

**HERENCIA RESOURCES PLC**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2011**

**CONTENTS**

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	<b>Page</b>
Directors, secretary and advisers	2
Chairman's Statement	3
Directors' report	4
Independent auditors' report	11
Consolidated statement of comprehensive income	13
Consolidated and Company statements of financial position	14
Consolidated and Company statements of cash flows	15
Consolidated statement of changes in equity	16
Company statement of changes in equity	17
Notes to the consolidated financial statements	18

**HERENCIA RESOURCES PLC**

Registered number 5345029

**DIRECTORS, SECRETARY AND ADVISERS**

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<b>Directors</b>	The Hon. John Moore AO. (Non-Executive Chairman) Michael Bohm (Managing Director) John Russell (Non-Executive) Greg McMillan (Non-Executive)
<b>Company Secretary</b>	John Bottomley
<b>Registered Office</b>	One America Square Crosswall London EC3N 2SG
<b>Principal Operating Office</b>	Suite 7, 6 Richardson Street West Perth, Western Australia 6005
<b>Company Number</b>	5345029
<b>Nominated Adviser and Broker</b>	WH Ireland Limited 11 St James's Square Manchester M2 6WH
<b>Auditors</b>	UHY Hacker Young LLP Chartered Accountants Quadrant House 4 Thomas More Square London E1W 1YW
<b>Solicitors</b>	Watson, Farley & Williams LLP 15 Appold Street London EC2A 2HB  Cariola Diez Perez-Cotapos Av Andres Bello 2711, Piso 19 Las Condes, Santiago, Chile
<b>Registrars</b>	Capita Registrars Ltd Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
<b>Principal Bankers</b>	ANZ Bank 77 St Georges Terrace Perth, Western Australia 6000  Barclays Bank plc 1 Churchill Place London E14 5HP
<b>Website</b>	<a href="http://www.herenciaresources.com">www.herenciaresources.com</a>

**CHAIRMAN'S STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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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; and
- 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**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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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, details of which are set out in note 15 to these accounts.

**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 2011 on 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.

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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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 the 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;
- we have an experienced Project Management team;
- the Patricia Feasibility Study is underway;
- baseline Environmental Studies are advancing; and
- we are 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 Director's 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.

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**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.herencioresources.com](http://www.herencioresources.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 19 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' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**Directors' interests**

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

<b>Name</b>	<b>31 December 2011 Number of ordinary shares of £0.001</b>	<b>31 December 2010 Number of ordinary shares of £0.001</b>
Michael Bohm <sup>1</sup>	(note below)	(note below)
The Hon. John Moore AO. <sup>2</sup>	(note below)	(note below)
John Russell <sup>3</sup>	(note below)	-
Greg McMillan	-	-

<sup>1</sup> 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).

<sup>2</sup> 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.

<sup>3</sup> 5,000,000 shares are held by John Russell (31 December 2010: Nil).

The beneficial and non-beneficial interests in the Company's options of the Directors and their families were as follows (the details of these options, including the exercise prices are set out in note 21 to the financial statements):

<b>Name</b>	<b>31 December 2011 Number of options over ordinary shares of £0.001</b>	<b>31 December 2010 Number of options over ordinary shares of £0.001</b>
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' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**Directors' Remuneration**

Remuneration of Directors for the year was as follows:

**31 December 2011**

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

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 (refer note 21 to the financial statements).

**31 December 2010**

	<b>Fees/basic salaries £</b>	<b>Employer's NI £</b>	<b>Share based payments £</b>	<b>Pension costs £</b>	<b>Total £</b>
<b>Executive</b>					
Michael Bohm	287,143	-	107,601	25,842	420,586
<b>Non-Executive</b>					
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	-	-	-	-	-
	<u>317,976</u>	<u>1,190</u>	<u>150,641</u>	<u>25,842</u>	<u>495,649</u>

**Value of options exercised by Directors**

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

	<b>Value of Options Exercised in year <sup>(i)</sup> £</b>
Michael Bohm	318,250
The Hon. John Moore AO.	60,000
John Russell	60,000

<sup>(i)</sup> 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.

