

CADENCE MINERALS PLC

(Formerly Rare Earth Minerals Plc)

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2016

Company No 05234262

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

COMPANY INFORMATION

For the year ended 31 December 2016

Company registration number: 05234262

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Kiran Morzaria (Chief Executive Officer)
Don Strang (Finance Director)
Adrian Fairbourn (Non-executive Director)

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CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

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Forward-looking Statement

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

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

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

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

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

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CHAIRMAN'S STATEMENT

For the year ended 31 December 2016

STRONG ASSET GROWTH AND RETURN ON EQUITY

The lithium compound market continued to perform extremely well in 2016 and with medium-term supply requirements remaining unfulfilled, our assets also rose to the challenge.

We believe that our two primary assets in Mexico and the Czech Republic will become important sources of battery-grade lithium carbonate from 2019 onward. Our two main investments and joint ventures are targeting to produce, in aggregate, some 55,000 tonnes of battery grade lithium carbonate, which based on analysts' projections, could represent a very significant 7% to 10% of the world's supply in 2025.

Our focus in 2016 was to continue our investment strategy and vision of identifying, investing in and taking an active role in low-cost, large and scalable critical metal deposits. The Group's current investments have borne out our strategy and delivered both excellent market returns and fundamental progress at the asset level.

Our investment in the Sonora Lithium project (both directly and indirectly through our holding in Bacanora Minerals Ltd and our joint venture with them) continued to make excellent progress both during the year and subsequent to the year-end with the publication of a highly positive pre-feasibility study in 2016.

Further, in early 2017 the company signed a strategic agreement, inclusive of up to a 100% off-take for lithium carbonate with Hanwa, a major trading house based in Japan. The Sonora Lithium project now has a sound base from which to embark on the next stages of development, including the completion of its bankable feasibility study and securing the capital financing necessary to commence construction in 2018.

The Cinovec Lithium Project, via our significant holding in European Metals Holdings, also continued to develop at a rapid pace, with a 420% upgrade in resources announced during the year and a pre-feasibility study published in April 2017. This study confirmed our analysis of the project in 2015, in that it would represent a low-cost and potentially significant producer of battery grade lithium carbonate. One of the significant positive aspects of Cinovec is the potential tin credits from any mining operation would assist greatly in keeping the unit costs of lithium in the lowest quartile of global producers.

The fundamental progress made with these assets, along with our investment in Macarthur Minerals Ltd and Auroch Minerals Ltd in Australia, has delivered absolute returns in excess of 104%. During the year, our listed investments delivered an operating profit of £2.8 million compared to £0.2 million in 2015.

Investment activity has also continued apace, with a further £7.85 million invested over the period. These funds were used to increase our exposure to both Bacanora Minerals Ltd (16.06% equity interest), European Metals Holdings Ltd (20.76% equity interest), and Macarthur Minerals Ltd (20.3% equity interest). In addition, we also further increased our exposure to lithium exploration with the purchase of a 7.7% stake in Auroch Minerals Ltd, which has exploration assets in Portugal and Namibia.

Our strategy for delivering long-term material value to shareholders will stay focused on three things: First, to support existing projects through to production. Second, to identify new strategic investments. Principally, these will be further lithium exploration assets demonstrating a high probability of entering into commercial production. Third, to evaluate the investment potential in other key metals that are widely used in the rapidly expanding energy storage sector, such as cobalt, copper and nickel.

In this regard, we are focusing this year on acquiring stakes in assets that are currently unlisted but fit our investment criteria, which to date has delivered excellent returns. In this way we will provide our shareholders access to assets that have the same fundamentals as our previous investments but with potentially higher returns.

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

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

Andrew Suckling
Executive Chairman
30 May 2017

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STRATEGIC REPORT

For the year ended 31 December 2016

Our focus in 2016 was to continue our investment strategy, that is, to identify, invest and play an active role in the development and progress in assets and companies that have unique access to projects that have the right chemistry, are low cost and represent a value investment.

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

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

Table 1: Absolute Return Figures

	31/12/2015	31/12/2016	28/04/2016
Mark to Market Equity Value (GB£ ,000)	13,994	24,152	36,303
Absolute Return on Equity (%)	42%	36%	104%

LITHIUM MARKET REVIEW

During 2016, we continued to see further supply constraints in the lithium supply markets, even with the addition of several new projects providing additional supply. The result was continued upward pressure on seaborne lithium carbonate prices, with battery grade contracts at around US\$12,000 per tonne of battery-grade lithium carbonate.

Although the lithium market is opaque, reports have suggested that lithium demand increased 15% year-on-year to 212kt Lithium Carbonate Equivalent (“LCE”) in 2016. 2016 global sales of Electric Vehicles (EVs) and Plug-in Hybrids (PHEVs) were around 780,000 vehicles. Global supply has responded to this increased demand, with year-on-year production growth from Chile (mainly SQM), Argentina (ramp up of Orocobre) and China (high-cost domestic feedstock production incentivised into the market). In 2016 Greenbushes, the world’s largest hard rock operation, exports were close to 70kt LCE, 20% higher than 2015 export volumes. This incremental supply brought the market closer towards balance in the second half of 2016, leading to battery-grade lithium compound prices in China falling c.31% by the end of the year. In contrast, seaborne lithium prices have continued to increase, reducing the pricing spread between China and the rest of the world.

The key drivers of the continued growth in the market will continue to be EVs. The larger catalyst for global mass-market uptakes is EV technology in China. Morning Star has forecasted EV penetration to surge from less than 1% of global auto sales in 2015 to 10% in 2025, well ahead of the market view for only 4%-6% penetration by 2025. They forecast 16% annual lithium demand growth over the next decade, faster than we've witnessed for almost any major commodity over the past century. They project 2025 lithium demand at 775,000 tonnes, well above the consensus outlook for 400,000 - 600,000 tonnes.

Cadence still maintains its belief that lithium prices will remain strong and anticipates that this pattern will continue for the foreseeable future. We believe that the assets that we have invested in will form part of the medium-term lithium supply chain from 2019 onwards.

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INVESTMENT REVIEW

Bacanora Minerals Ltd ("Bacanora")

Cadence holds an interest in Bacanora through a 16.06% (30/05/2017) direct equity holding, making Cadence the single largest shareholder of Bacanora and a 30% stake in the joint venture interests in each of Mexalit S.A. de CV ("Mexalit") and Megalit S.A. de CV ("Megalit"), Which form part of the Sonora Lithium Project. Bacanora is a Canadian and London-listed minerals explorer (TSX-V: BCN and AIM: BCN).

Bacanora's has two key projects under development. The first is the Sonora Lithium Project in Northern Mexico, which consists of ten mining concession areas covering approximately 100 thousand hectares in the northeast of Sonora State. The second is the Zinnwald Lithium Projects in southern Saxony, Germany, which Bacanora has agreed to acquire 50% for EUR 5 million.

Sonora Lithium Project

The Sonora Lithium project continued to progress up the development curve, achieving several critical milestones during the year and subsequent to the year-end.

First and foremost, Bacanora published its preliminary feasibility study ("PFS") in March 2016. The PFS has an initial targeted production of 17,500 tonnes (t) of lithium carbonate (Li_2CO_3) per annum, expanding to 35,000 t of Li_2CO_3 per annum two years later. The PFS has a pre-tax NPV of US\$776 million and an IRR of 29%. Bacanora has commenced the Bankable Feasibility Study ("BFS"), which is scheduled for completion in Q3 2017.

The highlights of the Sonora PFS are summarised below:

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

The PFS mine plan currently has some 16% of the plant feed being mined from the 30% joint venture areas owned by Mexalit.

Both the equity stake in Bacanora and our ownership in the Mexalit joint venture could represent a substantial return for Cadence in the form of cash flow from the Sonora Lithium Project. To understand the possible outcomes, we have varied the operational costs and revenue per tonne of lithium carbonate to derive a matrix of potential total NPV's (US\$ millions) from the joint venture and our 16.06% equity stake in Bacanora*.

