepted Accounting Practice (GAAP) to comply with IFRS. The details of exemptions and changes to accounting policies have been fully described in Note 23 to the Financial Statements.

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.

BASIS OF CONSOLIDATION (CONTINUED)

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.

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 write-down 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 Equity Swap Arrangement as detailed in Note 13, which is accounted for on a fair value basis in accordance with the terms of the agreement, 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 securities. These available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. 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.

Available For Sale Financial Asset & Hedging reserve represents the market value movements of AFS investments, and the market value movement of the Company’s share price in accordance with the Derivative Assets the Company holds, including the Equity Swap Asset.

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 £532,000 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 2015 of £641,000 (2014: £1,846,000) is determined using a Black-Scholes Valuation model, using the assumptions detailed in note 15.

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 2015 were £635,000 (2014: £539,000).

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to be relevant to the Group's financial statements is provided below.

ADOPTION OF NEW OR AMENDED IFRS (CONTINUED)

Consolidation Standards
A package of consolidation standards are effective for annual periods beginning on or after 1 January 2015. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements (IFRS 10)
IFRS 10 super-cedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

IFRS 11 Joint Arrangements (IFRS 11)
IFRS 11 super-cedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)
IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28)
IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

IFRS 13 Fair Value Management (IFRS 13)
IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2015. The Group's management have yet to assess the impact of this new standard.

Amendments to IAS 1 Presentation of Financial Statements (IAS 1 Amendments)
The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs:

(a) will not be reclassified subsequently to profit or loss; and
(b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2014.

The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

IFRS 9 Financial Instruments (IFRS 9)
The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurements in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2014. Further chapters dealing with impairment methodology and hedge accounting are still being developed. The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

1 LOSS BEFORE TAXATION AND SEGMENTAL INFORMATION

Loss before taxation - continuing operations

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

The loss before taxation is stated after charging:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Share based payment charge	**641**	1,846
Amortisation charge	**29**	49
Exploration costs written-off	**37**	-
Foreign exchange losses	**96**	140
Directors fees (see note 2)	**578**	460
Fees payable to the Company's auditor for the audit of the financial statements	**19**	13
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 mining.

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

The Group has not generated any revenues from external customers during the period.

In respect of the total assets, £1,121,000 (2014: £5,821,000) arise in the UK, and £1,130,000 (2014: £570,000) arise in Greenland, £15,074,000 arise in Mexico (2014: £7,572,000), £641,000 arise in USA (2014: £1,029,000), £1,575,000 (2014: £630,000) arise in Australia and £35,000 arise in Canada (2014: £14,000).

2 EMPLOYEE REMUNERATION

Employee benefits expense

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

	Group and Company	
	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Wages and salaries	**578**	460
Share based payments	**-**	471
	578	931

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

	2015 No.	2014 No.
Directors	**4**	3
	4	3

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

	Group and Company	
	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Salaries	**578**	460
Share based payments	**-**	471
	578	931

Details of Directors' emoluments are included in the Report on Remuneration on page 11 - 12.

3 FINANCE COSTS

	Group and Company	
	Year ended 31 December 2015	Year ended 31 December 2014
	£'000	£'000
Loan interest	**97**	119
Finance fees	**322**	223
	419	342

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 2015	**2015**	Year ended 31 December 2014	2014
	£'000	**%**	£'000	%
Loss before taxation	(3,345)		(3,078)	
Loss multiplied by standard rate of corporation tax in the UK	(677)	**20.25**	(662)	21/23
Effect of:				
Overseas loss not recognised	5		9	
Deferred tax asset not recognised	406		255	
Expenses not deductible for tax purposes	266		398	
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.

