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RARE EARTH MINERALS PLC

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2012

Company No 05234262

RARE EARTH MINERALS PLC

COMPANY INFORMATION

For the year ended 31 December 2012

Company registration number	05234262
Registered office	Princes House Suite 3B 38 Jermyn Street London SW1Y 6DN
Directors	David Lenigas (Executive Chairman) Richard Griffiths (Non-executive Director) Adrian Fairbourn (Non-executive Director)
Secretary	Kiran Morzaria
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	Bank of Scotland 33 Old Broad Street London EC2N 1HW
Solicitors	Kerman & Co 200 Strand London WC2R 1DJ
Auditors	Chapman Davis LLP Registered Auditor Chartered Accountants 2 Chapel Court London SE1 1HH

RARE EARTH MINERALS PLC

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For the year ended 31 December 2012

RARE EARTH MINERALS PLC

CHAIRMAN'S STATEMENT

For the year ended 31 December 2012

I present the Chairman's report for the year ended 31 December 2012

Rare Earth Minerals Plc ("REM" or the "Company") has continued to pursue its investment strategy, as approved by the shareholders in November 2010, to acquire a diverse portfolio of direct and indirect interests in exploration and producing Rare Earth Minerals and/or Metals projects and assets In light of the nature of the assets and projects which are the focus of the investment strategy, the Company has considered investment opportunities anywhere in the world

INVESTMENTS

Lithium Joint Venture, Mexico

The Company announced in February 2013 that it had signed an agreement with listed Canadian company Bacanora Minerals Ltd ("Bacanora") to participate in drilling and project evaluation of the extensions of its new 60 million tonne La Ventana high grade Lithium discovery in northern Mexico The farm-in licences cover the 34 square kilometre El Sauz and Fleur concessions adjacent to and along strike from Bacanora's La Ventana discovery The La Ventana discovery is stated by Bacanora to contain 930,000 tonnes of Lithium Carbonate Equivalent (LCE) in the 60 Million Tonnes of ore

This is an exciting opportunity for REM, as the Board see Lithium as a metal in global demand over the coming years with an anticipated increase for Lithium batteries Bacanora are making plans to mobilise the drill rig shortly and work has already started on the ground to prepare ahead of the commencement of the drilling programme "

The geology is similar to that of the La Ventana deposit which has Lithium grades of up to 7,220 ppm and Cesium (a Rare Earth element) up to 500 ppm having already been assayed at surface on El Sauz "

The intention of the farm-in is to progress drilling with the view of establishing a Lithium resource over the coming 12 months The El Sauz property consists of a continuous 120+ metre thick volcano-sedimentary section exposed in an area that covers 1,200 X 400 metres in several outcrops This section is composed of altered tuffs, white and green clays and silica layers similar in style to Bacanora's La Ventana Lithium deposit The section is gently dipping to the NE in the northern outcrops and to the SE in the southern portion and would have a low stripping ratio for potential mining operations, since the lithium-bearing clays are exposed on the surface

Lithium is the lightest of the alkali metals and has unique electrochemical properties that make it the element of choice in batteries of high energy storage capacity as well as a host of other industrial and health applications

Bacanora announced on 25 January 2013 the results of a positive Preliminary Economic Assessment ("PEA") on its adjacent La Ventana Lithium Project in Sonora, Mexico In addition, Bacanora announced a total estimated inferred resource for the La Ventana Project of 60 million tonnes averaging 3,000 ppm Li (1 6% Lithium Carbonate Equivalent ('LCE') or 930,000 tonnes LCE The Net present value ("NPV") of that Project, at an 8% discount rate, was $US848 million, assuming an output of 35,000 tonnes of battery grade Lithium Carbonate over a 20 year open pit life with an average Lithium Carbonate price of $US6,000/tonne for the life of the mine

The key terms of the Binding Memorandum of Understanding are

- REM is to acquire an initial 10% interest in the El Sauz and Fleur Concessions from Bacanora by paying Bacanora $250,000 upfront and spending $500,000 on exploration and drilling over a 6 month period
- After the first 6 month period, REM then has the right, at its election, to increase that interest to 30% by paying Bacanora another $500,000 and spending a further $1,000,000 on drilling and exploration over a further 6 month period
- REM will then have an exclusive right of first refusal to further negotiate terms to increase that interest in the Concession to a maximum of 49 9%, provided the terms comply with the Company's stated investment strategy

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Background on the full Bacanora release in relation to its adjacent La Ventana property made to the Canadian Exchange on 25 January 2013 can be found on its website www bacanoraminerals com

On 11 April 2013, the Company announced that it had received encouraging assay results from the El Sauz lithium concession in northern Mexico The Company has received the results of surface rock samples collected during the first phase of the field work programme on the El Sauz and Fleur concessions ("the Concessions") that form part of the Sonora Lithium Project in north Mexico (the "Project")

The sampling to date has focused on the El Sauz concession, where 210 samples were collected from exposures of the sedimentary-volcanic sequence that hosts lithium-bearing clay units Geological mapping indicates that lithium-bearing clay units occur within a sedimentary-volcanic sequence that, on El Sauz, is exposed over a strike length of 2 kilometres in a window through Tertiary capping basalt The sequence appears to be exposed in an open fold with one limb dipping gently to the northeast and the other gently to the southwest

Rock samples were collected as channel samples, 1 5 m in length, taken across strata from surface exposures The samples were analysed by ALS Chemex Laboratories at their facility in North Vancouver, BC Results of the analyses indicate that lithium values range from 10 to 7,220 ppm Li (3 84% LCE*) with 10 samples greater than 2,168 ppm (0 95 percentile) The samples also have values in potassium, which range from 0 04% to 3 07%, as well as other alkali metals High lithium values are localized in three areas which may correspond to exposures of a clay unit that correlates with the upper clay unit on the adjoining La Ventana concession owned by Bacanora Minerals Ltd (TSX-V BCN)

