Herencia Resources plc

("Herencia" or the "Company")

Final results for the 12 months ended 31 December 2011
and
Notice of AGM

The Directors present the audited results of the Group (Herencia Resources plc and its subsidiary undertakings) and the Company for the 12 months ended 31 December 2011.

CHAIRMAN'S STATEMENT

It is with pleasure that I update shareholders on the activities undertaken by the Company during 2011, the most active period in the Company's history.

The Company achieved a number of milestones in calendar year 2011, including:

- completion of approximately 18,000 metres of diamond drilling at Paguanta;
- identification of further mineralised veins with high zinc, silver and lead grades at Patricia;
- commencement of the Patricia Feasibility Study;
- entering into an agreement in relation to the Guamanga copper-gold project in Chile and subsequent confirmation of shallow copper-gold mineralisation by diamond drilling;
- successful capital raisings of £2.8 million in June 2011 and £2.36 million capital raising in November 2011; and
- establishment of an office and an experienced Project Team in Santiago.

At this time the directors believe that the Company is well positioned as:

- JORC-compliant Mineral Resource Estimate for Patricia is scheduled for updating in late-May or June 2012;
- mineralisation at Patricia remains open along strike and down dip;
- new high grade veins have been confirmed, providing potential to add to the resource base;
- potential exists for further mineralised veins to be discovered;
- an experienced Project Management team has been established;
- the Patricia Feasibility Study is underway;
- Baseline Environmental Studies are advancing; and
- The Company is supported by significant shareholders who understand both the base metals industry and the Chilean operating environment.

Herencia's primary goals for 2012 are to:

- upgrade the Patricia Mineral Resource Estimate;
- complete the Patricia Feasibility Study;
- lodge permitting applications;

As demonstrated above, 2011 was a busy period for the Company and we look forward to continuing to advance the work in 2012.

In closing, I would like to pass on the Boards thanks to our outgoing Managing Director, Michael Bohm. As previously announced, after leading the Company for the last six years Mike will be transitioning to a Non-Executive Director's role and we look forward to his continued input at Board level.

Hon. John Moore AO
Chairman

The Company's Annual Report will be sent to shareholders on or around 25 May 2012 and will be available on the Company's website (www.herenciaresources.com) from that date.

The Company's Annual General Meeting (AGM) will be held on 27 June 2012 at 11.00am at the offices of SGH Martineau Company Secretarial LLP, One America Square, Crosswall, London, UK, EC3N 2SG.

Please refer to the project announcements at the Company's website (www.herenciaresources.com) for further information on the Company operations.

For further information please contact:

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Simon Courtenay, City Profile	+44 207 448 3244

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors present their Directors' report together with the audited accounts of the Group ("Herencia Resources Plc and its subsidiary undertakings") and the Company ("Herencia Resources plc") for the year ended 31 December 2011.

Principal activity

The Company is registered in England and Wales, having been incorporated on 27 January 2005 under the Companies Act with registered number 5345029 as a public limited company.

The principal activity of the Group is mineral exploration and development and it owns a portfolio of zinc-silver-lead-copper-gold exploration properties in Chile, South America. The Group operates through its parent and subsidiary undertakings.

Results and dividends

The loss of the Group for the year ended 31 December 2011 was £2,554,579 (2010: £1,059,778), of which the amount attributable to the equity holders of the Company, was £2,190,038 (2010:£932,063).

The Directors do not recommend any distribution by way of a dividend for the year ended 31 December 2011.

Review of the business and future prospects

Review of the business

Herencia Resources Plc holds a 70% interest in the Paguanta Project in northern Chile and expanded its portfolio in 2011 by entering into an Agreement to earn a 51% controlling interest in the copper-gold Guamanga Project, also in northern Chile.

The Paguanta Project comprises the 'Patricia' zinc-silver-lead-gold Mineral Resource, the 'Doris' copper/silver prospect and the 'La Rosa' porphyry-copper prospect.

The Guamanga Project comprises the Paulina shallow oxide copper-gold target and several potential deeper porphyry targets.