Table 2: Matrix of potential total NPV returns from Cadence's joint venture and indirect equity stakes in the Sonora Lithium Project

		+99.5 % Lithium Carbonate Price US\$			
		6,000	7,000	8,000	9,000
US\$ / t Lithium Carbonate	3,000	140	203	265	328
	3,500	108	171	233	296
	4,000	76	139	201	264
	4,500	44	107	169	232

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

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On 23 November 2016 Cadence & Bacanora announced that the financing condition in the conditional lithium hydroxide off-take agreement previously announced on 28 August 2015 had not been met under the terms of the agreement. The Company advised that it had extensive discussions with the customer as to the feasibility of securing project specific financing pursuant to the terms and conditions of the agreement, that those discussions have now concluded, and therefore further efforts discontinuing further efforts to secure project specific financing pursuant to the agreement.

Subsequent to this, and after the year end, Bacanora entered into an offtake agreement for up to 100% of the battery grade lithium carbonate with Hanwa Co., LTD ("Hanwa"). Hanwa is a leading Japan-based global trading company and one of the larger trades of battery chemicals in the Asian region, with reported net sales of more the Y1,500 million in 2016. The off-take agreement formed part of a larger strategic partnership with Hanwa. In addition to the 70%- 100% off-take agreement Hanwa invested approximately £10.2 million to acquire an initial 10% interest in Bacanora and has the option to increase its equity interest in Bacanora to 19.9%.

The strategic partnership, we believe, is critical to the ongoing development of the Sonora Lithium project as it will provide a funding platform for the project and will aid in securing the long-term debt funding. Moreover, validates the quality of the battery grade (+99.5%) lithium carbonate product produced from the Sonora Lithium project.

In the coming year, we expect Bacanora to focus on the BFS which is scheduled for publication in Q3 2017. We also expect significant progress to be made with, banks, debt providers and strategic investors to develop a project financing strategy. If this is successful Bacanora anticipates the start of construction in H1 of 2018 with an 18 month build period.

Zinnwald Lithium Project

On 21 February 2017 Bacanora announced the acquisition of a 50% interest in, and joint operational control of, the Zinnwald Lithium Project ("Zinnwald") in southern Saxony, Germany from SolarWorld AG ("SolarWorld"). This was for a cash consideration of EUR5 million and the completion of a Feasibility Study ("FS"). The agreement also included an option for Bacanora to acquire the outstanding 50% held by SolarWorld within a 24-month period for EUR30 million. Zinnwald, which reportedly produced lithium carbonate in the 1950s, is in a granite hosted Sn/W/Li belt that has been mined historically for tin, tungsten and lithium. The project benefits from excellent access to the rapidly growing market for lithium in Germany which is being driven by the automotive, renewable energy storage and chemicals industries. Bacanora will earn 50% of the project. This project is adjacent to and a continuation of the Cinovec lithium project in the Czech Republic

The FS has begun, with bulk ore to be carried out during the summer to provide samples for metallurgical test work for inclusion in the flowsheet. Additionally, an infill drilling programme is planned for late 2017 to upgrade the existing resource model in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects. The drilling will test for a number of potential by-products including tin and tungsten. The 2014 resource estimate was reported in accordance with the Pan European Code for Reporting of Exploration Results, Mineral Resources and Reserves, and contained circa 700 Kt of LCE.

Details of REM's ownership

REM owns a direct interest of 16.06% of Bacanora. The Sonora Lithium Project is comprised of the following lithium properties:

- La Ventana, La Ventana 1, and Megalit concessions, which are 100 percent owned by Minera Sonora Borax S.A. de C.V. ("MSB"), a wholly-owned subsidiary of Bacanora; REM, through its direct interest of 16.06% of Bacanora, has an indirect interest in these concessions of 16.06%.
- El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions, which are held by Mexilit S.A. de C.V. ("Mexilit"). REM has a 30% direct interest in Mexalit through its Joint Venture with Bacanora, and when combined with REM's direct interest of 16.06% in Bacanora, has a total economic interest in Mexalit of 41.24%.
- The Buenavista, and San Gabriel concessions, which are held by Megalit S.A de C.V ("Megalit"). REM has a 30% direct interest in Megalit through its Joint Venture with Bacanora, and when combined with REM's direct interest of 16.06% in Bacanora, has a total economic interest in Megalit of 41.24%

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European Metals Holdings Limited (European Metals)

In June 2015 Cadence acquired an initial strategic interest in the largest lithium deposit in Europe. REM has subsequently increased its holding to 20.76% in the Cinovec deposit in the Czech Republic through a direct holding in the share capital of European Metals Holdings Limited (ASX code: EMH) that owns 100 per cent of the exploration rights to the Cinovec lithium/tin deposit. The Cinovec lithium and tin deposit is located in the Krusne Hory mountain range. The deposit that straddles the border between Germany and the Czech Republic and in Germany, it is known as the Zinnwald deposit (50% owned by Bacanora). The district has an extensive mining history, with various metals having been extracted since the 14th Century.

Summary of Activities

European Metals made significant progress during 2016. With the Company's efforts focusing on the completion of a PFS in April 2017. This primarily involved further drilling over the project as well as extensive metallurgical work to determine and test flow sheets for the production of battery grade LCE.

The initial drilling programme began in Dec 2015 and ended in April 2016 with some 5,000 metres of drilling. This data was used to calculate the updated mineral resource published in May 2016. A second 7,500-metre drill programme began in June 2016 which targeted higher grade, shallower lithium bearing zones and also had the aim of converting a significant portion of the inferred lithium and tin resource into an indicated resource.

The results from this programme led to a 420% increase in the indicated Mineral Resources, which when combined with the Inferred Mineral Resources, results in a total resource of an estimated 6.46 Mt of LCE. Highlights from the Mineral Resource Estimate include:

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

In addition to the drilling programme extensive metallurgical test work was carried out over the year which resulted in the successful manufacture of >99.5% pure lithium carbonate using an industry proven, sodium sulphate roast-based flow-sheet from mica-concentrate from the Cinovec Project. The roasting flow-sheet reflected a simplified version of the well-proven technology that converts spodumene concentrate to lithium carbonate. Numerous lithium carbonate plants currently employ this technology internationally.

Subsequent to the year-end European Metals released a PFS on the Cinovec project, which confirmed the potential significance of the Cinovec project, highlights of the PFS include:

- | | |
|--|--|
| • Net overall cost of production - | • US\$3,483 /tonne Li ₂ CO ₃ |
| • Net Present Value (NPV) - | • US\$540 M (post tax, 8%) |
| • Internal Rate of Return (IRR) - | • 21 % (post tax) |
| • Total Capital Cost - | • US\$393 M |
| • Annual production of Battery Grade Lithium Carbonate - | • 20,800 tonnes |

European Metals is now progressing it permits, environmental studies and BFS and we look forward to 2017 and the progress that will be made to bring this asset into production.

Details of Cadence's ownership

Cadence owns a direct interest of 20.76% of European Metals.

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Yangibana Project, Australia

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

Summary of Activities

Hastings Technology Metals Limited ("Hastings") is the manager of the Project and holds a 70% interest. Hastings continued to explore and develop the Yangibana project during the year.

The most significant development during the year was the publication of the PFS, which included the 30% joint venture with extensive drilling and pre-feasibility work.

In April 2016 Hastings published its pre-feasibility study, which showed a pre-tax NPV of US\$700 – US\$750 M at an 8% discount rate and a 40% internal rate of return. The PFS was not specific as to the total quantum that was to be mined from the joint venture areas. However, the Company has used the mining inventory defined in the mine plan to assess the potential NPV to Cadence under the joint venture.

Subsequent to the publication of the PFS, Hastings has continued to progress the project, with further drilling, target delineation on the project as a whole. In May 2017 Hastings began its final DFS drilling programme, with the primary objective of increasing indicates resources to support a 10-year mine plan. In addition, Hastings successfully tested the hydrometallurgical flowsheets and produced 50kg high purity Mixed Rare Earth Carbonate for marketing purposes.

Macarthur Minerals Limited ("Macarthur")

In March 2016 Cadence Minerals made a strategic investment in Macarthur (TSX-V: MMS). During the year, it further increased its position to 16.58% by exercising its warrants. Subsequent to the year-end Cadence exercised its remaining warrants and increased its position to 20.3%.

Summary of Activities

Macarthur has made progress on several fronts during the year.