The field work programme, will advance to the diamond drilling stage with initial holes being placed adjacent to the exposures of the Li-bearing clay units on El Sauz in order to test the down dip continuity of the units and their Li content Mapping and surface sampling will continue on the Fleur concession The first drill hole is expected to be collared in May 2013

Should the outcropping lithium clays be found to correlate with those on Bacanora's adjoining La Ventana concession, then the sedimentary basin that hosts the lithium-rich clays is likely to extend, in a northwesterly direction, for at least 7 kilometres, based on available geological evidence, suggesting potential for a large scale, world class lithium deposit

Diamond drilling, initially wide spaced, commenced in May 2013 and this should lead to a far better understanding of the basin and the scale of the resource on the project areas

Current results indicate the following

- Intersects of 84 metres of clays in diamond drill hole ES-03 at Fleur - El Sauz Lithium Project in northern Mexico This is the thickest clay intercept to date from this current drilling programme
- The three holes completed to date have extended the strike length of the clay-bearing sedimentary succession on the La Ventana Lithium deposit by 1 7 kilometres to the southeast, for a total drill indicated strike length on both the La Ventana and Fleur concessions of approximately 6 7 kilometres
- Intersects of significant lithium values in both Upper Clay and Lower Clay Units in drill hole ES-01 at its Fleur - El Sauz Lithium Project in northern Mexico
- Upper Clay Unit averages 2,113 ppm Li (1 13% Lithium Carbonate Equivalent ('LCE')*) over 4 58 metres from 124 66 metres, in addition, another interval of 8 23 metres averages 4,017 ppm Li (2 14% LCE) from 135 33 metres down the hole
- Lower Clay Unit averages 4,422 ppm Li (2 36% LCE) over 23 83 metres from 156 0 metres down the hole

REM is extremely pleased with the results for ES-01 These results are very similar to results from drill holes in the adjoining La Ventana lithium deposit of Bacanora Minerals, providing further confirmation of the continuity and persistence of the lithium-bearing clay units onto the joint venture lands and highlighting the potential for a significant lithium resource to be developed on the joint venture lands "

Update

Hole ES-01 intersected sediments collectively grouped into the Upper Clay Unit from 99 4 metres to 143 4 metres down the hole (Table 1, below) Lithium values in individual samples taken across lengths from 0 91 to 1 52 metres range from 143 to 6,200 ppm Li Within this interval there are two clay-rich zones one averaging 2,113 ppm Li (1 13 % LCE*) occurs from 124 66 to 129 24 metres down the hole for an length of 4 58 metres and the other clay-rich zone occurs from 135 33 to 143 56 metres and averaged 4,017 ppm Li (2 14 % LCE) over that 8 23 metre interval

The Lower Clay Unit was intersected from 156 10 to 193 50 metres down the hole Lithium values in individual samples taken across lengths from 1 52 to 2 44 metres range from 2,030 to over 10,000 ppm Li The interval from 156 0 to 179 83 averaged 4,422 ppm Li (2 36 % LCE) over the 23 83 metre length Clay units also exhibited elevated values in other alkali metals, including K, Na, Cs, and Rb, as well as alkali earth metals Mg, Ca and Sr

Analyses of the drill core were performed by ALS Chemex, in Vancouver, BC, an internationally recognized assay service provider The Company followed industry standard procedures for the work carried out during the drill program, with a quality assurance/quality control (QA/QC) program Internal standard samples were inserted into each drill core sample sequence sent to the laboratory for analysis No significant QA/QC issues were detected during review of the data

Table 1 Drill Hole ES-01 - Significant Intercepts

From	To	Interval	Lithology	Li ppm	LCE* %	Li2O %	K2O %
0	99 4	99 4	Basalt				
99 4	143 56	44 16	Upper Clay				
Including							
124 66	129 24	4 58		2,113	1 13	0 45	1 45
135 33	143 56	8 23		4,017	2 14	0 86	1 61
143 4	156 1	12 7	Ignimbrite				
156 1	193 5	37 4	Lower Clay				
Including							
156 00	179 83	23 83		4,422	2 36	0 95	2 26
193 5	204 2	10 7	Basal volcanics				

*LCE = Lithium Carbonate (Li2CO3) Equivalent determined by multiplying Li value in percent by 5 324 to get an equivalent Li2CO3 value in percent Use of LCE assumes 100% recovery and no process losses in conversion of Li to Li2CO3

Li2O = lithium oxide and is determined by multiplying Li value in percent by 2 153 to get an equivalent Li2O value in percent

Drilling is continuing on schedule with the drill currently on the fourth hole of the 10 hole program Results from drill holes will be reported as they become available

About the Sonora Lithium Project:

The Concessions cover 3,411 hectares out of a total of 5,786 contiguous hectares that make up the Sonora Lithium Project owned by Bacanora

Initial rock sampling and mapping of the Project by Bacanora located the lithium-bearing clay units Drilling by Bacanora in 2010 and 2011 located two lithium-bearing clay units (upper and lower) that average 41 and 22 m in thickness, respectively, and that are separated by an ignimbrite unit varying from 1 to 45 m in thickness The sedimentary-volcanic sequence dips at approximately 20o to the east and crops out along 3 5 km of strike length The exposures are in erosional windows looking through overlying basalt that covers much of the area The lithium-bearing clay minerals have been identified as hectorite and polylithionite

The Concessions border the La Ventana concession that is 100% owned by Bacanora in which Rare Earth Minerals has no interest National Instrument 43-101 compliant inferred resources have been estimated for two clay units (referred to as the "La Ventana Lithium Deposit") on the La Ventana concession The inferred resources for the two clay units total 60 million tonnes averaging 3,000 ppm Li (equivalent to 1 6% lithium carbonate assuming 100% recovery and no process losses) Bacanora has used the inferred resources on the La Ventana Lithium Deposit for a Preliminary Economic Assessment ("PEA") of the La Ventana concession (refer to Bacanora news release dated January 25, 2013) Highlights of the PEA for a potential lithium mining and production operation with an output of 35,000 tonnes battery grade lithium carbonate per annum over a 20 year open pit mine life suggest annual revenue of $US210 million for an Internal Rate of Return ("IRR") of 138%, with a 1 9 year pay back Capital costs are estimated at $US114 million and average operating costs at $US1,958/tonne Net Present Value of the Project, discounted at 8%, is $US848 million, assuming an average lithium carbonate price of $US6,000/tonne