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**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:

	<b>Number of Ordinary shares</b>	<b>% of Share Capital</b>
TD Direct Investing Nominees (Europe) Limited	156,008,213	10.25
Nyrstar International BV	152,612,755	10.03
Barclayshare Nominees Limited	130,202,854	8.55
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.

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**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**

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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 10, 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](http://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.

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

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**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**

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
		£	£
<b>Revenue</b>		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administration expenses		(2,621,171)	(1,072,825)
<b>Operating loss</b>	6	(2,621,171)	(1,072,825)
Finance revenue	6	66,592	13,047
<b>Loss before tax</b>		(2,554,579)	(1,059,778)
Income tax expenses	8	-	-
<b>Loss for the year</b>		<b>(2,554,579)</b>	<b>(1,059,778)</b>
<b>Other Comprehensive income/(loss)</b>			
Exchange differences on translating foreign operations		(611,348)	676,774
Other comprehensive income for the year, net of tax		(611,348)	676,774
<b>Total Comprehensive income/(loss) for the year</b>		<b>(3,165,927)</b>	<b>(383,004)</b>
<b>Loss attributable to:</b>			
Equity holders of the Company		(2,190,038)	(932,063)
Non-controlling interests		(364,541)	(127,715)
		<b>(2,554,579)</b>	<b>(1,059,778)</b>
<b>Total Comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		(2,588,336)	(459,302)
Non-controlling interests		(577,591)	76,298
		<b>(3,165,927)</b>	<b>(383,004)</b>
<b>Loss per share</b>			
Loss per ordinary share – basic and diluted	4	(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 £
<b>ASSETS</b>					
<b>Non-current assets</b>					
Receivables	12	-	-	10,121,415	4,295,066
Intangible assets and goodwill	13	11,807,867	7,065,015	-	-
Property, plant and equipment	14	210,680	92,152	11,332	16,240
Investments	15	-	-	1,250,000	1,250,000
		<u>12,018,547</u>	<u>7,157,167</u>	<u>11,382,747</u>	<u>5,561,306</u>
<b>Current assets</b>					
Cash and cash equivalents	9	5,142,832	5,261,537	3,128,139	4,644,751
Trade and other receivables	10	1,525,414	735,813	95,669	103,388
Other assets	11	17,470	18,045	17,470	18,045
		<u>6,685,716</u>	<u>6,015,395</u>	<u>3,241,278</u>	<u>4,766,184</u>
<b>Total assets</b>		<b><u>18,704,263</u></b>	<b><u>13,172,562</u></b>	<b><u>14,624,025</u></b>	<b><u>10,327,490</u></b>
<b>LIABILITIES</b>					
<b>Non current liabilities</b>					
Provisions	16	60,601	67,689	-	-
		<u>60,601</u>	<u>67,689</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Trade and other payables	17	992,321	193,623	102,029	96,741
Provisions	16	39,157	-	39,157	-
		<u>1,031,478</u>	<u>193,623</u>	<u>141,186</u>	<u>96,741</u>
<b>Total liabilities</b>		<b><u>1,092,079</u></b>	<b><u>261,312</u></b>	<b><u>141,186</u></b>	<b><u>96,741</u></b>
<b>Net Assets</b>		<b><u>17,612,184</u></b>	<b><u>12,911,250</u></b>	<b><u>14,482,839</u></b>	<b><u>10,230,749</u></b>
<b>EQUITY</b>					
Share capital	19	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	20	24,000	-	24,000	-
Translation reserve		479,919	878,217	-	-
Retained losses		(5,840,190)	(3,650,152)	(4,809,224)	(3,443,362)
<b>Capital and reserves attributable to equity holders</b>		<b><u>13,931,792</u></b>	<b><u>10,902,176</u></b>	<b><u>14,482,839</u></b>	<b><u>10,230,749</u></b>
<b>Minority interests in equity</b>	18	<u>3,680,392</u>	<u>2,009,074</u>	<u>-</u>	<u>-</u>
<b>Total equity and reserves</b>		<b><u>17,612,184</u></b>	<b><u>12,911,250</u></b>	<b><u>14,482,839</u></b>	<b><u>10,230,749</u></b>