Australian Lithium Assets

Within the lithium space, Macarthur has applied for a total of 1,449 square kilometres in the Pilbara region of Western Australia. Pilbara lithium acreage is adjacent to and covers similar geological settings to the "world class" Pilgangoora lithium deposits, which host the advanced lithium projects of ASX listed companies, Pilbara Minerals Limited and Altura Mining Limited. Macarthur has reported that initial reconnaissance across a fraction of the Pilbara lithium acreage has been very encouraging, justifying continued assessment.

During the year, Macarthur entered into three Memorandum of Understandings. The first with an ASX listed company for a farm-in and joint venture agreement for rights to lithium on their Sulphur Springs and Whim Creek Projects in the Pilbara, which is contiguous with some of Macarthur's lithium acreage. The second with a Canadian lithium company for a farm-in to Macarthur lithium acreage at Ravensthorpe for a minimum expenditure of A\$2 million to earn a 51% interest. The last was covering an area of 191 square kilometres in the Yalgoo region of Western Australia. The acreage on which rights to lithium are acquired is in proximity to Macarthur's existing Edah Hill lithium acreage and consists of granted exploration licenses allowing immediate exploration for lithium.

Stonewall Project

On October 21, 2016, the Macarthur acquired the Stonewall Project located in both the Lida and Stonewall Flat Valleys, in southern Nevada. The Stonewall Project area is within 50 km of the Clayton Valley and has some similar geologic features the Clayton Valley, which hosts North America's only producing lithium mine, Albemarle's Silver Peak Lithium Mine.

The Stonewall Project is strategically located in the Nevada lithium supply hub, 306 kilometres (191 miles) southeast of Tesla's new Gigafactory and is located in the mining friendly Nye and Esmeralda Counties of Nevada and is serviced by excellent infrastructure with access to power, water, labour and is bisected by the Veterans Memorial Highway Number 95. The regional climate also favours natural and inexpensive evaporation for brine concentration and allows year-round work.

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Lithium has been located at Stonewall Project from a shallow auger drilling program conducted as part of due diligence, for the acquisition of the Stonewall Project. An initial shallow auger drilling program on the Stonewall Project for the purposes of collecting soil and brine samples for lithium was conducted. All holes contained lithium with sediment assays ranging from 34.6 parts per million (“ppm”) lithium (“Li”) and up to 145.5 ppm Li.

On November 4, 2016, the Company completed staking an additional 360 claims covering approximately 6,975 acres (28.22 square kilometres) surrounding its Stonewall Lithium Project, increasing the Company’s footprint in the Lida and Stonewall Flat Valleys to a total of approximately 12,019 acres (48.64 square kilometres) covering almost all of the playa areas (i.e. ‘dry lake bed’) in both of the valleys.

Macarthur Iron Ore Projects

Macarthur retains its two iron ore projects in Western Australia; the Ularring hematite project (Indicated 54.46 million tonnes @ 47.2% Fe, Inferred 25.99 million tonnes @ 45.4% Fe - Pre-Feasibility Study) and the Moonshine magnetite project (1.3 billion tonnes @ 30.1% Fe - Preliminary Economic Assessment). We previously received approval to develop an iron ore mine for the Ularring project.

Subsequent to the year-end Macarthur announce that it has entered into a non-exclusive mandate with the Tulshyan Group to raise up to A\$200 million with an initial tranche of A\$50 million to develop the Company’s Ularring hematite iron ore project located in Western Australia.

Macarthur Corporate Update

Subsequent to the year-end Macarthur announced that it intended to list its Iron Ore and Lithium assets located in Australia on the Australian stock exchange via an IPO. The prospectus was lodged in March 2017 and was for the issue of 50 million shares in Macarthur Australia at an issue price of A\$0.20 per share to raise A\$10 million. The minimum raise is for 25 million shares for A\$5 million. Lodgement of the prospectus with ASIC and ASX for listing Macarthur Australia on the ASX follows the successful, Pre-IPO raising for A\$1.4 million. Funds raised in the IPO will allow Macarthur Australia to significantly advance its iron ore and lithium projects.

Prior to the IPO, Macarthur Minerals has been issued 125 million shares or approximately 90% of Macarthur Australia for consideration for the sale of its subsidiaries, Macarthur Iron Ore Pty Ltd (“MIO”) and Macarthur Lithium Pty Ltd (“MLi”) to Macarthur Australia. MIO and MLi, respectively own the Australian iron ore and ‘hard rock’ lithium projects. Pre-IPO investors have been issued approximately 13 million shares or 9% of Macarthur Australia for A\$1.5 million. Pre-IPO Macarthur Australia has a total of approximately 138 million shares on issue and on listing will have between 189 and 164 million shares on issue for a raise of up to A\$10 million and a minimum of A\$5 million. Post listing, Macarthur Minerals will retain between approximately 76% and 66% of Macarthur Australia.

Auroch Minerals Ltd (“Auroch”)

In December 2016 Cadence took a 7.7% stake in Auroch. Auroch has a strong financial position with some A\$ 8 million in cash and receivables. Auroch is an Australian ASX listed company which is currently focusing on the exploration of two key assets.

The first is a joint venture to earn in 75% of the Alcoutim Project a significant Cu-Zn-Pb-Au-Ag opportunity in south-eastern Portugal located immediately along strike from the supergiant Neves Corvo Mine in the western half of the world famous Iberian Pyrite Belt.

Drilling has already commenced on the first hole which is situated in the Foupana priority target, one of 5 priority targets to be drilled, a large magmatic centre with corresponding EM anomalies potentially representing massive sulphide orebodies. The Alcoutim targets occur along strike of the supergiant Neves Corvo Cu-Zn-Pb-Ag- Au mine operated by Lundin Mining Corporation. Auroch’s initial drill program will comprise three to five holes targeting geological environments similar to Neves Corvo in combination with significant geophysical anomalies along the Neves Corvo Trend.

The second is some highly prospective lithium acreage in Namibia. This acreage forms the Karibib Lithium Project. The Karibib Lithium Project is situated in the same region as Namibia’s two historic lithium producing mines, Helikon and Rubikon. The company has five existing Exclusive Prospecting Licenses (EPLs) in the region and recently announced an Option and JV agreement to earn up to 90% of granted EPL 5751, which lies South West of Helikon and Rubikon.

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Auroch Minerals has applied five EPLs in the Erongo region of Namibia which expands the potential for Auroch to identify a commercial lithium resource. The EPLs are distinguished by the presence of significant historical lithium production within the geological terrain and include untested pegmatites with strongly fractionated geochemistry indicative of potential lithium tantalum mineralisation.

Over 90% of Namibia's previous lithium production has been sourced from these EPLs. The EPLs in the Karibib area of Namibia occur in the same geological terrain that hosts the Rubikon and the Helikon mines, Namibia's two historical lithium producing mines. The Karibib area has seen little modern exploration and almost no drilling of the many lithium known occurrences.

Greenland Rare Earth Projects

Cadence owns 100% of three Exploration Licences. Two of these licences abut the northern and eastern boundaries of Greenland Minerals and Energy Limited's 'GGG' licences that encompass the world-class Kvanefeld, Sørensen, Zone 3 and Steenstrupfeld Rare Earth Element (REE) deposits.

An extensive exploration programme was carried out on all four of Cadence's exploration licences in south Greenland from June to August 2014. We have continued to review these licenses on an annual basis. Subsequent to the year we renewed the exploration licenses over two that were expiring at the end of 2016. We will continue to review these licenses on an annual basis, and will watch the progress that GGG makes over the coming year as it progresses the Kvanefeld REE deposits.

FINANCIAL REVIEW

During the period the Group made an operating profit of £2.84 million compared to £0.24 million for the year ending 31 December 2015. This was primarily driven by a £3.21 million increase in unrealised profits on available for sale asset, which included our investments in Bacanora and European Metals. This resulted in total income for the period of £5.78 million (2015: £2.29 million). Profit before taxation was adversely affected by a one-off financing (£1.6 million) charge associated with the issue of warrants linked to the US\$15 million convertible loan note issued during the year. Diluted earnings per share were 0.08p (2015: loss per share 0.06p).).

Administrative costs increased by £0.69 million to £2.94 million (2015: 2.25 million), this was primarily to an increase in administrative expenses associated with the detailed due diligence on potential new assets and development and support of our current assets. These fees were paid to third party providers.