Yangibana Project, Australia

The Company announced in December 2011 that it had completed an agreement (the "Agreement") with Camelot Trust Corporation Limited ("Camelot") whereby the Company has acquired the entire issued share capital of Mojito Resources Limited which owns a 30% interest in the Yangibana rare earth project ("the Project") situated in the Gascoyne region of Western Australia

The Project is centred on narrow, discontinuously outcropping ironstone dykes that have been shown to carry anomalous rare earths associated with monazite mineralisation The rare earths comprise 15 elements with atomic numbers between 57 and 71, plus scandium and yttrium The heavy rare earth oxides comprise the oxides of europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, lutetium and yttrium The light rare earth oxides comprise the oxides of lanthium, cerium, praseodymium, neodymium and samarium

Hastings Rare Metals Limited is the manager of the Project and holds a 60% interest The Project has the potential to increase possible resources by additional drilling along strike in the oxide zone at selected sites and at depth in the as yet largely untested primary zone of the dykes The ironstone dykes at Yangibana are the weathered surface expressions of ferrocarbonatite dykes which along with the associated fenitic alteration are considered to be sourced from an as yet undiscovered carbonatite intrusion which might have significant rare earth potential

Other Projects

The Company continues to hold an investment in the Cup Lake Project in Canada and also continues to progress with obtaining various licenses on prospective areas in Greenland

RARE EARTH MINERALS PLC

CHAIRMAN'S STATEMENT

For the year ended 31 December 2012

FINANCIAL RESULTS

The Group's loss for the period is £1 0 million (2011 £ 1 4 million)

OUTLOOK

Your Board is confident that the investments made by the Company since it changed its investment strategy are both encouraging and potentially very rewarding We will look to realise this potential over the future years in addition to continuing to review further investment opportunities

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

David Lenigas
Executive Chairman

The Directors present their annual report together with the audited consolidated financial statements of the Group for the Year Ended 31 December 2012

Principal activity

The principal activity of the Group and the Company is that of the identification, development and mining of rare earth minerals 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 20 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 on pages 1 to 5

The objective of the group is to invest in mining opportunities

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 and cash at bank The main purpose of these financial instruments are to fund the Group's operations

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

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources Further details of this are provided in the principal accounting policies, headed 'going concern' and note 12 to the financial statements

Interest rate risk
The Group has no loans and therefore the only interest rate risk is that on its cash balances The Group seeks the highest rate of interest receivable on its cash deposits whilst minimising risk

Directors

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

David Lenigas
Richard Griffiths
Adrian Fairbourn
Charles Wood (appointed 16 April 2012 and resigned 7 September 2012)

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 20 May 2013 were as follows

	Ordinary shares of 1p each Number	Percentage of capital %
Simplystockbroking Nominees Limited	303,299,402	10 91%
Redmayne (Nominees) Limited	294,846,428	10 60%
L R Nominees Limited	258,387,336	9 29%
Barclayshare Nominees Limited	187,184,936	6 73%
TD Direct Investing Nominees (Europe) Limited	166,597,001	5 99%
Investor Nominees Limited	126,381,177	4 55%
Ferlim Nominees Limited	121,971,667	4 39%
HSDL Nominees Limited	111,945,004	4 03%
Fitel Nominees Limited	108,333,333	3 90%
Bruce Rowan Esq	100,000,000	3 60%
JIM Nominees Limited	95,743,268	3 44%
Hargreaves Lansdown (Nominees) Limited	87,937,693	3 16%

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

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

David Lenigas
Director
Date 24 June 2013

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 three Directors, who hold the key operational positions in the Company The Chairman of the Board is David Lenigas and the Group's business is run by David Lenigas

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

Going concern

The Directors note the substantial losses that the Group has made for the Year Ended 31 December 2012 The Directors have prepared cash flow forecasts for the period ending 30 June 2014 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

RARE EARTH MINERALS PLC

REPORT ON REMUNERATION

For the year ended 31 December 2012

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	R Griffiths	S Weltman	D Lenigas	C Wood	Total
	£	£	£	£	£	£
Short-term employment benefits:						
Year to 31 December 2012						
Salary and fees	30,000	48,000	-	48,000	16,000	142,000
Share based payments	11,000	17,849	-	17,849	-	46,698
Total	**41,000**	**65,849**	-	**65,849**	**16,000**	**188,698**
15 months to 31 December 2011						
Salary and fees	25,000	64,000	-	64,000	-	153,000
Share based payments	-	129,443	16,667	129,443	-	275,553
Total	25,000	193,443	16,667	193,443	-	428,553

A further £65,000 not included above was paid to Steve Weltman as consultancy fees following his resignation as a director during the period ended 31 December 2011

At 31 December 2012 £2,800 of the £48,000 paid to R Griffiths was still outstanding (2011 £2,800)

At 31 December 2012 £12,000 of the £30,000 paid to A Fairbourn was still outstanding (2011 Nil)

Charles Wood was appointed as a director on 16 April 2012 and resigned on 7 September 2012
A Fairbourn was appointed as a Director on 2 February 2011

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 2012 or the 15 months ended 31 December 2011
Bonuses
No amounts were payable for bonuses in respect of the Year ended 31 December 2012 or the 15 months ended 31 December 2011

Notice periods

David Lenigas, Richard Griffiths and Adrian Fairbourn have a 12 months rolling notice period