There is no tax credit on the loss for the current or prior period

5 LOSS PER SHARE

The calculation of the basic loss per share is calculated by dividing the consolidated loss 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 2015 £'000	Year ended 31 December 2014 £'000
(Loss) attributable to owners of the Company	**(3,345)**	(3,078)
	2015 Number	2014 Number
Weighted average number of shares for calculating basic loss per share	**6,802,811,028**	5,219,766,921
Share options and warrants exercisable	**582,123,201**	406,643,850
Weighted average number of shares for calculating diluted loss per share	**7,384,934,229**	5,626,410,771
	2015 Pence	2014 Pence
Basic loss per share	**(0.05)**	(0.06)
Diluted loss per share	**(0.05)**	(0.06)

The impact of the share options are anti-dilutive.

6 INTANGIBLE ASSETS

Group Intangible Assets

	Exploration costs £'000	Goodwill £'000	Licences £'000	Total £'000
Cost				
At 1 January 2014	37	581	212	830
Additions	539	-	-	539
Exchange Difference	-	(14)	(5)	(19)
At 31 December 2014	576	567	207	1,350
Additions	635	-	-	635
Costs written-off	(37)	-	-	(37)
Exchange Difference	-	(35)	-	(35)
At 31 December 2015	1,174	532	207	1,913
Amortisation and impairment				
At 1 January 2014	-	-	(132)	(132)
Amortisation charge in the year	-	-	(49)	(49)
Exchange difference	-	-	5	5
At 31 December 2014	-	-	(176)	(176)
Amortisation charge in the year	-	-	(29)	(29)
Exchange difference	-	-	(2)	(2)
At 31 December 2015	-	-	(207)	(207)
Net book value at 31 December 2015	**1,174**	**532**	**-**	**1,706**
Net book value at 31 December 2014	576	567	31	1,174

The Group incurred expenses which were in relation to the application of several prospecting licenses in Greenland, these costs have been re-classified as prepaid exploration & licence costs amounting to £526,000. The Group had been awaiting confirmation of transfer of these licences to 2 subsidiaries newly incorporated in Greenland and currently held in trust on the Group's behalf, this process was completed in 2014, and as a result during the year ended 31 December 2014 £526,000 invested in Exploration costs were reclassified from prepayments and £90,000 was invested in the current year, and in addition £545,000 was invested in Exploration costs by REM Mexico Ltd in the current year, (2014: £539,000).

Goodwill of £692,000 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 2015 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 2015.

Company only Intangible Assets

	Exploration costs £'000	Licences £'000	Total £'000
Cost			
At 1 January 2014 (restated)	37	33	70
Exchange Difference	-	-	-
At 31 December 2014 (restated)	37	33	70
Costs written-off	(37)	-	(37)
At 31 December 2015	-	33	33
Amortisation and impairment			
At 1 January 2014	-	(19)	(19)
Amortisation charge in the year	-	(7)	(7)
At 31 December 2014	-	(26)	(26)
Amortisation charge in the year	-	(7)	(7)
At 31 December 2015	-	(33)	(33)
Net book value at 31 December 2015	**-**	**-**	**-**
Net book value at 31 December 2014 (restated)	37	7	44
Net book value at 1 January 2014 (restated)	37	14	51

7. INVESTMENTS IN SUBSIDIARIES - COMPANY

	Investment in group undertakings
	£'000
Cost and carrying value	
At 31 December 2014 (restated) and 31 December 2015	**906**

Subsidiary	Proportion of ordinary share capital held	Nature of business	Country of incorporation
Mojito Resources Ltd	100%	Mining	British Virgin Islands
Rare Earth Minerals 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

	31 December 2015	31 December 2014
	£'000	£'000
Changes in equity accounted investment		
Carrying value at beginning of year	**2,933**	1,496
Investment in associate - equity purchases/contributions	**-**	1,456
Share of retained (losses) attributable to the group	**(129)**	(19)
Investment carrying value as at year end	**2,804**	2,933

Both associate companies have a reporting date of 30 June. The 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 £2,804,000 (31 December 2014: £2,933,000).