During the year, the total Directors cash remuneration reduced by some 14% with some directors reducing their salary by up to 38%. According to the GCI survey of director's remuneration for 2016 Cadence's total director's remuneration falls below the median of AIM listed companies with a market capitalisation of between £20 and 50 million and below the lower quartile of companies with market capitalizations of £50 and £100 million.

The total assets of the Group increased from £19.58 million at the end of last year (31 December 2015) to £35.42 million. Total liabilities increased from £2.64 at the end of last year (31 December 2015) to £10.92 million at the end of this year. This was driven by an increase in borrowings associated with the convertible loan note issue during the year

During the period our net cash outflow from operating activities was £1.83 million, which was higher than the £0.97 million during the same period last year. We invested £7.85 million in available for sale assets and had receipts of £1 million on the sale of available for sale investments we spent £0.01 million in exploration assets which represented our net cash outflow from investing activities.

These investments plus other costs were funded by cash flows from financing activities totalling £12.04 million. This included £3.72 million of proceeds from the issue of share capital and net proceeds of £9.33 million from the issue of convertible loan notes. At the end of the period, the Company had cash and cash equivalents of £4.19 million.

Kiran Morzaria
Chief Executive Officer
30 May 2016

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

REPORT OF THE DIRECTORS

For the year ended 31 December 2016

The Directors present their annual report together with the audited consolidated financial statements of the Group and the Company for the Year Ended 31 December 2016.

Principal activity

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

Domicile and principal place of business

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

Business review

The results of the Group are shown on page 16. The directors do not recommend the payment of a dividend.

A review of the performance of the Group and its future prospects is included in the Chairman's Statement and the Strategic Report on pages 1 to 8.

Key Performance Indicators

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

Principal risks and uncertainties

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

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

Financial risk management objectives and policies

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

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken, with the exception of the equity swap arrangement, based on the Company's own share price, which has now been concluded. The main risks arising from the Group's financial instruments are liquidity risk and interest rate risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources. Further details of this are provided in the principal accounting policies, headed 'going concern' and note 18 to the financial statements.

Interest rate risk

The Group only has borrowings at a fixed coupon rate of 5% and therefore minimal interest rate risk, as this is deemed its only material exposure thereto. The Group seeks the highest rate of interest receivable on its cash deposits whilst minimising risk.

Market risk

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

REPORT OF THE DIRECTORS

For the year ended 31 December 2016

Directors

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

Andrew Suckling
Kiran Morzaria
Don Strang
Adrian Fairbourn

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 11 May 2017 were as follows:

	Ordinary shares held Number	Percentage of capital %
Barclayshare Nominees Limited	989,619,760	12.72%
Hargreaves Lansdown (Nominees) Limited Des:15942	826,734,658	10.63%
Hargreaves Lansdown (Nominees) Limited Des:VRA	505,747,127	6.50%
TD Direct Investing Nominees (Europe) Limited Des:SMKTNOMS	463,959,308	5.97%
HSDL Nominees Limited Des:MAXI	456,239,464	5.87%
TD Direct Investing Nominees (Europe) Limited Des:SMKTISAS	380,875,207	4.90%
Hargreaves Lansdown (Nominees) Limited Des:HLNOM	379,392,616	4.88%
HSDL Nominees Limited	360,135,097	4.63%
HSBC Client Holdings Nominee (UK) Limited Des:731504	284,792,318	3.66%
Forest Nominees Limited Des:GC1	280,826,000	3.61%

Payment to suppliers

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

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

Events after the Reporting Period

Events after the Reporting Period are outlined in Note 19 to the Financial Statements.

Going concern

The Directors note the substantial losses that the Group has made for the Year Ended 31 December 2016. The Directors have prepared cash flow forecasts for the period ending 31 May 2018 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.

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

REPORT OF THE DIRECTORS

For the year ended 31 December 2016

Directors' responsibilities statement

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

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

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

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

In so far as each of the Directors are aware:

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

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

Auditors

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

ON BEHALF OF THE BOARD

Kiran Morzaria
Director
Date: 30 May 2017

CORPORATE GOVERNANCE

For the year ended 31 December 2016

Directors

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

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

Relations with shareholders

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

Internal control

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

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

Board Committees

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

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

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

REPORT ON REMUNERATION

For the year ended 31 December 2016

Directors' remuneration

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

Policy on executive Directors' remuneration

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

The remuneration of the Directors was as follows:

	A Fairbourn £	A Suckling £	D Lenigas (1) £	K Morzaria £	D Strang £	Total £
Short-term employment benefits:						
Year to 31 December 2016						
Salary and fees	48,000	150,000	-	150,000	150,000	498,000
Share based payments (2)	143,280	286,560	-	143,280	143,280	716,400
Total	191,280	436,560	-	293,280	293,280	1,214,400
Year to 31 December 2015						
Salary and fees	48,000	25,000	210,000	85,000	210,000	578,000
Share based payments (2)	-	-	-	-	-	-
Total	48,000	25,000	210,000	85,000	210,000	578,000

At 31 December 2016 the following amounts were outstanding in fees to directors; A Suckling £Nil (2015: £25,000), D Strang £150,000 (2015: £Nil), K Morzaria £Nil (2015: £25,000).

(1) D Lenigas resigned on 21 December 2015.

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

REPORT ON REMUNERATION

For the year ended 31 December 2016

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 2016 or the year ended 31 December 2015.

Bonuses

No amounts were payable for bonuses in respect of the Year ended 31 December 2016 or the year ended 31 December 2015.

Notice periods

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

Share option incentives

At 31 December 2016 the following options were held by the Directors:

	Date of grant	Exercise price	Number of options
K Morzaria	21 May 2014	0.48p	60,000,000
K Morzaria	1 July 2016	0.44p	60,000,000
			<hr/> 120,000,000
A Fairbourn	13 December 2012	0.06p	20,000,000
A Fairbourn	21 May 2014	0.48p	40,000,000
A Fairbourn	1 July 2016	0.44p	60,000,000
			<hr/> 120,000,000
D Strang	21 May 2014	0.48p	60,000,000
D Strang	1 July 2016	0.44p	60,000,000
			<hr/> 120,000,000
A Suckling	1 July 2016	0.44p	120,000,000
			<hr/> 120,000,000

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

The high and low share price for the year were 0.925p and 0.404p respectively (year ended 31 December 2015: 1.23p and 0.555p). The share price at 31 December 2016 was 0.5p (31 December 2015: 0.745p).

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

We have audited the Group and Parent Company financial statements of Cadence Minerals plc for the Year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the Company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows, the company statement of cash flows, the accounting policies, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of the Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Company's affairs as at 31 December 2016 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Keith Fulton

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

Date: 30 May 2017

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Note</i>	Year ended 31 December 2016 £'000	Year ended 31 December 2015 (restated) £'000
Income			
Unrealised profit on available for sale assets	9	5,701	2,493
Realised loss on available for sale assets	9	(107)	-
Other income	1	189	-
		5,783	2,493
Share based payments		(717)	(641)
Depreciation, amortisation and fixed asset write offs		-	(63)
Other administrative expenses		(2,223)	(1,548)
Total administrative expenses		(2,940)	(2,252)
Operating profit	1	2,843	241
Share of associates losses	8	(200)	(129)
(Loss) on equity swap settlements		-	(545)
Finance cost	3	(2,027)	(419)
Profit/(loss) before taxation		616	(852)
Taxation	4	-	-
Profit/(loss) attributable to the equity holders of the Company		616	(852)
Other comprehensive income			
Foreign exchange		(484)	(92)
Fair value adjustment of equity swap		-	389
Total other comprehensive income for the period, net of tax		(484)	297
Total comprehensive profit/(loss) for the year, attributable to the equity holders of the company		132	(555)
Earnings per ordinary share			
Basic earnings/(loss) per share (pence)	5	0.008	(0.01)
Diluted earnings/(loss) per share (pence)	5	0.007	(0.01)