Share option incentives

At 31 December 2012 the following options were held by the Directors

	Date of grant	Exercise price	Number of options
R Griffiths	7 March 2005	3p	1,275,000
R Griffiths	6 March 2006	3p	1,275,000
R Griffiths	28 January 2010 (amended 14 December 2012)	0 06p	14,000,000
R Griffiths	30 November 2010 (amended 14 December 2012)	0 06p	30,000,000
			46,550,000
D Lenigas	28 January 2010 (amended 14 December 2012)	0 06p	14,000,000
D Lenigas	30 November 2010 (amended 14 December 2012)	0 06p	30,000,000
			44,000,000
A Fairbourn	13 December 2012	0 06p	20,000,000

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

The high and low share price for the year were 0 34p and 0 05p respectively (15 month period ended 31 December 2011 1 53p and 0 16p) The share price at 31 December 2012 was 0 05p (31 December 2011 0 19p)

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

We have audited the Group financial statements of Rare Earth Minerals plc for the Year ended 31 December 2012 which comprise the principal accounting policies, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated cash flow statement 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 8, 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 ork uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and its 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
- 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

Other matter
We have reported separately on the parent Company financial statements of Rare Earth Minerals plc for the Year ended 31 December 2012

Keith Fulton
Keith Fulton
Senior Statutory Auditor
for and on behalf of Chapman Davis LLP
Statutory Auditor, Chartered Accountants
LONDON
Date 24 June 2013

BASIS OF PREPARATION

The Group financial statements have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) The Company's shares are listed on the AIM market of the London Stock Exchange Separate financial statements of Rare Earth Minerals plc (the Company) have been prepared on pages 36 to 47 under the historical cost convention and in accordance with applicable accounting standards under UK GAAP

The principal accounting policies of the Group are set out below

GOING CONCERN

The Directors note the substantial losses that the Group has made for the Year ended 31 December 2012 The Directors have prepared cash flow forecasts for the period ending 30 June 2014 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

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

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

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

EXPLORATION OF MINERAL RESOURCES (CONTINUED)

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

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

FINANCIAL LIABILITIES (CONTINUED)

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

Dividend distributions to shareholders are included in 'other short term financial liabilities' when the dividends are approved by the shareholders'

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

Impairment of goodwill
The basis of review of the carrying value of goodwill is as detailed in note 4 The carrying value of goodwill is £692k 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 4

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 Details of acquired assets and liabilities are given in note 16

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Significant judgments and estimates (continued)

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 2012 of £86,000 (2011 £411,000) is determined using a Black-Scholes Valuation model, using the assumptions detailed in note 8

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 on page 13 Amounts capitalised in the year to 31 December 2012 were £nil (2011 £70k)

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

Consolidation Standards
A package of consolidation standards are effective for annual periods beginning on or after 1 January 2013 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 supercedes 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

ADOPTION OF NEW OR AMENDED IFRS (CONTINUED)

IFRS 11 Joint Arrangements (IFRS 11)
IFRS 11 supercedes 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 2013 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 2012

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 derecognition of financial assets and liabilities have been issued These chapters are effective for annual periods beginning 1 January 2013 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

RARE EARTH MINERALS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	Year ended 2012 £'000	15 months ended 2011 £'000
Administrative expenses		**(789)**	(1,438)
Total administrative expenses		**(789)**	(1,438)
Loss from operations	*1*	**(789)**	(1,438)
(Loss) on sale of available for sale investments		**(184)**	-
Loss before taxation		**(973)**	(1,483)
Taxation	*2*	-	-
Loss after taxation, and loss attributable to the equity holders of the Company		**(973)**	(1,438)
Other comprehensive income			
Foreign exchange		**(22)**	25
Transfer to income statement of available for sale reserve		**115**	-
Decrease in value of available for sale asset		**(25)**	(137)
Other comprehensive income for the period, net of tax		**68**	(112)
Total comprehensive loss for the year, attributable to owners of the company		**(905)**	(1,550)
Loss per ordinary share			
Basic and diluted loss per share (pence)	*3*	**(0.07)**	(0 14)

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

RARE EARTH MINERALS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital	Share premium	Share based payment reserves	Available for sale reserve	Exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000		£'000	£'000	£'000
Balance at 1 October 2010	464	3,868	215	-	-	(4,626)	(79)
Share based payments	-	-	411	-	-	-	411
Issue of share capital	97	3,158	-	-	-	-	3,255
Share placing costs	-	(160)	-	-	-	-	(160)
Transactions with owners	97	2,998	411	-	-	-	3,506
Foreign exchange	-	-	-	-	25	-	25
Decrease in value of available for sale asset	-	-	-	(137)	-	-	(137)
Loss for the year	-	-	-	-	-	(1,438)	(1,438)
Total comprehensive loss for the period	-	-	-	(137)	25	1,438	1,550
Balance at 31 December 2011	561	6,866	626	(137)	25	(6,064)	1,877
Share based payments	-	-	86	-	-	-	86
Share issue	67	335	-	-	-	-	402
Share placing costs	-	(3)	-	-	-	-	(3)
Transactions with owners	67	332	86	-	-	-	485
Foreign exchange	-	-	-	-	(22)	-	(22)
Transfer to income statement	-	-	-	115	-	-	115
Decrease in value of available for sale asset	-	-	-	(25)	-	-	(25)
Loss for the period	-	-	-		-	(973)	(973)
Total comprehensive loss for the period	-	-	-	90	(22)	(973)	(905)
Balance at 31 December 2012	**628**	**7,198**	**712**	**(47)**	**3**	**(7,037)**	**1,457**