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**

	Notes	Group 2011	Group 2010	Company 2011	Company 2010
		£	£	£	£
<b>Net cash outflow from operating activities</b>	22	(1,991,488)	(1,111,085)	(1,081,368)	(664,139)
<b>Cash flows from investing activities</b>					
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	13	(5,612,585)	(1,156,245)	-	-
<b>Net cash used by investing activities</b>		(3,488,450)	(525,040)	(5,796,477)	(1,416,719)
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares	19	5,517,907	5,604,873	5,517,907	5,604,873
Proceeds from shares to be issued	20	24,000	-	24,000	-
Issue costs		(180,674)	(186,455)	(180,674)	(186,455)
<b>Net cash generated from financing activities</b>		5,361,233	5,418,418	5,361,233	5,418,418
<b>Net (decrease)/increase in cash and cash equivalents</b>		(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
<b>Cash and cash equivalents at the end of the year</b>	9	<b>5,142,832</b>	<b>5,261,537</b>	<b>3,128,139</b>	<b>4,644,751</b>

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
	£	£	£	£	£	£	£	£	£
<b>Balance at 1 January 2010</b>	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)
<b>Balance at 31 December 2010</b>	1,248,556	12,121,641	878,217	303,914	-	(3,650,152)	10,902,176	2,009,074	12,911,250
<b>Balance at 1 January 2011</b>	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)
<b>Balance at 31 December 2011</b>	1,520,114	17,187,316	479,919	560,633	24,000	(5,840,190)	13,931,792	3,680,392	17,612,184

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

	Share capital £	Share premium £	Share-based payments reserve £	Shares to be issued £	Retained losses £	Total £
<b>Balance at 1 January 2010</b>	860,932	7,090,847	114,801	-	(2,642,482)	5,424,098
Issue of shares	387,624	5,217,249	-	-	-	5,604,873
Share issue costs	-	(186,455)	-	-	-	(186,455)
Share based payments	-	-	189,113	-	-	189,113
Total comprehensive income/(loss) for the year	-	-	-	-	(800,880)	(800,880)
<b>Balance at 31 December 2010</b>	1,248,556	12,121,641	303,914	-	(3,443,362)	10,230,749
<b>Balance at 1 January 2011</b>	1,248,556	12,121,641	303,914	-	(3,443,362)	10,230,749
Issue of shares	271,558	5,246,349	-	-	-	5,517,907
Share issue costs	-	(180,674)	-	-	-	(180,674)
Shares to be issued	-	-	-	24,000	-	24,000
Share based payments	-	-	256,719	-	-	256,719
Total comprehensive income/(loss) for the year	-	-	-	-	(1,365,862)	(1,365,862)
<b>Balance at 31 December 2011</b>	1,520,114	17,187,316	560,633	24,000	(4,809,224)	14,482,839

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

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**1. Accounting policies**

The principal accounting policies, all of which have been applied consistently to all the periods are set out below.

**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.

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

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**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.

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

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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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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.

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

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**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.

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

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**2. Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

*Recoverability of intercompany balances*

Determining whether intercompany balances are impaired requires an estimation of whether there are any indications that their carrying values are not recoverable.

*Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

*Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a BlackScholes model, using the assumptions detailed in note 21.

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

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**3. Adoption of new and revised International Financial Reporting Standards (IFRSs)**

**3.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)**

There have been no new and revised Standards and Interpretations which have been adopted in the current period which has affected the amounts reported in these financial statements.

Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 3.2.

**3.2 Standards and Interpretations adopted with no effect on the financial statements**

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

IAS 24 Related Party Disclosures (Amendment)	The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application.
IAS 32 Financial Instruments: Presentation - Classification of Rights Issue (Amendment)	The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options and warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss.