The twelve month period ended 31 December 2011 was one of significant achievement for the Company at both of these projects.

At the Paguanta Project, the Company achieved further drilling success at Patricia with the return of numerous high grade zinc, lead and silver results supporting and extending existing mineralisation boundaries. Drilling also confirmed the new Carlos Vein (previously known as 'New' vein) to the south of the main Cathedral Vein together with a second 'New' vein both of which have the potential to provide additional tonnage to the existing resource base. An updated Mineral Resource Estimate is scheduled for completion in the second quarter 2012.

Still at Paguanta, the Patricia Feasibility Study commenced following the appointment of an experienced project management team and the award of the Feasibility Study to Golder Associates Pty Ltd.

At the Guamanga Project, a successful shallow diamond drilling program was conducted during December 2011on a previously identified copper-gold zone.

Subsequent to 31 December 2011, encouraging near surface copper and gold results were received from this drilling program and a 1,500 metre diamond drilling program commenced to test deeper potential porphyry targets with assay results pending.

Activities at both the Paguanta and Guamanga Projects have been largely funded by a successful £2.8 million capital raising in June 2011 and a second capital raising in November 2011 of £2.36 million.

At this time the directors believe that the Company is well positioned as:

- the JORC-compliant Mineral Resource Estimate for Patricia is scheduled for updating in second quarter 2012;
- the mineralisation at Patricia remains open along strike and down dip;
- new high grade veins have been confirmed, providing potential to add to the resource base;
- potential exists for further mineralised veins to be discovered;
- it has an experienced Project Management team;
- the Patricia Feasibility Study is underway;
- baseline Environmental Studies are advancing; and
- it is supported by shareholders who understand both the base metals industry and the Chilean operating environment.

Future Prospects

Herencia's goals for 2012 are to:

- upgrade the Patricia Mineral Resource Estimate;
- complete the Patricia Feasibility Study;
- lodge permitting applications;
- evaluate the copper-gold Guamanga Project; and
- seek new project opportunities in Chile.

Given the capital raising success in 2011 the Company is well positioned to advance its work programs in 2012. With the planned update to the Patricia Mineral Resource Estimate, the ongoing Patricia Feasibility Study, and the new Guamanga Project, the Directors consider that no impairment provision is required, at this time, with respect to the goodwill, exploration and development expenditure and investment associated with the Paguanta Project.

The Group's primary business is mineral exploration and development which is subject to risks including discovery of economic mineral resources, delays in work programme plans and schedules, changes in market conditions affecting the resources industry or commodity price levels, the outcome of commercial negotiations and technical or operating factors, political, environmental and regulatory controls and approvals, and availability and retention of suitable employees and consultants. Any one or more of these risk factors could have a materially adverse impact on the value of the Company.

Due to the early stage of the development of the Group and the nature of its activities, it is not meaningful to consider a review of the key financial performance indicators in respect of the year.

Audit Committee

The Audit Committee meets twice each year to discuss the half yearly and annual results. For the annual results the independent auditors, UHY Hacker Young, are invited to discuss the results and their assessment of internal controls. The Chairman of the Audit Committee is John Russell and the other participating member of the committee is The Hon. John Moore AO.

The Company has adopted an Audit Committee Charter which addresses the mandate of the Committee, the composition, independence, expertise of the members, frequency of meetings, roles and responsibilities, external audit function, internal controls, financial reporting, annual and interim financial statements, release of financial information, non-audit services, delegation of authority, reporting responsibilities, resources and authority of the Committee, and compliance with laws and regulations.

Remuneration Committee

The Company does not, at present, have a Remuneration Committee.

Information to shareholders - Web site

The Company has its own web site (www.herenciaresources.com) for the purposes of improving information flow to shareholders as well as to potential investors.

Group structure and changes in share capital

Details of movements in share capital during the year are set out in note 4 to these accounts.