The Group's share of results of its associate, 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 2015		Year to 31 December 2015		
Mexilit S.A. de C.V.	Mexico	£2,000,000	£2,306,000	Nil	£(355,000)	30%
Minera Megalit S.A. de C.V.	Mexico	£589,000	£653,000	Nil	£(75,000)	30%

9 AVAILABLE FOR SALE INVESTMENTS

	Group and Company	
	31 December 2015	31 December 2014
	£'000	£'000
Current Assets - Listed Investments		
Valuation at 1 January	**5,708**	699
Additions at cost	**5,743**	4,580
Change in fair value recognised in other comprehensive income	**2,493**	429
Valuation at 31 December	**13,944**	5,708

During the year ended 31 December 2015 the company acquired a further 6,508,707 shares in Bacanora Minerals Limited, a further 4,072,647 shares in Hastings Rare Metals Ltd and 10,334,830 CDIs in European Metal Holdings Inc.

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 2015	31 December 2014	**31 December 2015**	31 December 2014
	£'000	£'000	**£'000**	£'000
Current				
Other receivables	**161**	1,025	**161**	1,025
Amounts owed by subsidiaries	**-**	-	**4,125**	3,491
Prepayments and accrued income	**68**	22	**68**	22
	229	1,047	**4,354**	4,538

There is no impairment of receivables and no amounts are past due at 31 December 2015 or 31 December 2014.

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 2015	31 December 2014	**31 December 2015**	31 December 2014
	£'000	£'000	**£'000**	£'000
Trade payables	**123**	217	**123**	217
Accruals and deferred income	**107**	258	**107**	258
	230	475	**230**	475

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

	Group and Company	
	31 December 2015	31 December 2014
	£'000	£'000
Current liabilities		
Loans - other (unsecured)	**2,407**	635
	2,407	635

On 13 June 2014, the Company agreed a US$10million debt facility with YA Global Master SPV ("YAGM"), and drew down the first US$3million on that date. This loan facility carries a twelve month repayment schedule at a fixed rate coupon of 10%. Any subsequent drawdowns will be on the same terms and subject to approval by YAGM. The Company made two further drawdowns against the facility both of US$1million each in 2014. As part of the terms of the facility, on each drawdown the Company issues Warrants over ordinary shares to YAGM in accordance with the terms of the agreement. Total warrants issued to YAGM under this agreement in 2014 were 73,718,850, each with a 3 year term and exercise prices ranging from 1.1p to 1.8p per share.

On 3 October 2015 the loan facility was amended. None of the material terms were changed. During the during the year to 31 December 2015, further drawdowns amounting to US$6.5million were made. Total warrants issued to YAGM under this agreement during 2015 were 180,579,351, each with a 3 year term and exercise prices ranging from 0.79p to 1.20p per share.

13 DERIVATIVE FINANCIAL INSTRUMENT

On 17 June 2013 the Company announced that it had entered into an equity swap agreement ("the Equity Swap Agreement") with YAGM over 666,666,666 of the Subscription Shares ("the Swap Shares"). In return for a payment by the Company to YAGM of £150,000 ("the Initial Escrowed Funds"), twelve monthly settlement payments in respect of such payment were to be made by YAGM to the Company, or by the Company to YAGM, based on a formula related to the difference between the prevailing market price (as defined in the Equity Swap Agreement) of the Company's ordinary shares in any month and a 'benchmark price' that is 5% above the Subscription Price. Thus the funds received by the Company in respect of the Swap Shares are dependent on the future price performance of the Company's ordinary shares.

During the year ended 31 December 2014, the final 218,875,310 shares had been closed out for gross proceeds during the year of £506,000, resulting in a gain on the settled swap of £456,000.

On 17 December 2014 the Company announced that it had entered into a further Equity Swap Agreement with YAGM. Under the terms of the agreement the Company will pay YAGM £3,700,000. In consideration for this payment, the Company will receive twelve monthly payments of £308,333.33, amounting to £3,700,000 in aggregate, between the effective date of the end of February 2015 and the end of February 2016. The monthly payments could be adjusted either:

- · up, if 90% of the lowest 10 day VWAP during the relevant one month period is greater than 0.99p, being a 10% premium to the Placing Price, in accordance with the adjustment formula for an additional payment over the base amount calculated as *64,814,815 shares x (Market Price - 0.99p) x 50%*; or
- · down, if 90% of the lowest 10 day VWAP during the relevant one month period is lower than or equal to 0.99p in accordance with the adjustment formula for a reduction in base amount by an amount calculated as *64,814,815 shares x (0.99p - Market Price)* . This would result in the Company receiving less funds from YAGM in any relevant one month period.