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

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**3.3 Standards and Interpretations in issue not yet adopted**

Certain new Standards and Interpretations have been published that are not yet mandatory. None of these are expected to have a significant effect on the consolidated financial statements except for IFRS 9 as set out below:

IFRS 9 Financial Instruments: Classification and Measurement	IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition.
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The Company does not plan to adopt this standard early and the directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

**4. 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.

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

**5. Segmental reporting**

For the purposes of presenting segment information, the activities of the Group are divided into operating segments in accordance with IFRS 8 'Operating Segments'. Operating segments are identified on the same basis that is used internally to manage and report on performance and takes account of the organisational structure of the Group based on the activities of the reportable segments.

The activities of the Group are broken down into the operating segments of Mineral Exploration and Central Costs.

Segment information by operating segment and by region is as follows:

**Segment information by operating segment**

	Mineral Exploration		Central Costs		Total	
	2011 £	2010 £	2011 £	2010 £	2011 £	2010 £
Finance revenue	35,627	-	30,965	13,047	66,592	13,047
Administration expenses	(1,692,258)	(563,105)	(943,768)	(631,111)	(2,636,026)	(1,194,216)
Non-cash expenditure: Depreciation expense	(53,705)	(21,078)	(6,001)	(3,530)	(59,706)	(24,608)
Share based payments	-	-	(256,719)	(189,113)	(256,719)	(189,113)
Foreign exchange gain/(loss)	521,619	325,285	(190,339)	9,827	331,280	335,112
<b>Segment result</b>	<b>(1,188,717)</b>	<b>(258,898)</b>	<b>(1,365,862)</b>	<b>(800,880)</b>	<b>(2,554,579)</b>	<b>(1,059,778)</b>
Segment assets	14,664,132	7,610,836	4,040,131	5,561,726	18,704,263	13,172,562
Segment liabilities	(950,893)	(164,571)	(141,186)	(96,741)	(1,092,079)	(261,312)
<b>Net assets</b>	<b>13,713,239</b>	<b>7,446,265</b>	<b>3,898,945</b>	<b>5,464,985</b>	<b>17,612,184</b>	<b>12,911,250</b>

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

5. Segmental reporting (continued)

Segment information by region

	External Revenue		Non-current assets	
	2011	2010	2011	2010
	£	£	£	£
Australia	-	-	11,332	16,240
Chile	-	-	12,007,215	7,140,927
Group	-	-	12,018,547	7,157,167

At the end of the financial year, the Group had not commenced commercial production from its exploration sites and therefore had no turnover in the year.

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

<b>6. Operating loss</b>	<b>Group 2011 £</b>	<b>Group 2010 £</b>
Auditors' remuneration		
- audit	35,929	26,907
- other services	-	-
Depreciation of tangible assets	59,706	24,608
Corporate and advisory fees	337,601	129,737
Employee benefits expense	1,009,074	488,188
Share based payments	256,719	184,113
	<u>256,719</u>	<u>184,113</u>

The audit costs includes £21,000 (2010: £17,500), payable to the parent company auditors.

**7. Employees and emoluments**

**(a) Emoluments of employees, including Directors, comprised:**

	<b>Group 2011 £</b>	<b>Group 2010 £</b>
Wages and salaries	940,986	418,083
Social security costs	1,716	9,906
Directors' fees	48,417	32,023
Share based payments	256,719	184,113
Pension costs	17,955	28,176
	<u>1,265,793</u>	<u>672,301</u>

**(b) Average employee headcount:**

	<b>Group 2011 No</b>	<b>Group 2010 No</b>
Australia	2	2
Chile	17	10
	<u>19</u>	<u>12</u>

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

**7. Employees and emoluments (continued)**

**(c) Directors' Remuneration**

**31 December 2011**

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

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 payment is not a cash payment, it is a 'calculated' fair value for share options granted during the year (refer note 21).