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		31 December 2016	31 December 2015 (restated)
		£'000	£'000
ASSETS	<i>Note</i>		
Non-current			
Intangible assets	6	1,909	1,706
Investment in associate	8	12,982	2,804
		<u>14,891</u>	<u>4,510</u>
Current			
Trade and other receivables	10	402	229
Available for resale asset	9	15,967	13,944
Cash and cash equivalents		4,192	893
Total current assets		<u>20,561</u>	<u>15,066</u>
Total assets		<u>35,452</u>	<u>19,576</u>
LIABILITIES			
Current			
Trade and other payables	11	603	230
Borrowings	12	10,324	2,407
Total current liabilities		<u>10,927</u>	<u>2,637</u>
Total liabilities		<u>10,927</u>	<u>2,637</u>
EQUITY			
Issued share capital	13	1,192	1,098
Share premium		27,145	22,161
Share based premium reserve		4,410	2,783
Hedging, Loan & Exchange reserve		(254)	(277)
Retained earnings		(7,968)	(8,826)
		<u>24,525</u>	<u>16,939</u>
Equity attributable to equity holders of the Company		<u>24,525</u>	<u>16,939</u>
Total equity and liabilities		<u>35,452</u>	<u>19,576</u>

The consolidated financial statements were approved by the Board on 30 May 2017, and signed on their behalf by;

Kiran Morzaria
Director
Company number 05234262

Don Strang
Director

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		31 December 2016	31 December 2015 (restated)
ASSETS	Note	£'000	£'000
Non-current			
Investment in associates	8	10,297	-
Investment in subsidiaries	7	906	906
		<u>11,203</u>	<u>906</u>
Current			
Trade and other receivables	10	4,632	4,354
Available for resale asset	9	15,967	13,944
Cash and cash equivalents		4,192	893
Total current assets		<u>24,791</u>	<u>19,191</u>
Total assets		<u>35,994</u>	<u>20,097</u>
LIABILITIES			
Current			
Trade and other payables	11	603	230
Borrowings	12	10,324	2,407
Total current liabilities		<u>10,927</u>	<u>2,637</u>
Total liabilities		<u>10,927</u>	<u>2,637</u>
EQUITY			
Issued share capital	13	1,192	1,098
Share premium		27,145	22,161
Share based premium reserve		4,410	2,783
Hedging, Loan & Exchange reserve		(178)	(103)
Retained earnings		(7,502)	(8,479)
Equity attributable to equity holders of the Company		<u>25,067</u>	<u>17,460</u>
Total equity and liabilities		<u>35,994</u>	<u>20,097</u>

The Company financial statements were approved by the Board on 30 May 2017, and signed on their behalf by;

Kiran Morzaria
Director
Company number 05234262

Don Strang
Director

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 December 2016

	Share capital	Share premium	Share based payment reserves	Hedging, Loan & Exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015 (restated)	1,067	19,865	2,240	(574)	(8,072)	14,526
Share based payments	-	-	641	-	-	641
Transfer on lapse of options	-	-	(98)	-	98	-
Share issue	31	2,469	-	-	-	2,500
Share placing costs	-	(173)	-	-	-	(173)
Transactions with owners	31	2,296	543	-	98	2,968
Foreign exchange	-	-	-	(92)	-	(92)
Transfer to income statement	-	-	-	389	-	389
Loss for the year	-	-	-	-	(852)	(852)
Total comprehensive loss for the period	-	-	-	297	(852)	(555)
Balance at 31 December 2015 (restated)	1,098	22,161	2,783	(277)	(8,826)	16,939
Share based payments	-	-	717	-	-	717
Warrants issued	-	-	1,152	-	-	1,152
Transfer on lapse of options	-	-	(80)	-	80	-
Transfer on exercise of options	-	-	(162)	-	162	-
Equity component on issue of loan notes	-	-	-	507	-	507
Share issue	94	5,123	-	-	-	5,217
Share placing costs	-	(139)	-	-	-	(139)
Transactions with owners	94	4,984	1,627	507	242	7,454
Foreign exchange	-	-	-	(484)	-	(484)
Profit for the period	-	-	-	-	616	616
Total comprehensive income for the period	-	-	-	(484)	616	132
Balance at 31 December 2016	1,192	26,746	4,410	(254)	(7,968)	24,525

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

COMPANY STATEMENT OF CHANGES IN EQUITY

At 31 December 2016

	Share capital	Share premium	Share based payment reserves	Hedging, Loan & Exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015 (restated)	1,067	19,865	2,240	(436)	(7,877)	14,859
Share based payments	-	-	641	-	-	641
Transfer on lapse of options	-	-	(98)	-	98	-
Share issue	31	2,469	-	-	-	2,500
Share placing costs	-	(173)	-	-	-	(173)
Transactions with owners	31	2,296	543	-	98	2,968
Foreign exchange	-	-	-	(56)	-	(56)
Fair value adjustment on equity swap	-	-	-	389	-	389
Loss for the year	-	-	-	-	(700)	(700)
Total comprehensive loss for the period	-	-	-	333	(700)	(367)
Balance at 31 December 2015 (restated)	1,098	22,161	2,783	(103)	(8,479)	17,460
Share based payments	-	-	717	-	-	717
Warrants issued	-	-	1,152	-	-	1,152
Transfer on lapse of options	-	-	(80)	-	80	-
Transfer on exercise of options	-	-	(162)	-	162	-
Equity component on issue of loan notes	-	-	-	507	-	507
Share issue	94	5,123	-	-	-	5,217
Share placing costs	-	(139)	-	-	-	(139)
Transactions with owners	94	4,984	1,627	507	242	7,454
Foreign exchange	-	-	-	(582)	-	(582)
Profit for the period	-	-	-	-	735	735
Total comprehensive income for the period	-	-	-	(582)	735	153
Balance at 31 December 2016	1,192	27,145	4,410	(178)	(7,502)	25,067

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 (restated) £'000
Cash flow from operating activities		
Continuing operations		
Operating profit	2,843	241
Amortisation of intangibles	-	29
Net realised/unrealised profit on AFSA	(5,594)	(2,493)
Exploration costs written-off	-	37
Equity settled share based payments	717	641
(Increase)/decrease in trade and other receivables	(173)	818
Increase/(decrease) in trade and other payables	373	(245)
Net cash (outflow) from operating activities from continuing operations	(1,834)	(972)
Cash flows from investing activities		
Investment in exploration costs	(105)	(635)
Payments for investments in AFS assets	(7,847)	(5,743)
Receipts on sale of AFS assets	1,040	-
Net cash outflow from investing activities	(6,912)	(6,378)
Cash flows from financing activities		
Proceeds from issue of share capital	3,728	2,500
Proceeds from equity swap	-	3,155
Share issue costs	(139)	(173)
Net borrowings	9,331	1,717
Finance cost	(875)	(419)
Net cash inflow from financing activities	12,045	6,780
Net change in cash and cash equivalents	3,299	(570)
Cash and cash equivalents at beginning of period	893	1,463
Cash and cash equivalents at end of period	4,192	893

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)**COMPANY STATEMENT OF CASH FLOWS**

For the year ended 31 December 2016

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 (restated) £'000
Cash flow from operating activities		
Continuing operations		
Operating profit	2,843	262
Amortisation of intangibles	-	7
Profit on AFSA	(5,594)	(2,493)
Exploration costs written-off	-	37
Equity settled share based payments	717	641
(Increase)/decrease in trade and other receivables	(278)	184
Increase/(decrease) in trade and other payables	373	(245)
Net cash (outflow) from operating activities from continuing operations	(1,939)	(1,607)
Cash flows from investing activities		
Payments for investments in AFS assets	(7,847)	(5,743)
Receipts on sale of AFS assets	1,040	-
Net cash outflow from investing activities	(6,807)	(5,743)
Cash flows from financing activities		
Proceeds from issue of share capital	3,728	2,500
Proceeds from equity swap	-	3,155
Share issue costs	(139)	(173)
Net borrowings	9,331	1,717
Finance cost	(875)	(419)
Net cash inflow from financing activities	12,045	6,780
Net change in cash and cash equivalents	3,299	(570)
Cash and cash equivalents at beginning of period	893	1,463
Cash and cash equivalents at end of period	4,192	893

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2016

GENERAL INFORMATION

Cadence Minerals plc is a company incorporated in the United Kingdom. The Company's shares are listed on the AIM market of the London Stock Exchange, and on the NEX Exchange Growth Market as operated by NEX Exchange Limited ("NEX"). On 24 March 2017, the Company changed its name from Rare Earth Minerals Plc to Cadence Minerals Plc by way of a statutory notice of change filed at Companies House.

The Financial Statements are for the year ended 31 December 2016 and have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). These Financial Statements (the "Financial Statements") have been prepared and approved by the Directors on 30 May 2017 and signed on their behalf by Donald Strang and Kiran Morzaria.