Directors

The following Directors held office during the year:

Michael Bohm (Managing Director)
The Hon. John Moore AO. (Non-Executive Chairman)
John Russell (Non-Executive)
Greg McMillan (Non-Executive)

Directors' interests

The beneficial and non-beneficial interests in the Company's shares of the Directors and their families were as follows:

Name	31 December 2011 Number of ordinary shares of £0.001	31 December 2010 Number of ordinary shares of £0.001
Michael Bohm [1]	(see note below)	(see note below)
The Hon. John Moore AO. [2]	(see note below)	(see note below)
John Russell [3]	(see note below)	(see note below)
Greg McMillan	(see note below)	(see note below)

[1] 34,767,249 shares are held by Michael Bohm's wife, Charmaine Lobo (31 December 2010: 20,251,500), 450,000 shares are held by Michael Bohm (31 December 2010: 450,000).

[2,] 5,666,667 shares are held by Ralsten Pty Ltd as of 31 December 2011 (31 December 2010: 666,667). The Hon. John Moore AO. is a director and shareholder of that company.

[3] 5,000,000 shares are held by John Russell1 (31 December 2010: Nil).

The beneficial and non-beneficial interests in the Company's options of the Directors and their families were as follows:

Name	31 December 2011 Number of options over ordinary shares of £0.001	31 December 2010 Number of options over ordinary shares of £0.001
Michael Bohm	20,500,000	28,000,000
The Hon. John Moore AO.	10,000,000	10,000,000
John Russell	10,000,000	10,000,000

Directors' service contracts

The service contracts of all the existing Directors are subject to a one month termination period.

Pensions

The Group does not operate a pension scheme for Directors or employees.

Directors' Remuneration

Remuneration of Directors for the year was as follows:

31 December 2011	Fees/basic salary £	Employer's NI £	Share based payments £	Pension costs £	Total £
Executive					
Michael Bohm	374,738	-	74,808	17,059	466,605
Non-Executive					
The Hon. John Moore AO.	25,000	-	37,404	-	62,404
John Russell	21,428	1,989	37,404	-	60,821
Greg McMillan	-	-	-	-	-
	421,166	1,989	149,616	17,059	589,830

The Fees/basic salary of Michael Bohm comprise a 'base' component and an 'at-risk' bonus component paid upon the achievement of performance hurdles set annually by the Board of Directors. The amount of £374,738 includes base salary of £230,169 and a bonus payment (inclusive of pension costs) of £72,815 paid in July 2011 and £71,754 paid in February 2012. Michael Bohm's salary is paid in Australian dollars and converted to GBP£'s for the purposes of these accounts. The share based payments are not a cash payment, it is a 'calculated' fair value for share options granted during the year.

31 December 2010	Fees/basic salaries £	Employer's NI £	Share based payments £	Pension costs £	Total £
Executive					
Michael Bohm	287,143	-	107,601	25,842	420,586
Non-Executive					
The Hon. John Moore AO.	15,833	-	21,520	-	37,353
John Russell	15,000	1,190	21,520		37,710
Erling Sorensen	-	-	-	-	-
Greg McMillan	-	-	-	-	-
	317,976	1,190	150,641	25,842	495,649

Value of options exercised by Directors

The value of options exercised during the reporting period to the Directors is detailed below:

	Value of Options Exercised in year [(i)]
	£
Michael Bohm	318,250
The Hon. John Moore AO.	60,000
John Russell	60,000

[(i)] The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the options.

Substantial shareholders

The Company has been notified, in accordance with Section 792 of the Companies Act 2006, of the under noted interests in its ordinary shares as at 4 April 2012:

	Number of Ordinary shares	% of Share Capital
TD Direct Investing Nominees (Europe) Limited	156,008,213	10.25
Barclayshare Nominees Limited	130,202,854	8.55
Nyrstar International BV	152,612,755	10.03
Investor Nominees Limited	92,419,445	6.07
L R Nominees Limited	82,249,371	5.40

Supplier payment policy

The Company's policy is that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, providing that all trading terms and conditions have been complied with.

Political and charitable contributions

There were no political or charitable contributions made by the Company during the year ended 31 December 2011.