The Market Price attributable to each monthly payment being the average of the lowest 10 daily VWAPs of the Ordinary shares during the preceding month. Thus the funds received by the Company in respect of the Swap Shares will be dependent on the future price performance of the Company's ordinary shares.

YAGM may elect to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances including a Takeover Offer being declared unconditional, the Company's shares ceasing to be admitted to trading on Aim or an Insolvency event.

YAGM has agreed that it and its affiliates will refrain from holding any net short position in respect of the Company's ordinary until the expiry or, if earlier, termination of the Equity Swap Agreement

On 1st October 2015, it was agreed that each of the remaining payments would be accelerated to take immediate effect, and thus the SWAP agreement was completed for a final payment by YAGM of £1,250,000 to the Company.

The summary of the settlements at the market value adjust at 31 December are shown below.

	Group and Company	
	31 December 2015	31 December 2014
	£'000	£'000
Fair value as at 1 January	**3,311**	630
Settled during the year	**(3,155)**	(506)
(Loss)/Gain on settlements	**(545)**	456
Transfer to income statement	**389**	(580)
Cost of equity swap arrangement	-	3,700
Fair value adjustment to 31 December	-	(389)
	-	3,311

14 SHARE CAPITAL

	Group and Company	
	31 December 2015	31 December 2014
	£'000	£'000
Allotted, issued and fully paid		
173,619,050 deferred shares of 0.24p	**417**	417
6,815,653,495 ordinary shares of 0.01p (31 December 2014: 6,503,153,495)	**681**	650
	1,098	1,067

	Ordinary shares	
	No.	£'000
Allotted and issued		
At 31 December 2014	6,503,153,495	650
Issue of shares during the year	312,500,000	31
At 31 December 2015	**6,815,653,495**	**681**

On 22 January 2015 312,500,000 Ordinary Shares of 0.01p were issued for proceeds of £2,500,000 before share placing costs. (During year ended 31 December 2014, 2,485,201,112 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 2014 warrants were issued to Hume Capital and warrants were issued to YAGM in connection with the loan agreements entered into, further warrants were issued to YAGM in connection with further loan drawdowns during the year ended 31 December 2015, and their treatment has been covered in Note 15.

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

	31 December 2015		31 December 2014	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**73,718,850**	**0.01259**	99,333,334	0.00392
Granted	**180,579,351**	**0.0097**	121,808,850	0.0092
Exercised	**-**	**-**	(147,423,334)	(0.0040)
Outstanding at the end of the year	**254,298,201**	**0.0105**	73,718,850	0.01259
Exercisable at year end	**254,298,201**		**73,718,850**	

15 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. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options all vested immediately, there are no vesting requirements.

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

	31 December 2015		31 December 2014	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**332,925,000**	**0.0045**	210,925,000	0.0021
Granted	**-**	**-**	240,000,000	0.005
Exercised	**-**	**-**	(118,000,000)	(0.0006)
Lapsed	**(5,100,000)**	**(0.03)**	-	-
Outstanding at the end of the year	**327,825,000**	**0.00457**	332,925,000	0.0045
Exercisable at year end	**327,825,000**		332,925,000	

The share options outstanding at the end of the period have a weighted average remaining contractual life of 4.87 years (31 December 2014: 5.73 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 2015**	31 December 2014
		£	£	**Number**	Number
7 March 2008	7 March 2005	0.03	0.019221	-	5,100,000
6 March 2009	6 March 2006	0.00325	0.020776	3,825,000	3,825,000
28 January 2013	28 January 2010	0.0006	0.0004	24,000,000	24,000,000
29 November 2013	29 November 2010	0.005	0.003537	30,000,000	30,000,000
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
				327,825,000	332,925,000

The share options can be exercised up to seven years after the date first exercisable.