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 2012

ASSETS	Notes	31 December 2012 £'000	31 December 2011 £'000
Non-current			
Intangible assets	*4*	**879**	1,030
Available for sale assets	*5*	**35**	379
		914	1,409
Current			
Cash and cash equivalents		**176**	243
Trade and other receivables	*6*	**489**	266
Total current assets		**665**	509
Total assets		**1,579**	1,918
LIABILITIES			
Current			
Trade and other payables	*7*	**122**	41
Total liabilities		122	41
EQUITY			
Issued share capital	*9*	**628**	561
Share premium		**7,198**	6,866
Share based premium reserve		**712**	626
Available for sale asset reserve		**(47)**	(137)
Exchange reserve		**3**	25
Retained earnings		**(7,037)**	(6,064)
Equity attributable to equity holders of the Company		**1,457**	1,877
Total equity and liabilities		**1,579**	1,918

The consolidated financial statements were approved by the Board on 24 June 2013

David Lenigas
Director

Company number 05234262

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

RARE EARTH MINERALS PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

	Year ended 31 December 2012 £'000	15 months ended 31 December 2011 £'000
Cash flow from operating activities		
Loss after taxation	(789)	(1,438)
Amortisation of intangibles	57	43
Equity settled share based payments	86	411
(Increase) in trade and other receivables	(151)	(249)
Increase/(decrease) in trade and other payables	81	(361)
Net cash (outflow) from operating activities from continuing operations	(716)	(1,594)
Cash flows from investing activities		
Purchase of licences	-	(73)
Purchase of subsidiary	-	(380)
Investment in AFS asset	-	(516)
Sale of AFS asset	250	-
Investment in exploration	-	(70)
Net cash outflow from investing activities	250	(1,039)
Cash flows from financing activities		
Proceeds from issue of share capital	402	2,730
Share issue costs	(3)	(160)
Net cash inflow from financing activities	399	2,570
Net change in cash and cash equivalents	(67)	(63)
Cash and cash equivalents at beginning of period	243	306
Cash and cash equivalents at end of period	176	243

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

1 LOSS BEFORE TAXATION AND SEGMENTAL INFORMATION

Loss before taxation

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 2012	15 months ended 31 December 2011
	£'000	£'000
Share based payment charge	**86**	411
Amortisation charge	**57**	43
Staff costs (see note 14)	**142**	153
Fees payable to the Company's auditor for the audit of the financial statements	**13**	22
Fees payable to the Company's auditor and its associates for other services		
Other services relating to taxation compliance	**1**	1

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, £588,000 (2011 £509,000) arise in the UK, and £172,000 (2011 £449,000) arise in Greenland and £819,000 (2011 £960,000) arise in Australia

2 TAXATION - CONTINUING OPERATIONS

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

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

	Year ended 31 December 2012 £'000	2012 %	15 months ended 31 December 2011 £'000	2011 %
Loss before taxation	(973)		(1,438)	
Loss multiplied by standard rate of corporation tax in the UK	(238)	24/26	(374)	(26)
Effect of				
Overseas loss not recognised	(12)		(10)	
Deferred tax asset not recognised	250	(24/26)	384	26
Total tax charge for year	-		-	

The Group has tax losses in the UK, subject to Her Majesty's Revenue and Customs approval, of approximately £695,000 (31 December 2011 £nil) available for offset against future operating profits The Group has not recognised any deferred tax asset in respect of these losses, which would amount to £250,000 (31 December 2011 £nil) due to there being insufficient certainty regarding its recovery

Following the operational decision to exit the music business and focus on investing in mining operations, all brought forward tax losses relating to the music business are no longer available for offset against future operating profits

3 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 2012 £'000	15 months ended 31 December 2011 £'000
(Loss) attributable to owners of the Company	(973)	(1,438)
	2012 Number	2011 Number
Weighted average number of ordinary shares for calculating basic loss per share	1,480,231,072	1,046,704,389
	2012 Pence	2011 Pence
Basic and diluted loss per share	(0.07)	(0 14)

The impact of the share options are anti dilutive

4 INTANGIBLE ASSETS

	Exploration costs £'000	Goodwill £'000	Licences £'000	Total £'000
Cost				
At 1 October 2010	-	-	-	-
Additions	70	691	73	834
Acquisition	-	-	214	-
Foreign exchange gains	-	20	5	25
At 31 December 2011	70	711	292	1,073
Reclassification	(33)	-	(39)	(72)
Exchange Difference	-	(19)	(3)	(22)
At 31 December 2012	37	692	250	979
Amortisation and impairment				
At 1 October 2010	-	-	-	-
Amortisation charge in the year	-	-	(43)	(43)
At 31 December 2011	-	-	(43)	(43)
Amortisation charge in the year	-		(57)	(57)
At 31 December 2012	-	-	(100)	(100)
Net book value at 31 December 2012	**37**	**692**	**150**	**879**
Net book value at 31 December 2011	70	711	249	1,030
Net book value at 1 October 2010	-	-	-	-

On 4 May 2011 the Group entered into an agreement to acquire interests in 5 claims in Saskatchewan, Canada, as part of the Cup Lake Syndicate Consideration paid totalled £33,000

During the periods 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 £172,000 The Group is awaiting confirmation of transfer of these licences to 2 subsidiaries newly incorporated in Greenland and currently held in trust on the Group's behalf

On 1 December 2011 the Group acquired 100% of the shares in Mojito Resource Limited, a Company registered in British Virgin Islands, which has a 30% interest in the Yangibana rare earth project in Western Australia Further information is given in note 16

4 INTANGIBLE ASSETS (CONTINUED)

Goodwill of £691k arose on this acquisition, being the difference in the purchase price of £905k and the provisional fair value (£214k) of the licences within Mojito Resources Limited, being the only asset in the 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 on page 15 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 2011 and 31 December 2012 that would give rise to an impairment charge

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 area 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 2012 Further information in relation to the projects is contained within the Chairman's statement on pages 1 to 5

Deferred tax has not been recognised on the intangible assets acquired as it is not material to the financial statements

5 AVAILABLE FOR SALE ASSETS

	Available for sale assets
	£'000
Cost	
Valuation at 1st October 2010	-
Additions at cost	516
Change in fair value recognised in other comprehensive income	(137)
Valuation at 31 December 2011	**379**
Disposal proceeds	(250)
Transfer from equity reserve	115
Realised (loss) on disposal	(184)
Change in fair value recognised in other comprehensive income	(25)
Valuation at 31 December 2012	**35**