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

INVESTING POLICY

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

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

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

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

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

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

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2016

GOING CONCERN

The Directors note the substantial losses that the Group has made for the Year ended 31 December 2016. The Directors have prepared cash flow forecasts for the period ending 31 May 2018 which take account of the current cost and operational structure of the Group.

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

These forecasts demonstrate that the Group has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

It is the prime responsibility of the Board to ensure the Group and Company remains a going concern. At 31 December 2016 the Company had cash and cash equivalents of £4,192,000 and borrowings of £10,831,000. The Group has minimal contractual expenditure commitments and the Board considers the present funds sufficient to maintain the working capital of the Company for a period of at least 12 months from the date of signing the Annual Report and Financial Statements. For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements.

STATEMENT OF COMPLIANCE WITH IFRS

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

BASIS OF CONSOLIDATION

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

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

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

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2016

TURNOVER

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

RESTATEMENT OF MARKET VALUE MOVEMENTS IN AFSA

The Group has changed its accounting policy for Available For Sale Assets. The unrealised profits of these quoted investments are now taken into income, less any related costs of purchase. This has resulted in a restatement of the financial statements for 31 December 2015.

TAXATION

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

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

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

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

FINANCIAL ASSETS

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

Derivative instruments are recorded at costs, and adjusted for their market value as applicable. They are assessed for any equity and debt component which is subsequently accounted for in accordance with IFRS's. The Group's and Company's only derivative is considered to be the Convertible loan as detailed in Note 12, which is accounted for at cost, with accrued interest in accordance with the terms of the loan notes.

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 the statement of comprehensive income as revenue. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income. Reversals of impairment losses are recognised in other comprehensive income.

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2016

INTANGIBLE ASSETS – LICENCES

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

EXPLORATION OF MINERAL RESOURCES

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

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

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

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

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

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

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

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2016

IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

EQUITY

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

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

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

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

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

FOREIGN CURRENCIES

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

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

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

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2016

SHARE BASED PAYMENTS

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

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

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

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

FINANCIAL LIABILITIES

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant judgments and estimates

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

- The estimates and underlying judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
- In the preparation of these consolidated financial statements, estimates and judgments have been made by management concerning calculating the fair values of the assets acquired on business combinations, and the assumptions used in the calculation of the fair value of the share options. Actual amounts could differ from those estimates.
- Management has made the following estimates that have the most significant effect on the amounts recognised in the financial statements.

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2016

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment of goodwill

The basis of review of the carrying value of goodwill is as detailed in note 6. The carrying value of goodwill is £630,000 at the balance sheet date. Management do not consider that any reasonably foreseeable changes in the key assumptions would result in an impairment. Further details of management's assessment of the goodwill for impairment are included in note 6.

Business combinations

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

Share-based payments

The Group measures the cost of the equity-settled transactions with employees & third parties 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 2016 of £1,869,000 (2015: £641,000) is determined using a Black-Scholes Valuation model, using the assumptions detailed in note 14.

Treatment of exploration and evaluation costs

IFRS 6 "Exploration for and Evaluation of Mineral Resources" requires an entity to consistently apply a policy to account for expenditure on exploration and evaluation of a mineral resource. The directors have set out their policy in respect of the treatment of these costs in the accounting policies. Amounts capitalised in the year to 31 December 2016 were £105,000 (2015: £635,000).

Treatment of licenses

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

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2016

ADOPTION OF NEW OR AMENDED IFRS

New standards, amendments and interpretations adopted by the Company

No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the Company.

New standards, amendments and interpretations not yet adopted

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

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1 OPERATING PROFIT AND SEGMENTAL INFORMATION

Operating profit - continuing operations

The operating profit is attributable to the principal activities of the Group.

The operating profit is stated after charging:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Share based payment charge	717	641
Amortisation charge	-	29
Exploration costs written off	-	37
Foreign exchange (gain)/loss	(104)	96
Directors fees (see note 2)	498	578
Fees payable to the Company's auditor for the audit of the financial statements	21	19
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance	-	-

Segmental information

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

The chief operating decision maker has defined that the Group's only reportable operating segment during the period is mining.

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

The Group generated revenues from external customers totalling £189,000 (2015: £nil) during the period.

In respect of the total assets, £4,592,000 (2015: £1,121,000) arise in the UK, and £618,000 (2015: £1,130,000) arise in Greenland, £17,646,000 arise in Mexico (2015: £15,074,000), £Nil arise in USA (2015: £641,000), £11,646,000 (2015: £1,575,000) arise in Australia and £950,000 arise in Canada (2015: £35,000).

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 EMPLOYEE REMUNERATION

Employee benefits expense

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

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Wages and salaries	521	578
Share based payments	717	-
	<u>1,238</u>	<u>578</u>

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

	2016 No.	2015 No.
Directors	4	4
Other	1	-
	<u>5</u>	<u>4</u>

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

	Group and Company	
	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Salaries	498	578
Share based payments	717	-
	<u>1,215</u>	<u>578</u>

Details of Directors' emoluments are included in the Report on Remuneration on pages 13 & 14.

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCE COSTS

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Loan interest	381	97
Finance Fees	1,646	322
	<u>2,027</u>	<u>419</u>

4 TAXATION

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

	Year ended 31 December 2016 £'000	2016 %	Year ended 31 December 2015 (restated) £'000	2015 %
Profit/(loss) before taxation	616		(852)	
Profit/(loss) multiplied by standard rate of corporation tax in the UK	123	20	(173)	20.25
Effect of:				
Offset against losses/deferred tax asset not recognised	(270)		(93)	
Expenses not deductible for tax purposes	147		266	
Total tax charge for year	<u>-</u>		<u>-</u>	

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

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

5 EARNINGS PER SHARE

The calculation of the basic earnings 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 2016 £'000	Year ended 31 December 2015 (restated) £'000
Profit/(loss) attributable to equity holders of the Company	616	(852)
	2016 Number	2015 Number
Weighted average number of shares for calculating basic earnings/(loss) per share	7,418,126,097	6,802,811,028
Share options and warrants exercisable	1,738,283,823	582,123,201
Weighted average number of shares for calculating diluted earnings/(loss per share)	9,156,409,920	7,384,934,229
	2016 Pence	2015 Pence
Basic earnings/(loss) per share	0.008	(0.01)
Diluted earnings/(loss) per share	0.007	(0.01)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6 INTANGIBLE ASSETS**Group Intangible Assets**

	Exploration costs £'000	Goodwill £'000	Licences £'000	Total £'000
Cost				
At 1 January 2015	576	567	207	1,350
Additions	635	-	-	635
Costs written-off	(37)	-	-	(37)
Exchange Difference	-	(35)	-	(35)
At 31 December 2015	1,174	532	207	1,913
Additions	105	-	-	105
Licence expiry	-	-	(33)	(33)
Exchange Difference	-	98	-	98
At 31 December 2016	1,279	630	174	2,083
Amortisation and impairment				
At 1 January 2015	-	-	(176)	(176)
Amortisation charge in the year	-	-	(29)	(29)
Exchange difference	-	-	(2)	(2)
At 31 December 2015	-	-	(207)	(207)
Amortisation charge in the year	-	-	-	-
Elimination on licence expiry	-	-	33	33
At 31 December 2016	-	-	(174)	(174)
Net book value at 31 December 2016	1,279	630	-	1,909
Net book value at 31 December 2015	1,174	532	-	1,706
Net book value at 1 January 2015	576	567	31	1,174

In the year to 31 December 2016 £nil (2015: £90,000) was invested in Greenland and £105,000 (2015: £545,000) was invested in Exploration costs by REM Mexico Ltd

Goodwill of £692,000 arose on the acquisition of Mojito Resources Limited, the licences being the only asset held within that company. The directors are continuing to review their provisional assessment of the fair value of the licences acquired although do not expect any material adjustment. The directors have therefore identified only one cash generating unit to which the goodwill is allocated. As set out in the accounting policies Goodwill is reviewed annually or in the event of an indication of impairment. The recoverable amount of goodwill has been determined by the fair value less costs to sell. The directors consider that there have been no changes in circumstances between acquisition on 1 December 2013 and 31 December 2016 that would give rise to an impairment charge.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6 INTANGIBLE ASSETS CONTINUED

At this stage the Feasibility Study has not been completed to fully assess the potential future cash flows of developing the area under licence. The directors, however, having given consideration to the past exploration of the Project which has identified nine individual occurrences of rare earth elements known to occur within the Project areas consider that the goodwill is not impaired. Management's review of the recoverable amount is most sensitive to changes in the commodity prices of the underlying minerals and the existence of the rare earth elements within the Project Area. Since the acquisition date there has been no significant fluctuation in the commodity prices of the underlying minerals or any material changes to the Project Area. The directors consider that no impairment is required at 31 December 2016.