Subsequent events

The following subsequent events have arisen since the end of the reporting date and the date of this report:

- On 13 January 2012, 2,000,000 ordinary shares were issued following the exercise of 1,000,000 options over ordinary shares at a price of 1.65p each and 1,000,000 options over ordinary shares at a price of 0.75 each. Following the issue of these shares the number of ordinary shares on issue in the Company is 1,522,114,250 of which Michael Bohm has an interest in 35,126,249 ordinary shares, representing 2.31% of the total issued share capital of the Company.
- On 26 April 2012, the Company announced that Michael Bohm, the current Managing Director will step down from his operational role with effect from 30 June 2012 but will continue to remain with the Company in a Non-Executive Director role. The Board has identified a successor, Mr Graeme Sloan, who will commence duties in May 2012 however as at the date of this report, no appointment as a Director has been made.

No other matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affect the results of the operations of the Company.

Environment Policy Statement

The Group is an Operator of exploration projects. It closely monitors activities to ensure, to the best of its knowledge, there is no potential for any breach of environment's regulations. There have been no convictions in relation to breaches of the local Chilean regulations recorded against the Group during the reporting period.

Statement of responsibilities of those charged with governance

The Directors are responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards ("IFRS") as adopted by the European Union. Company law requires the Directors to prepare financial statements for each financial year. 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 of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

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

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and hence for taking steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Statement of disclosure to auditors

So far as all of the Directors at the time of approval of this report are aware:

1. there is no relevant audit information of which the Company's auditors are unaware; and

2. 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.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that UHY Hacker Young be re-appointed as auditors of the Company and that the Directors be authorised to fix their remuneration will be put to the next Annual General Meeting.

By order of the board

Michael Bohm
Director

8 May 2012

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HERENCIA RESOURCES PLC
FOR THE YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of Herencia Resources plc for the year ended 31 December 2011 which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of financial position, the Consolidated and Parent Company statements of changes in equity, the Consolidated and Parent Company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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 Directors and Auditors

As explained more fully in the Statement of responsibilities of those charged with governance, set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements 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’s and of the Parent Company’s affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Colin Wright (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London E1W 1YW

8 May 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Year ended 31 December 2011	Year ended 31 December 2010
	£	£
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administration expenses	(2,621,171)	(1,072,825)
Operating loss	(2,621,171)	(1,072,825)
Finance revenue	66,592	13,047
Loss before tax	(2,554,579)	(1,059,778)
Income tax expenses	-	-
Loss for the year	**(2,554,579)**	**(1,059,778)**
Other Comprehensive income/(loss)		
Exchange differences on translating foreign operations	(611,348)	676,774
Other comprehensive income for the year, net of tax	(611,348)	676,774
Total Comprehensive income/(loss) for the year	**(3,165,927)**	**(383,004)**
Loss attributable to:		
Equity holders of the Company	(2,190,038)	(932,063)
Non-controlling interests	(364,541)	(127,715)
	(2,554,579)	**(1,059,778**
Total Comprehensive income/(loss) attributable to:		
Equity holders of the Company	(2,588,336)	(459,302)
Non-controlling interests	(577,591)	76,298
	(3,165,927)	**(383,004)**
Loss per share		
Loss per ordinary share – basic and diluted	(0.16)p	(0.10)p