At 31 December 2015 all 327,825,000 options were exercisable (31 December 2014: 332,925,000).

15 SHARE BASED PAYMENTS CONTINUED

Share Warrants
Additionally during the year ended 31 December 2015 180,579,351 (2014: 73,718,850) warrants were issued to YAGM in connection with the further $6.5 million loans drawn down (2014: 73,718,850 to YAGM and 48,090,000 to Hume Capital which were exercised in 2014).

First exercise date (when vesting conditions are met)	Grant date	Exercise price	Fair value	**31 December 2015**	31 December 2014
		£	£	**Number**	Number
16 June 2014	16 June 2014	0.011	0.0081	49,068,529	49,068,529
22 September 2014	22 September 2014	0.018	0.0133	10,848,654	10,848,654
23 October 2014	23 October 2014	0.014	0.0101	13,801,667	13,801,667
29 June 2015	29 June 2015	0.012	0.0037	33,574,598	-
30 July 2015	30 July 2015	0.0113	0.0034	17,656,007	-
02 October 2015	02 October 2015	0.0096	0.0046	34,341,188	-
23 October 2015	23 October 2015	0.0095	0.0034	34,366,078	-
16 November 2015	16 November 2015	0.0084	0.0025	19,647,535	-
20 November 2015	20 November 2015	0.0079	0.0028	40,993,945	-
				254,298,201	73,718,850

These warrants can be exercised up to three years after the date first exercisable. At 31 December 2015 all of the 254,298,201 warrants were exercisable (31 December 2014: 73,718,850).

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 were as follows:

	Risk free rate	Share price volatility	Expected life	Share price at date of grant
21 May 2014	2.00%	158%	6.6 years	£0.0049
23 May 2014	2.00%	158%	6.6 years	£0.0058
16 June 2014	2.00%	158%	3 years	£0.0098
19 September 2014	2.00%	158%	3 years	£0.0161
22 October 2014	2.00%	158%	3 years	£0.0123
29 June 2015	2.00%	73%	3 years	£0.0090
29 July 2015	2.00%	64%	3 years	£0.0093
02 October 2015	2.00%	62%	3 years	£0.0101
23 October 2015	2.00%	52%	3 years	£0.0094
16 November 2015	2.00%	50%	3 years	£0.0076
20 November 2015	2.00%	51%	3 years	£0.0078

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 Group recognised total expenses of £641,000 (year ended 31 December 2014: £1,846,000) relating to equity-settled share-based payment transactions during the period.

16 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2015 or 31 December 2014.

17 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2015 or 31 December 2014.

18 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 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 2015, the Group had minimal trade receivables and therefore minimal risk arises.

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 2015				31 December 2014			
	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	**13,944**	**-**	**-**	**13,944**	5,708	-	-	5,708
Other long term financial assets	**13,944**	**-**	**-**	**13,944**	5708	-	-	5,708
Other short term financial assets	**-**	**-**	-	**-**	-	-	3,311	3,311
Other receivables	**-**	**161**	**-**	**161**	-	1,025	-	1,025
Prepayments and accrued income	**-**	**68**	**-**	**68**	-	22	-	22
Cash and cash equivalents	**-**	**893**	**-**	**893**	-	1,463	-	1,463
Total	**13,944**	**1,122**	**-**	**15,066**	5,708	2,510	3,311	11,529

18 FINANCIAL INSTRUMENTS CONTINUED

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.

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% with YAGM and therefore minimal interest rate risk, as this is deemed its only material exposure thereto.