Company only Intangible Assets

	Exploration costs £'000	Licences £'000	Total £'000
Cost			
At 1 January 2015	37	33	70
Costs written off	(37)	-	(37)
At 31 December 2015	-	33	33
Licence expired	-	(33)	(33)
At 31 December 2016	-	-	-
Amortisation and impairment			
At 1 January 2015	-	(26)	(26)
Amortisation charge in the year	-	(7)	(7)
At 31 December 2015	-	(33)	(33)
Eliminated on Licence expiry	-	33	33
At 31 December 2016	-	-	-
Net book value at 31 December 2016	-	-	-
Net book value at 31 December 2015	-	-	-
Net book value at 1 January 2015	37	7	44

On 10 January 2016, the Company's exploration licence in the Cup Lake project in Canada expired and the no renewal application has been made by the Company in respect of this licence.

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

7 INVESTMENTS IN SUBSIDIARIES - COMPANY

			Investment in group undertakings £'000
Cost and carrying value			
At 31 December 2016 and 31 December 2015			906
Subsidiary	Proportion of ordinary share capital held	Nature of business	Country of incorporation
Mojito Resources Ltd	100%	Mining	British Virgin Islands
Rare Earth Minerals Mexico Limited	100%	Mining	UK
Rare Earth Resources Limited	100%	Mining	UK

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

8 INVESTMENT IN ASSOCIATES

Group

	31 December 2016 £'000	31 December 2015 £'000
Changes in equity accounted investment		
Carrying value at beginning of year	2,804	2,933
Investment in associate – transferred from AFSA	10,378	-
Share of retained (losses) attributable to the group	(200)	(129)
Investment carrying value as at year end	12,982	2,804

The Group's two Mexican associate companies have a reporting date of 30 June. These shares are not publicly listed on a stock exchange and hence published results are not available. Therefore the fair value of the Group's investment equates to the carrying book value of £2,685,000 (31 December 2015: £2,804,000).

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

8 INVESTMENT IN ASSOCIATES CONTINUED

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

Name	Country of incorporation	Assets As at 31 December 2016	Liabilities	Revenues Year to 31 December 2016	Profit/(Loss)	% interest held
Mexilit S.A. de C.V.	Mexico	£1,463,806	(£1,162,229)	£nil	(£294,017)	30%
Minera Megalit S.A. de C.V.	Mexico	£607,771	(£450,629)	£Nil	(£104,803)	30%
European Metals Holding Ltd (1)	BVI	£6,539,158	(£364,853)	£nil	(£1,858,231)	20.76%

(1) EMH's results are for the 6 months to 31 December 2016.

Company

	31 December 2016 £'000	31 December 2015 £'000
Changes in equity accounted investment		
Carrying value at beginning of year	-	-
Investment in associate - transferred from AFSA	10,378	-
Share of retained (losses) attributable to the group	(81)	-
Investment carrying value as at year end	10,297	-

9 AVAILABLE FOR SALE INVESTMENTS

Available for sale assets	31 December 2016 £'000	31 December 2015 £'000
Current Assets - Listed Investments		
Valuation at 1 January	13,944	5,708
Additions at cost	7,847	5,743
Disposal proceeds	(1,040)	-
Realised (loss) on disposal	(107)	-
Reclassified as investment in associate	(10,378)	-
Change in fair value recognised in income statement	5,701	2,493
Valuation at 31 December	15,967	13,944

During the year ended 31 December 2016 the company acquired a further 4,550,000 shares in Bacanora Minerals Limited, 16,525,926 CDIs in European Metal Holdings Inc. 22,500,000, shares in MacArthur Minerals Ltd, and 6,500,000 shares in Auroch Minerals Ltd. The company also disposed of 1,436,084 shares in Hastings Rare Metals Ltd, its entire shareholding of 3,579,000 shares in Western Lithium Corporation.

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Current assets				
Trade receivables	43	-	43	-
Other receivables	210	161	210	161
Amounts owed by subsidiaries	-	-	4,230	4,125
Prepayments and accrued income	149	68	149	68
	402	229	4,632	4,354

There is no impairment of receivables and no amounts are past due at 31 December 2016 or 31 December 2015.

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

11 TRADE AND OTHER PAYABLES

	Group		Company	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Current liabilities				
Trade payables	404	123	404	123
Tax and social security	11	-	11	-
Other payables	3	-	3	-
Accruals and deferred income	185	107	185	107
	603	230	603	230

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

12 BORROWINGS

	Group and Company	
	31 December 2016 £'000	31 December 2015 £'000
Current liabilities		
Loans - YAGM (unsecured)	-	2,407
Convertible loan notes	10,148	-
Accrued loan note interest	176	-
	<u>10,324</u>	<u>2,407</u>

YAGM Loan Facility

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

On 3 October 2015 the loan facility was amended and during the year to 31 December 2015, further drawdowns amounting to US\$6.5million were made. Total warrants issued to YAGM under this agreement during 2015 were 180,579,351, each with a 3 year term and exercise prices ranging from 0.79p to 1.20p per share. In October 2016 this debt facility was repaid in full.

Convertible Loan Notes

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

The full \$15million was drawn down during the year and 600million warrants issued. During the year \$1,850,000 of the capital was converted into 229,063,331 ordinary shares of 0.01p at an exercise price of 0.8p per share, leaving the balance outstanding of \$13,150,000 plus interest accrued.

Since the year end, on 31 January 2017, the Company announced that a further US\$200,000 of the convertible loan has been converted into 24,529,629 new ordinary shares in the Company at a price of 0.65 pence per share, reducing the capital balance to \$12,950,000.

The Loan Note was initially recognised as a liability of £10,672,000 (USD\$14,286,000) and an equity element of £534,000 (USD\$714,000).

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13 SHARE CAPITAL

	31 December 2016 £'000	31 December 2015 £'000
Allotted, issued and fully paid		
173,619,050 deferred shares of 0.24p	417	417
7,753,160,709 ordinary shares of 0.01p (31 December 2015: 6,815,653,495)	775	681
	1,192	1,098
	Ordinary shares	
	No.	£'000
Allotted and issued		
At 31 December 2015	6,815,653,495	681
Total issue of shares during the year	937,507,214	94
At 31 December 2016	7,753,160,709	775

Shares Issued during the year

- On 29 February 2016, 645,619,670 Ordinary Shares of 0.01p were issued at 0.55p per share for proceeds of £3,550,908 before share placing costs.
- On 26 August 2016, 17,574,213 warrants were exercised for Ordinary Shares of 0.01p at 0.8p per share for proceeds of £140,594.
- On 7 September 2016, 1,250,000 warrants were exercised for Ordinary Shares of 0.01p at 0.8p per share for proceeds of £10,000.
- On 3 October 2016, \$600,000 of the loan was converted into 71,452,658 Ordinary Shares of 0.01p at 0.65p per share.
- On 14 October 2016, 44,000,000 warrants were exercised for Ordinary Shares of 0.01p at 0.06p per share for proceeds of £26,400.
- On 14 October 2016, \$250,000 of the loan was converted into 31,340,633 Ordinary Shares of 0.01p at 0.65p per share.
- On 18 October 2016, \$500,000 of the loan was converted into 63,135,020 Ordinary Shares of 0.01p at 0.65p per share.
- On 3 November 2016, \$500,000 of the loan was converted into 63,135,020 Ordinary Shares of 0.01p at 0.65p per share.
- (During year ended 31 December 2015, 312,500,000 shares were issued.)