The results shown above relate entirely to continuing operations.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	Group 31 December 2011	Group 31 December 2010	Company 31 December 2011	Company 31 December 2010
		£	£	£	£
ASSETS					
Non-current assets					
Receivables		-	-	10,121,415	4,295,066
Intangible assets and goodwill	3	11,807,867	7,065,015	-	-
Property, plant and equipment		210,680	92,152	11,332	16,240
Investments		-	-	1,250,000	1,250,000
		12,018,547	7,157,167	11,382,747	5,561,306
Current assets					
Cash and cash equivalents		5,142,832	5,261,537	3,128,139	4,644,751
Trade and other receivables		1,525,414	735,813	95,669	103,388
Other assets		17,470	18,045	17,470	18,045
		6,685,716	6,015,395	3,241,278	4,766,184
Total assets		**18,704,263**	**13,172,562**	**14,624,025**	**10,327,490**
LIABILITIES					
Non current liabilities					
Provisions		60,601	67,689	-	-
		60,601	67,689	-	-
Current liabilities					
Trade and other payables		992,321	193,623	102,029	96,741
Provisions		39,157	-	39,157	-
		1,031,478	193,623	141,186	96,741
Total liabilities		**1,092,079**	**261,312**	**141,186**	**96,741**
Net Assets		**17,612,184**	**12,911,250**	**14,482,839**	**10,230,749**
EQUITY					
Share capital	4	1,520,114	1,248,556	1,520,114	1,248,556
Share premium		17,187,316	12,121,641	17,187,316	12,121,641
Share based payments reserve		560,633	303,914	560,633	303,914
Shares to be issued		24,000	-	24,000	-
Translation reserve		479,919	878,217	-	-
Retained losses		(5,840,190)	(3,650,152)	(4,809,224)	(3,443,362)
Capital and reserves attributable to equity holders		**13,931,792**	**10,902,176**	**14,482,839**	**10,230,749**
Minority interests in equity		3,680,392	2,009,074	-	-
Total equity and reserves		**17,612,184**	**12,911,250**	**14,482,839**	**10,230,749**

The financial statements were approved by the Board of Directors on 8 May 2012 and signed on its behalf by:

Michael Bohm
Director

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Group 2011	Group 2010	Company 2011	Company 2010
	£	£	£	£
Net cash outflow from operating activities	(1,991,488)	(1,111,085)	(1,081,368)	(664,139)
Cash flows from investing activities				
Interest received	66,592	13,047	30,965	13,047
Payments for property, plant and equipment	(191,366)	(18,265)	(1,093)	(11,020)
Cash calls to minority shareholder	2,248,909	636,423		
Cash calls from subsidiary	-	-	(5,826,349)	(1,418,746)
Net funds used for investing in exploration	(5,612,585)	(1,156,245)	-	-
Net cash used by investing activities	(3,488,450)	(525,040)	(5,796,477)	(1,416,719)
Cash flows from financing activities				
Proceeds from issue of shares	5,517,907	5,604,873	5,517,907	5,604,873
Proceeds from shares to be issued	24,000	-	24,000	-
Issue costs	(180,674)	(186,455)	(180,674)	(186,455)
Net cash generated from financing activities	5,361,233	5,418,418	5,361,233	5,418,418
Net (decrease)/increase in cash and cash equivalents	(118,705)	3,782,293	(1,516,612)	3,337,560
Cash and cash equivalents at the beginning of the year	5,261,537	1,479,244	4,644,751	1,307,191
Cash and cash equivalents at the end of the year	**5,142,832**	**5,261,537**	**3,128,139**	**4,644,751**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Share premium	Translation reserve	Share-based payments reserve	Shares to be issued	Retained losses	Total	Minority interest	Total Equity
	£	£	£	£	£	£	£	£	£
Balance at 1 January 2010	860,932	7,090,847	405,456	114,801	-	(2,718,089)	5,753,947	1,296,353	7,050,300
Issue of shares	387,624	5,217,249	-	-	-	-	5,604,873	636,423	6,241,296
Share issue costs	-	(186,455)	-	-	-	-	(186,455)	-	(186,455)
Share based payments	-	-	-	189,113	-	-	189,113	-	189,113
Total comprehensive income/(loss) for the year	-	-	472,761	-	-	(932,063)	(459,302)	76,298	(383,004)
Balance at 31 December 2010	1,248,556	12,121,641	878,217	303,914	-	(3,650,152)	10,902,176	2,009,074	12,911,250
Balance at 1 January 2011	1,248,556	12,121,641	878,217	303,914	-	(3,650,152)	10,902,176	2,009,074	12,911,250
Issue of shares	271,558	5,246,349	-	-	-	-	5,517,907	2,248,909	7,766,816
Share issue costs	-	(180,674)	-	-	-	-	(180,674)	-	(180,674)
Shares to be issued	-	-	-	-	24,000	-	24,000	-	24,000
Share based payments	-	-	-	256,719	-	-	256,719	-	256,719
Total comprehensive income/(loss) for the year	-	-	(398,298)	-	-	(2,190,038)	(2,588,336)	(577,591)	(3,165,927)
Balance at 31 December 2011	1,520,114	17,187,316	479,919	560,633	24,000	(5,840,190)	13,931,792	3,680,392	17,612,184