18 FINANCIAL INSTRUMENTS CONTINUED

d Financial liabilities

The group's financial liabilities are classified as follows:

	31 December 2015			31 December 2014		
	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	**123**	**-**	**123**	217	-	217
Accruals and deferred income	**-**	**107**	**107**	-	258	258
Borrowings	**2,407**	**-**	**2,407**	635	-	635
Total	**2,530**	**107**	**2,637**	852	258	1,110

Maturity of financial liabilities

All financial liabilities at 31 December 2015 and 31 December 2014 mature in less than one year.

Borrowing facilities for the period ended 31 December 2015

The Group has committed borrowing facilities at 31 December 2015 of £2,407,000 (31 December 2014: £635,000). 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.

19 RELATED PARTY TRANSACTIONS

Included within accruals at 31 December 2015 is £50,000 (31 December 2014: £Nil) in respect of monies owed to Andrew Suckling and Kiran Morzaria for director fees for the year.

Key Management Personnel are considered to be the Company Directors only, and their fees and Remuneration are disclosed in the Directors Remuneration on pages 11 to 12.

20 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 29 February 2016, the Company announced that it had raised gross proceeds of approximately £3.55 million (US$4.93 million) through the placing of 645,619,670 new ordinary shares in the Company ("New Shares") at 0.55pence per share to primarily US institutional investors to fund further strategic acquisitions in the lithium sector. In addition, each two New Shares had one warrant attached with the right to subscribe for one new ordinary share at a price of 0.8 pence per shares for a period of 2 years from 11 March 2016.

On 4 March 2016, the Company announced that it had increased its strategic stake in one of the most significant lithium deposits in Europe, the Cinovec Lithium Deposit ("Cinovec") in the Czech Republic to 19.8%, through a direct holding in the share capital of European Metals Holdings Limited (ASX code: EMH) that owns 100 per cent of the exploration rights to Cinovec. REM acquired its additional 7.9% holding in European Metals at a cost of approximately of £670,000 via a placement of new ordinary shares by European Metals. European Metals raised a total of AUD$ 1,755,000 (GB£ 912,600).

On 18 March 2016, the Company announced that it had entered into a subscription agreement for approximately 15.5% (on an undiluted basis) of Macarthur Minerals Limited's (TSX-V: MMS) ("Macarthur") Share Capital for a total consideration of CD$300,000. The subscription agreement is for 15,000,000 units (each, a "Unit") at a price of CAD$0.02 per Unit ("Unit Price") proceeds of CAD$300,000. The Unit Price is equal to the closing price of Macarthur's TSX Venture Exchange listed shares on February 3, 2016, the date the Macarthur announced the brokered private placement and to Macarthur's closing price on March 16, 2016. Each Unit shall be comprised of one common share in the capital of Macarthur (each, a "Common Share") and one whole warrant to acquire a Common Share (each, a "Warrant") at an exercise price of CAD$0.05 per Common Share for a period of twelve months from the date of issuance.

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 loss for the year was £3,193,000 (2014: loss £3,017,000).

23 FIRST TIME ADOPTION OF IFRS (COMPANY ONLY)

The following reconciliations and explanatory notes thereto describe the effects of the transition to IFRS from the transition date to IFRS of 1 January 2012, to the year ended 31 December 2013. All explanations should be read in conjunction with the accounting policies of Rare Earth Minerals plc.

Reconciliations of equity

Equity at 31 December 2013 can be reconciled to the accounts reported under GAAP as follows:

	Previous GAAP	31 December 2013 Effects of transition			Revised
		IAS 38	IAS 19	IAS 19	
	£000	£000	£000	£000	£000
Non-current assets					
Intangible assets	14	37	-	-	51
Investment in subsidiary	406	500	-	-	906
	420	537	-	-	957
Current assets					
WIP	37	(37)	-	-	-
Trade and other receivables	2,183	-	-	-	2,183
Derivative financial instrument	50	580	-	-	630
Other investments	902	(203)	-	-	699
Cash and cash equivalents	961	-	-	-	961
	4,133	340	-	-	4,473
Current liabilities					
Trade and other payables	(135)	-	-	-	(135)
Accruals and deferred income	(92)	-	-	-	(92)
	(227)	-	-	-	(227)
Share capital	819	-	-	-	819
Share premium	8,199	500	-	-	8,699
Share based payment reserve	500	-	-	-	500
Available for resale asset reserve	-	(203)	-	-	(203)
Hedging & Exchange reserve	-	580	-	-	580
Retained equity	(5,192)	-	-	-	(5,192)
Total equity	4,326	877	-	-	5,203