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

Warrants issued

Each warrant issued is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Company. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting rights, pre-emptive rights or other rights attaching to Ordinary Shares. All warrants issued vest in full. Warrants fall outside the scope of IFRS2 if they have been issued to shareholders in their capacity as shareholders and have therefore not been treated as share based payments. Warrants were issued to YAGM in connection with further loan drawdowns during the year ended 31 December 2015, and their treatment has been covered in Note 14. During the year ended 31 December 2016, 322,809,835 warrants were issued to shareholders in their capacity as shareholders and 600,000,000 warrants were issued in connection with the Convertible Loan. The treatment of these has been covered in Note 14.

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

13 SHARE CAPITAL CONTINUED

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

	31 December 2016		31 December 2015	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	254,298,201	0.0105	73,718,850	0.01259
Granted	922,809,835	0.00784	180,579,351	0.0097
Exercised	(18,824,213)	0.0080	-	-
Outstanding at the end of the year	<u>1,158,283,823</u>	<u>0.00855</u>	<u>254,298,201</u>	<u>0.0105</u>
Exercisable at year end	1,158,283,823		254,298,201	

14 SHARE BASED PAYMENTS

Share Options

The Group operates share option schemes for certain employees (including directors). Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The expected life of the options varies between 1 and 6 years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options all vested immediately, there are no vesting requirements.

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

	31 December 2016		31 December 2015	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	327,825,000	0.00457	332,925,000	0.0045
Granted	300,000,000	0.0044	-	-
Exercised	(44,000,000)	(0.006)	-	-
Lapsed	(3,825,000)	(0.03)	(5,100,000)	(0.03)
Outstanding at the end of the year	<u>580,000,000</u>	<u>0.00437</u>	<u>327,825,000</u>	<u>0.00457</u>
Exercisable at year end	580,000,000		327,825,000	

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14 SHARE BASED PAYMENTS CONTINUED

The share options outstanding at the end of the period have a weighted average remaining contractual life of 4.24 years (31 December 2015: 4.87 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 2016	31 December 2015
		£	£	Number	Number
6 March 2009	6 March 2006	0.00325	0.020776	-	3,825,000
28 January 2013	28 January 2010	0.0006	0.0004	10,000,000	24,000,000
29 November 2013	29 November 2010	0.005	0.003537	-	30,000,000
13 December 2012	13 December 2012	0.0006	0.00055	20,000,000	20,000,000
28 June 2013	28 June 2013	0.0006	0.000371	10,000,000	10,000,000
21 May 2014	21 May 2014	0.0048	0.004711	200,000,000	200,000,000
23 May 2014	23 May 2014	0.0058	0.005574	40,000,000	40,000,000
1 July 2016	1 July 2016	0.0044	0.002388	300,000,000	-
				<u>580,000,000</u>	<u>327,825,000</u>

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

At 31 December 2016 all 580,000,000 options were exercisable (31 December 2015: 327,825,000).

Share Warrants

During the year ended 31 December 2016, 322,809,835 warrants were issued to shareholders in their capacity as shareholders and 600,000,000 warrants were issued in connection with the Convertible Loan.

Additionally during the year ended 31 December 2016 Nil (2015: 180,579,351) warrants were issued to YAGM in connection with the further \$6.5 million loans drawn down.

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14 SHARE BASED PAYMENTS CONTINUED

Share warrants

First exercise date (when vesting conditions are met)	Grant date	Exercise price	31 December 2016	31 December 2015
		£	Number	Number
13 June 2014	13 June 2014	0.011	49,068,529	49,068,529
19 September 2014	19 September 2014	0.018	10,848,654	10,848,654
22 October 2014	22 October 2014	0.014	13,801,667	13,801,667
29 June 2015	29 June 2015	1.2	33,574,598	33,574,598
29 July 2015	29 July 2015	1.13	17,656,007	17,656,007
02 October 2015	02 October 2015	0.96	34,341,188	34,341,188
23 October 2015	23 October 2015	0.95	34,366,078	34,366,078
16 November 2015	16 November 2015	0.84	19,647,535	19,647,535
20 November 2015	20 November 2015	0.79	40,993,945	40,993,945
29 February 2016	29 February 2016	0.8	303,985,622	-
09 August 2016	09 August 2016	0.8	600,000,000	-
			<u>1,158,283,823</u>	<u>254,298,201</u>

These warrants can be exercised up to three years after the date first exercisable. At 31 December 2016 all of the 1,158,283,823 warrants were exercisable (31 December 2015: 254,298,201).

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

	Risk free rate	Share price volatility	Expected life	Share price at date of grant
29 June 2015	2.00%	73%	3 years	£0.0094
29 July 2015	2.00%	64%	3 years	£0.0091
02 October 2015	2.00%	62%	3 years	£0.0102
23 October 2015	2.00%	52%	3 years	£0.0094
16 November 2015	2.00%	50%	3 years	£0.0080
20 November 2015	2.00%	51%	3 years	£0.0081
01 July 2016	2.00%	63%	5 years	£0.0044
09 August 2016	2.00%	68%	2 years	£0.0063

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14 SHARE BASED PAYMENTS CONTINUED

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 £1,869,000 (year ended 31 December 2015: £641,000) relating to equity-settled share-based payment transactions during the period.

15 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2016 or 31 December 2015.

16 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2016 or 31 December 2015.

17 FINANCIAL INSTRUMENTS

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

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

a Credit risk

The Group's credit risk will be primarily attributable to its trade receivables. At 31 December 2016, the Group had minimal trade receivables and therefore minimal risk arises.

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

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17 FINANCIAL INSTRUMENTS CONTINUED

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

	31 December 2016				31 December 2015			
	AFS (carried at fair value)	Loans and receivables	Derivative financial assets	Statement of Financial position total	AFS (carried at fair value)	Loans and receivables	Derivative financial assets	Statement of financial position total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Available-for-sale financial asset	15,967	-	-	15,967	13,944	-	-	13,944
Other long term financial assets	15,967	-	-	15,967	13,944	-	-	13,944
Trade receivables	-	43	-	43	-	-	-	-
Other receivables	-	210	-	210	-	161	-	161
Prepayments and accrued income	-	149	-	149	-	68	-	68
Cash and cash equivalents	-	4,192	-	4,192	-	893	-	893
Total	15,967	4,594	-	20,561	13,944	1,122	-	15,066

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

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

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

Investments

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

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

CADENCE MINERALS PLC (FORMERLY RARE EARTH MINERALS PLC)

NOTES TO THE FINANCIAL STATEMENTS

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17 FINANCIAL INSTRUMENTS CONTINUED

b Liquidity risk

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

c Market risk

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

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

Interest rate risk

The Group only has borrowings at a loan note rate of 5% with various loan note holders and therefore minimal interest rate risk, as this is deemed its only material exposure thereto.

d Financial liabilities

The group's financial liabilities are classified as follows:

	31 December 2016			31 December 2015		
	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000
Trade payables	404	-	404	123	-	123
Tax and social security	11	-	11	-	-	-
Other payables	3	-	3	-	-	-
Accruals and deferred income	-	185	185	-	107	107
Borrowings	10,324	-	10,324	2,407	-	2,407
Total	10,742	185	10,927	2,530	107	2,637

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NOTES TO THE FINANCIAL STATEMENTS

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17 FINANCIAL INSTRUMENTS CONTINUED

Maturity of financial liabilities

All financial liabilities at 31 December 2016 and 31 December 2015 mature in less than one year.

Borrowing facilities for the period ended 31 December 2016

The Group has committed borrowing facilities at 31 December 2016 of £10,324,000 (31 December 2015: £2,407,000). See Note 12 for details.

e Capital risk management

The Group's objectives when managing capital are:

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

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

18 RELATED PARTY TRANSACTIONS

There are no related party transactions to disclose.

Key Management Personnel are considered to be the Company Directors only, and their fees and Remuneration are disclosed in the Directors Remuneration on pages 13 to 14, and within Note 2 to the financial statements.

19 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 31 January 2017, the Company announced that a further US\$200,000 of its US\$15 million convertible loan has been converted into 24,529,629 new ordinary shares in the Company at a price of 0.65 pence per share, reducing the balance to \$12,950,000.

On 24 March 2017, the Company changed its name from Rare Earth Minerals Plc to Cadence Minerals Plc by way of a statutory notice of change filed at Companies House.

20 ULTIMATE CONTROLLING PARTY

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

21 PROFIT AND LOSS ACCOUNT OF THE PARENT COMPANY

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The parent company profit for the year was £735,000 (2015 restated: loss £700,000).