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. Accounting policies

The financial information set out in this announcement does not constitute the Group's statutory accounts for the year ended 31 December 2011 or the year ended 31 December 2010 under the meaning of s434 Companies Act 2006, but is derived from the 2011 annual report and audited accounts.

Statutory accounts for the year ended 31 December 2010 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2011 will be delivered to the Registrar in due course.

1.1. Basis of preparation and going concern

The financial statements have been prepared using the historical cost convention and are presented in UK pounds sterling. In addition, the financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") including IFRS 6 'Exploration for and Evaluation of Mineral Resources', as adopted by the European Union ("EU") and in accordance with the provisions of the Companies Act 2006.

In accordance with the provision of Section 408 of the Companies Act 2006, the Parent Company has not presented an Income Statement. The loss for the year ended 31 December 2011 of £1,365,862 (31 December 2010: £800,880 (loss)) has been included in the consolidated statement of comprehensive income.

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group completed two capital raisings during the year. On 1 July 2011, the Company completed a private placement raising a capital sum (net of costs) of £2,723,601 from the issue of 125,000,000 ordinary shares at a price of 2.25p per share. On 17 November 2011, the Company completed a further private placement raising a capital sum (net of costs) of £2,269,382 from the issue of 118,057,874 ordinary shares at a price of 2.00p per share.

The activities in the year and future prospects of the Group are discussed in the Directors' Report. The operations of the Group are currently being financed from funds which the Company raised from private and public placings of its shares in the prior and current years. The Group has not yet earned revenue as it is still in the exploration phase of its business.

The Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group will be able to carry out the planned activities and provide working capital to enable it to meet its liabilities as they fall due, for the foreseeable future, and for at least the next twelve months from the date of approval of these financial statements. The directors therefore believe that the use of the going concern basis is appropriate.

1.2. Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is capitalised as an intangible asset and in accordance with IFRS3 'Business Combinations' it is not amortised but tested for impairment on an annual basis. As such, goodwill is stated at cost less any provision for impairment in value. If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit and loss on sale.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

All the companies over which the Company has control, apply, where appropriate, the same accounting policies as the Company.

1.3. Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange gain or loss is dealt with in the profit and loss account.

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statement the assets and liabilities of the foreign subsidiary undertakings are translated into Sterling at the rates of exchange ruling at the year end and their results are translated at the average exchange rate for the year. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings are treated as movements of reserves.

1.4. Cash and cash equivalents

The Company considers all highly liquid investments, with a maturity of 90 days or less to be cash equivalents, carried at the lower of cost or market value.

1.5. Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Leasehold Improvements	50%
Computers & Office Equipment	33.33%
Office Furniture	25%
Motor Vehicles	25%
Plant & Equipment	25%

Impairment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement in the year the asset is derecognised.

1.6. Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred tax is realised or the deferred liability is settled. Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

1.7. Exploration and evaluation costs

All costs associated with mineral exploration and investments are capitalised on a project by project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general corporate overheads. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished or project abandoned, the related costs are written off. Where the Group maintains an interest in a project, but the value of the project is considered to be impaired, a provision is made against the relevant capitalised costs.

The recoverability of all exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposition thereof.

Amounts recorded for these assets represent costs and are not intended to reflect present or future values.

1.8. Impairment of exploration and evaluation costs

The carrying value of exploration and evaluation is assessed on at least an annual basis or when there has been an indication that impairment in value may have occurred. The impairment of exploration and evaluation is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and future development.