On 8 December 2011 the Company completed the acquisition of 1 27 million shares in Greenland Minerals and Energy Limited, representing 0 31% of that Company's issued share capital During the year the Company disposed of 970,000 shares, for net proceeds of £250,000

6 TRADE AND OTHER RECEIVABLES

	31 December 2012 £'000	31 December 2011 £'000
Current		
Other receivables	**305**	162
Prepaid exploartion costs	**172**	-
Prepayments and accrued income	**12**	104
	489	266

Included within other receivables is £300,525 (31 December 2011 £63,575) in respect of unpaid share capital of which £275,525, remains outstanding at the date of approving the financial statements

There is no impairment of receivables and no amounts are past due at 31 December 2012 or 31 December 2011

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

7 TRADE AND OTHER PAYABLES

	31 December 2012 £'000	31 December 2011 £'000
Trade payables	**95**	20
Accruals and deferred income	**27**	21
	122	41

The fair value of trade and other payables, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value

8 SHARE BASED PAYMENTS

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 is three years If the options remain unexercised after a period of ten years from the date of grant, the options expire Options are forfeited if the employee leaves the Group before the options vest There are no other 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 2012		31 December 2011	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**144,925,000**	**0.005**	46,925,000	0 010
Granted	**68,000,000**	**0.0006**	98,000,000	0 005
Amended	**126,000,000**	**0.0006**	-	-
Amended	**(126,000,000)**	**(0.005)**	-	-
Outstanding at the end of the year	**212,925,000**	**0 0021**	144,925,000	0 005
Exercisable at year end	**76,925,000**		8,925,000	

The share options outstanding at the end of the period have a weighted average remaining contractual life of 7 60 years (31 December 2011 8 37 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 2012 Number**	31 December 2011 Number
7 March 2008	7 March 2005	0 03	0 019221	5,100,000	5,100,000
6 March 2009	6 March 2006	0 0325	0 020776	3,825,000	3,825,000
28 January 2013	28 January 2010	0 005	0 004	38,000,000	38,000,000
29 November 2013	29 November 2010	0 005	0 003537	98,000,000	98,000,000
13 December 2012	13 December 2012	0 0006	0 00055	68,000,000	-
28 January 2013	14 December 2012	0 005	(0 000476)	(38,000,000)	-
28 January 2013	14 December 2012	0 0006	0 000551	38,000,000	-
29 November 2013	14 December 2012	0 005	(0 000471)	(98,000,000)	-
29 November 2013	14 December 2012	0 0006	0 000549	98,000,000	-
				212,925,000	144,925,000

The share options can be exercised up to seven years after the date first exercisable
At 31 December 2012 76,925,000 options were exercisable (31 December 2011 8,925,000)

8 SHARE BASED PAYMENTS (CONTINUED)

For those options 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
7 March 2005	4 75%	100%	3 years	£0 03
6 March 2006	4 75%	100%	3 years	£0 0325
28 January 2010	0 50%	100%	3 years	£0 004
29 November 2010	0 50%	160%	3 years	£0 0043
13 December 2012	0 50%	122%	1 month	£0 0006
14 December 2012 amendments	0 50%	122%	2 months	£0 0006
14 December 2012 amendments	0 50%	122%	11 months	£0 0006

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 £86,000 (15 months ended 31 December 2011 £411,000) relating to equity-settled share-based payment transactions during the period

9 SHARE CAPITAL

	31 December 2012 £'000	31 December 2011 £'000
Allotted, issued and fully paid		
173,619,050 deferred shares of 0 24p	**417**	417
2,113,619,050 ordinary shares of 0 01p (31 December 2011 1,443,619,050)	**211**	144
	628	**561**

	Ordinary shares No	£'000
Allotted and issued		
At 31 December 2011	1,443,619,050	561
Issue of shares for cash	670,000,000	67
At 31 December 2012	**2,113,619,050**	**628**

On 11 December 2012 670,000,000 Ordinary Shares of 0 01p were issued at 0 06p per share for proceeds of £402,000 before share placing costs

T he deferred shares have no voting rights and are not eligible for dividends

10 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2012 or 31 December 2011

11 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2012 or 31 December 2011

12 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 Greenland Minerals and Energy Ltd which is listed on the ASX, these shares are held as an available-for-sale asset The Group has no financial derivatives The most significant risks to which the Group is exposed are described as follows

a Credit risk

The Group's credit risk will be primarily attributable to its trade receivables At 31 December 2012, the Group had minimal trade receivables and therefore minimal risk arises

12 FINANCIAL INSTRUMENTS (CONTINUED)

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

	31 December 2012				31 December 2011			
	AFS (carried at fair value	**Loans and receivables**	**Non financial assets**	**Statement of Financial position total**	AFS (carried at fair value	Loans and receivables	Non financial assets	Statement of financial position total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Available-for-sale financial asset	35	-	-	**35**	379	-	-	379
Other long term financial assets	35	-	-	**35**	379	-	-	379
Other short term financial assets	-	-	-	-	-	-	-	-
Other receivables	-	305	-	**305**	-	162	-	162
Prepayments and accrued income	-	-	**184**	**184**	-	-	104	104
Cash and cash equivalents	-	**176**	-	**176**	-	243	-	243
Total	35	481	184	700	379	405	104	888

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)

12 FINANCIAL INSTRUMENTS (CONTINUED)

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 Greenland Minerals and Energy Limited 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

Interest rate risk

The Group has no loans and therefore little interest rate risk

d Financial liabilities

The group's financial liabilities are classified as follows

	31 December 2012			31 December 2011		
	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	95	-	95	20	-	20
Accruals and deferred income	-	27	27	-	21	21
Total	95	27	122	20	21	41