23 FIRST TIME ADOPTION OF IFRS (COMPANY ONLY) CONTINUED

Equity at the date of transition of 1 January 2012 can be reconciled to the accounts reported under GAAP as follows:

	Previous GAAP	01 January 2012 Effects of transition			Revised
		IAS 38	IAS 19	IAS 19	
	£000	£000	£000	£000	£000
Non-current assets					
Intangible assets	68	70	-	-	138
Investment in subsidiary	405	500	-	-	905
	473	570	-	-	1,043
Current assets					
WIP	70	(70)	-	-	-
Trade and other receivables	266	-	-	-	266
Other investments	516	(137)	-	-	379
Cash and cash equivalents	243	-	-	-	243
Current liabilities					
Trade and other payables	(20)	-	-	-	(20)
Accruals and deferred income	(21)	-	-	-	(21)
	(41)	-	-	-	(41)
Share capital	561	-	-	-	561
Share premium	6,366	500	-	-	6,866
Share based payment reserve	626	-	-	-	626
Available for resale asset reserve	-	(137)	-	-	(137)
Hedging & Exchange reserve	-	-	-	-	-
Retained equity	(6,026)	-	-	-	(6,026)
Total equity	1,527	363	-	-	1,890

23 FIRST TIME ADOPTION OF IFRS (COMPANY ONLY) CONTINUED

The reconciliations of above equity reported under previous GAAP to its equity under IFRS as at 1 January 2012 and 31 December 2013 may be summarised as follows:

	31 December 2013	1 January 2012
Previous GAAP equity shareholder's funds/(deficit)	4,326	1,527
Reversal of goodwill amortisation	-	-
Revaluation of AFSA	(203)	(137)
Acquisition of subsidiary	500	500
Fair value of share swap	580	-
Holiday pay accrual	-	-
Revised equity shareholder's funds	**5,203**	**1,890**

IAS 19 'Employee benefits' requires recognition of pension scheme deficits on the balance sheet and service costs, interest costs and expected returns on scheme assets to be charged to the income statement. Under UK GAAP, difference between funding contributions and the amount charges to the income statement were treated as either prepayments or accruals in the balance sheet. Pension scheme contributions and variation in pension costs resulting from actuarial valuations were spread over the future average working life of active members.

IAS 19 also requires an accrual to reflect holiday pay. This was not required under UK GAAP.IAS 38 'Intangible assets' requires that development expenditure meeting certain criteria be capitalised and amortised over its useful economic life. Under UK GAAP all such development expenditure was expensed as incurred. Purchased goodwill is not amortised under IAS 38 but reviewed for impairment.

Reconciliation of statement of comprehensive income

Comprehensive income for the reporting period ended 31 December 2013 can be reconciled to the accounts reported under previous GAAP as follows:

	Previous GAAP	**IAS 19**	**IAS 38**	**Revised**
	£000	**£000**	**£000**	**£000**
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Administrative expenses	(719)	-	-	(719)
Loss on sale of available for sale assets	(48)	-	-	(48)
Finance income	-	-	-	-
Finance expense	-	-	-	-
Income from group undertaking	-	-	-	-
Profit before tax	(767)	-	-	(767)
Tax	-	-	-	-
Profit for the year	(767)	-	-	(767)
Other comprehensive income:				
Fair value adjustment of equity swap	-	-	580	580
Transfer to income statement of available for sale asset reserve	-	-	47	47
Decrease in value of available for sale asset	-	-	(203)	(203)
Deferred tax on above	-	-	-	-
Total comprehensive income	(767)	-	424	(343)