1.9. Share based payments

The Company made share-based payments to certain directors and employees by way of issue of share options. The fair value of these payments is calculated by the Company using the Black Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest. Where equity instruments are granted to persons other than directors or employees, the consolidated statement of comprehensive income is charged with the fair value of any goods or services received.

1.10. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employees benefits to be settled within twelve months are measured at their nominal values using the remuneration rates expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

2. **Loss per share**

The basic loss per ordinary share of (0.16)p (2010: (0.10)p) for the Group has been calculated by dividing the loss for the year attributable to equity holders of £2,190,038 (2010: £932,063) by the weighted average number of ordinary shares in issue of 1,338,351,024 (2010: 949,650,555).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 1,391,872,942 (2010: 965,020,301). The diluted loss per share has been kept the same as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

3. Intangible assets

	Goodwill	**Exploration & evaluation costs**	**Total**
Cost	**£**	**£**	**£**
As at 1 January 2011	1,000,000	6,737,148	7,737,148
Additions	-	5,612,585	5,612,585
Effect of foreign currency exchange differences	-	(869,733)	(869,733)
At 31 December 2011	1,000,000	11,480,000	12,480,000
Impairment			
As at 1 January 2011	(125,000)	(547,133)	(672,133)
Impairment loss	-	-	-
At 31 December 2011	(125,000)	(547,133)	(672,133)
Carrying amount			
As at 31 December 2011	875,000	10,932,867	11,807,867
As at 31 December 2010	875,000	6,190,015	7,065,015

The goodwill and exploration and evaluation costs as at 31 December 2011 relate entirely to the Paguanta and Guamanga projects located in Chile, South America.

Based on the significant grade and tonnage uplift achieved in 2011, the progression of a Feasibility Study and the potential to further extend the Mineral Resource Estimate, the Directors believe that there has not been any impairment of goodwill and exploration and development costs in respect of the Paguanta project as at 31 December 2011.

4. Share capital

	Company 2011	**Company 2010**
	£	**£**
Authorised:		
10,000,000,000 ordinary shares of £0.001 each	10,000,000	10,000,000
Allotted, issued and fully paid:		
1,520,114,250 ordinary shares (2010: 1,248,556,376 ordinary shares)	1,520,114	1,248,556

Issued capital comprises:

	Number of shares	Share Capital £	Share Premium £
Issued and fully paid			
As at 1 January 2011	1,248,556,376	1,248,556	12,121,641
Allotments during the year			
18 January 2011- 1.65p per share	12,500,000	12,500	193,750
1 July 2011 – 2.25p per share	125,000,000	125,000	2,687,500
17 November 2011 – 2.00p per share	118,057,874	118,058	2,243,099
8 December 2011 - 0.75p per share	14,000,000	14,000	91,000
8 December 2011 – 1.65 per share	2,000,000	2,000	31,000
Share issue costs	-	-	(180,674)
Balances as at 31 December 2011	1,520,114,250	1,520,114	17,187,316

The following shares in the Company were issued during the year:

- On 18 January 2011, Michael Bohm, a Director of the Company, exercised options over 12,500,000 ordinary shares at a price of 1.65p each.
- On 1 July 2011, the Company completed a private placement raising a capital sum (net of costs) of £2,723,601 from the issue of 125,000,000 ordinary shares at a price of 2.25p per share.
- On 17 November 2011, the Company completed a private placement raising a net capital sum (net of costs) of £2,269,382 from the issue of 118,057,874 ordinary shares at a price of 2.00p per share.
- On 8 December 2011, 14,000,000 ordinary shares were issued following the exercise of options at a price of 0.75p of which,13,000,000 options were exercised by Directors of the Company (Michael Bohm: 3,000,000; John Moore: 5,000,000 and John Russell: 5,000,000).
- On 8 December 2011, Michael Bohm, a Director of the Company, exercised options over 2,000,000 ordinary shares at a price of 1.65p each.