12 FINANCIAL INSTRUMENTS (CONTINUED)

Maturity of financial liabilities

All financial liabilities at 31 December 2012 and 31 December 2011 mature in less than one year

Borrowing facilities for the period ended 31 December 2012

The Group has no undrawn committed borrowing facilities at 31 December 2012 (31 December 2011 £ Nil)

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

When the net assets of the parent Company are below half of the called up share capital, the directors contact the shareholders accordingly

13 RELATED PARTY TRANSACTIONS

Included within creditors at 31 December 2012 is £2,800 (31 December 2011 £2,800) in respect of monies owed to Richard Griffiths, a director of Rare Earth Minerals plc

Included within accruals at 31 December 2012 is £12,000 (31 December 2011 £Nil) in respect of monies owed to Adrian Fairbourn, a director of Rare Earth Minerals plc

14 EMPLOYEE REMUNERATION

Employee benefits expense

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

	Year ended 31 December 2012 £'000	15 months ended 31 December 2011 £'000
Wages and salaries	**142**	153
Share based payments	**86**	411
	228	564

14 **EMPLOYEE REMUNERATION (CONTINUED)**

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

	2012	2011
	No.	No
Directors	3	3

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

	2012	2011
	£'000	£'000
Salaries	142	153
Share based payments	47	358
	189	511

Details of Directors' emoluments are included in the Report on Remuneration on page 10-11

15 **SUBSIDIARIES**

Company name	Share type	% owned	Principal activity
Mojito Resources Limited	Ordinary	100%	Mining

Mojito Resources Limited is a company incorporated in the British Virgin Islands

16 **ACQUISITIONS**

On 1 December 2011, the group acquired the entire issued share capital of Mojito Resources Limited, a company registered in the British Virgin Islands, from Camelot Trust Corporation Limited for consideration of £905k The consideration was settled by £380k of cash and 250 million ordinary shares in Rare Earth Minerals plc, at a fair value of £0 0021 per share, being the market value of the shares at the date of acquisition Following the transaction, Camelot Trust Corporation Limited owned 17 3% of the share capital of Rare Earth Minerals plc Mojito Resources Limited owns a 30% interest in the Yangibama Rare Earth Project situated in the Gascoyne region of Western Australia

At acquisition Mojito Resources Limited owned 30% of 6 exploration licences relating to the Yangibama Rare Earth Project, there were no other identifiable assets or liabilities of the Company acquired

In addition there is deferred contingent consideration of AUS$500,000 At the date of acquisition the directors consider that this is unlikely to be paid and have therefore not provided for this in the financial statements

17 **EVENTS AFTER THE REPORTING PERIOD**

On 14 February 2013, the Company announced it had signed a Farm-in Agreement with listed Canadian company Bacanora Minerals Ltd to participate in drilling and evaluation of its high grade Lithium discover in northern Mexico The Company will acquire a 10% interest for US$250,000 initially, and expected spend of US$500,000 over a 6 month period The Company then has the right to increase its interest to 30% for US$500,000 after the initial period

On 11 March 2013, the Company raised gross proceeds of £400,000 in a placing to investors of 666,666,667 new ordinary shares of 0 01p each in the Company at 0 06p per share ("Placing Shares") together with a 0 5 warrant for each Placing Share subscribed, each warrant entitling the holder to subscribe for one ordinary share in the Company at 0 06p per share before 30 June 2014

On 17 June 2013, the Company entered into a £300,000 Placing Agreement and, separately, a £150,000 Equity Swap Agreement with YA Global Master SPV, Ltd ("YAGM") YAGM have agreed with the Company that they will not dispose of any shares for an initial 2 month period

RARE EARTH MINERALS PLC

COMPANY STATUTORY FINANCIAL STATEMENTS

(PREPARED UNDER UK GAAP)

FOR THE YEAR PERIOD ENDED

31 DECEMBER 2012

Company No 05234262

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For the year ended 31 December 2012

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Statement of directors' responsibilities

The Directors are responsible for preparing the Company only financial statements ("financial statements") in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 Company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and 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 Company'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

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

We have audited the parent Company financial statements (the "financial statements") of Rare Earth Minerals plc for the Year ended 31 December 2012 which comprise the principal accounting policies, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 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 38, 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 ork 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 Company's affairs as at 31 December 2012,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Other matter
We have reported separately on the group financial statements of Rare Earth Minerals plc for the Year ended 31 December 2012

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

Date 24 June 2013

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

The principal accounting policies of the Company are set out below and remain unchanged from the previous period

As permitted by Section 408(3) of the Companies Act 2006, the profit and loss account of Rare Earth Minerals plc has not been presented in these financial statements The parent Company's loss for the year was £924,000 (period ended 31 December 2011 £1,400,000 loss)

GOING CONCERN

The Directors note the substantial losses that the Company has made for the Year ended 31 December 2012 The Directors have prepared cash flow forecasts for the period ending 30 June 2014 which take account of the current cost structure of the Company These forecasts demonstrate that the Company has sufficient finance facilities 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

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

SHARE BASED PAYMENTS

The Company 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 Company'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 rest 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 INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited directly to equity

OTHER INVESTMENTS

Other investments are valued at cost less provision for impairment

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiaries are valued at cost less provision for impairment

When applicable the Company takes advantage of the merger relief provisions in Section 612 of the Companies Act 2006 when accounting for investments in subsidiary undertakings whereby the cost of investment in the books of the Company is calculated by reference to the nominal value of shares issued rather than the fair value used on consideration

EXPLORATION OF MINERAL RESOURCES

All costs associated with mining development and investment are carried in WIP 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 carried in WIP provided that the Group's rights to tenure are current and one of the following conditions is met

(iv) such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale, or
(v) the activities have not reached a stage which permits a reasonable assessment of whether or not economically recoverable resources exist, or
(vi) 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 carried in WIP 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

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

RARE EARTH MINERALS PLC

BALANCE SHEET

For the year ended 31 December 2012

	Notes	31 December 2012 £'000	31 December 2011 £'000
Fixed Assets			
Intangible fixed assets	*1*	**21**	68
Investment in subsidiary	*2*	**405**	405
Other investments	*3*	**82**	516
		508	989
Current assets			
Stock	*4*	**37**	70
Cash at bank and in hand		**176**	243
Debtors due within one year	*5*	**489**	266
Total current assets		**702**	579
Creditors Amounts falling due within one year	*6*	**(122)**	(41)
Net current assets		**580**	538
Total assets less current liabilities and net assets		**1,088**	1,527
EQUITY			
Called up share capital	*7*	**628**	561
Share premium account	*8*	**6,698**	6,366
Share based payment reserve		**712**	626
Profit and loss account		**(6,950)**	(6,026)
Equity shareholders' funds		**1,088**	1,527

The financial statements were approved by the Board on 24 June 2013

David Lenigas
Director

Company number 05234262

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

1 INTANGIBLE FIXED ASSETS

	Licences £'000
Cost	
At 31 December 2011	73
Reclassification	(40)
At 31 December 2012	33
Amortisation	
At 31 December 2011	5
Charge in the year	7
At 31 December 2012	12
Net book value at 31 December 2012	**21**
Net book value at 31 December 2011	**68**

On 4 May 2011, the Company entered into an agreement to acquire interests in 5 claims in Saskatchewan, Canada, as part of the Cup Lake syndicate

2 INVESTMENTS IN SUBSIDIARIES

	Investment in group undertakings £'000
Cost	
At 31 December 2011 and 31 December 2012	405
Amounts written off:	
At 31 December 2011 and 31 December 2012	-
Net book value at 31 December 2011 and 31 December 2012	**405**

2 INVESTMENTS IN SUBSIDIARIES

At 31 December 2012, the Company holds 100% of the ordinary share capital of the following subsidiary undertakings

Company name	Share type	% owned	Principal activity
Mojito Resources Limited	Ordinary	100%	Mining

Mojito Resources Limited is incorporated in the British Virgin Islands

3 OTHER INVESTMENTS

	Other Investments £'000
Cost	
At 31 December 2011	516
Disposal proceeds	(250)
Loss on disposal	(184)
At 31 December 2012	82

4 STOCK

	31 December 2011 £'000	31 December 2011 £'000
Work in progress	37	70
At 31 December 2012	37	70

5 DEBTORS

	31 December 2012 £'000	31 December 2011 £'000
Other debtors	305	162
Prepaid exploration expenses	172	-
Prepayments and accrued income	12	104
	489	266

Included within other receivables is £300,525 (2011 £63,575) in respect of unpaid share capital, of which £275,525, remains outstanding at the date of approving the financial statements

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2012 £'000	31 December 2011 £'000
Trade creditors	95	20
Accruals and deferred income	27	21
	122	41

7 SHARE CAPITAL

	31 December 2012 £'000	31 December 2011 £'000
Allotted, issued and fully paid		
173,619,050 deferred shares of 0.24p	417	417
2,113,619,050 ordinary shares of 0 01p (31 December 2011 1,443,619,050)	211	144
	628	561

	Ordinary shares No.	£'000
Allotted and issued		
At 31 December 2011	1,443,619,050	561
Issue of shares for cash	670,000,000	67
At 31 December 2012	2,113,619,050	628

On 11 December 2012 670,000,000 Ordinary Shares of 0 01p were issued at 0 06p per share, for proceeds of £402,000 before share placing costs

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

8 RESERVES

	Share Premium	Profit and loss account	Share based payment reserve
	£'000	£'000	£'000
At 31 December 2011	6,366	(6,026)	626
Share based payment	-	-	86
Share issue	335	-	-
Share issue costs	(3)	-	-
Retained loss for the period	-	(924)	-
At 31 December 2012	**6,698**	**(6,950)**	**712**

9 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Year ended 31 December 2012	15 months ended 31 December 2011
	£'000	£'000
Loss for financial period	(924)	(1,400)
Increase in share based payment reserve	86	411
Issue of shares net of costs	399	2,595
Net increase in shareholders' funds	(439)	1,606
Equity shareholders' funds/(deficit) brought forward	1,527	(79)
Equity shareholders' funds carried forward	1,088	1,527

10 ACQUISITIONS

On 1 December 2011, the group acquired the entire issued share capital of Mojito Resources Limited, a company registered in the British Virgin Islands, from Camelot Trust Corporation Limited for consideration of £905k The consideration was settled by £380k of cash and 250 million ordinary shares in Rare Earth Minerals plc, at a fair value of £0 0021 per share, being the market value of the shares at the date of acquisition Following the transaction, Camelot Trust Corporation Limited owned 17 3% of the share capital of Rare Earth Minerals plc Mojito Resources Limited owns a 30% interest in the Yangibama Rare Earth Project situated in the Gascoyne region of Western Australia

At acquisition Mojito Resources Limited owned 30% of 6 exploration licences relating to the Yangibama Rare Earth Project, there were no other identifiable assets or liabilities of the Company acquired

In addition there is deferred contingent consideration of AUS$500,000 At the date of acquisition the directors consider that this is unlikely to be paid and have therefore not provided for this in the financial statements

Details of the Project and the background to the acquisition by the Group are included within the Chairman's statement on pages 1-5

11 DIRECTORS REMUNERATION

Details of Directors' remuneration is disclosed within the Report on Remuneration on page 10-11

12 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2012 or at 31 December 2011

13 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2012 or at 31 December 2011

14 RELATED PARTY TRANSACTIONS

Included within creditors at 31 December 2012 is £2,800 (31 December 2011 £2,800) in respect of monies owed to Richard Griffiths, a director of Rare Earth Minerals plc

Included within accruals at 31 December 2012 is £12,000 (31 December 2011 £Nil) in respect of monies owed to Adrian Fairbourn, a director of Rare Earth Minerals plc