**31 December 2010**

	Fees/basic salary £	Employer's NI £	Share based payments £	Pension costs £	Total £
<b>Executive</b>					
Michael Bohm	287,143	-	107,601	25,842	420,586
<b>Non-Executive</b>					
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	-	-	-	-	-
	<u>317,976</u>	<u>1,190</u>	<u>150,641</u>	<u>25,842</u>	<u>495,649</u>

**(d) Value of options exercised by Directors**

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

	<b>Value of Options Exercised in year <sup>(i)</sup> £</b>
Michael Bohm	318,250
The Hon. John Moore AO.	60,000
John Russell	60,000

<sup>(i)</sup> 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.

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

<b>8. Taxation</b>	<b>Group 2011 £</b>	<b>Group 2010 £</b>
<b>Current tax charge</b>	-	-
<b>Deferred tax</b>		
Deferred tax current period charge	-	-
	-	-
<b>8.1 Income tax recognised in profit or loss</b>		
<b>Factors affecting the tax charge for the period</b>		
Loss on ordinary activities before taxation	(2,554,579)	(1,059,778)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 26.5% (2010: 28%)	(676,963)	(296,738)
<i>Effects of:</i>		
Non deductible expenses	50,439	(2,752)
Tax losses	626,524	299,490
<b>Current tax charge</b>	-	-
<b>8.2 Income tax recognised in other comprehensive income</b>		
	<b>Group 2011 £</b>	<b>Group 2010 £</b>
<b>Factors affecting the tax charge for the period</b>		
Other comprehensive income/(loss)	(611,348)	676,774
Total comprehensive income/(loss) before taxation multiplied by standard rate of corporation tax of 26.5% (2010: 28%)	(162,007)	189,497
<i>Effects of:</i>		
Exchange difference on translating foreign operations	162,007	(189,497)
Current tax charge	-	-

**Factors that may affect future tax charges**

At the balance sheet date, the Group has unused tax losses available for offset against suitable future profits. The group had accumulated tax losses of £5,542,681 at 31 December 2011 (2010: £3,178,441). A deferred tax asset amounting to £1,385,670 (2010: £858,179) has not been recognised in respect of such losses due to uncertainty of future profit streams.

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

<b>9. Cash and cash equivalents</b>	<b>Group 2011 £</b>	<b>Group 2010 £</b>	<b>Company 2011 £</b>	<b>Company 2010 £</b>
Cash at bank and in hand	5,142,832	5,261,537	3,128,139	4,644,751
<b>10. Trade and other receivables</b>	<b>Group 2011 £</b>	<b>Group 2010 £</b>	<b>Company 2011 £</b>	<b>Company 2010 £</b>
Other receivables	1,525,414	735,813	8,190	7,690
Amounts due from subsidiary undertakings	-	-	87,479	95,698
	<u>1,525,414</u>	<u>735,813</u>	<u>95,669</u>	<u>103,388</u>
<b>11. Other current assets</b>	<b>Group 2011 £</b>	<b>Group 2010 £</b>	<b>Company 2011 £</b>	<b>Company 2010 £</b>
Prepayments	17,490	18,045	17,490	18,045
<b>12. Receivables – non current</b>	<b>Group 2011 £</b>	<b>Group 2010 £</b>	<b>Company 2011 £</b>	<b>Company 2010 £</b>
Amounts due from subsidiary undertakings	-	-	10,121,415	4,295,066

The amount due from subsidiary undertakings of £10,121,415 is net of a provision of £1,033,801, being an amount due from Iquique Resources (Chile) SA.

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

**13. Intangible assets**

	<b>Goodwill</b>	<b>Exploration &amp; evaluation costs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
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	<u>1,000,000</u>	<u>11,480,000</u>	<u>12,480,000</u>
<b>Impairment</b>			
As at 1 January 2011	(125,000)	(547,133)	(672,133)
Impairment loss	-	-	-
At 31 December 2011	<u>(125,000)</u>	<u>(547,133)</u>	<u>(672,133)</u>
<b>Carrying amount</b>			
As at 31 December 2011	<u>875,000</u>	<u>10,932,867</u>	<u>11,807,867</u>
As at 31 December 2010	<u>875,000</u>	<u>6,190,015</u>	<u>7,065,015</u>

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.

**14. Property, plant and equipment**

	<b>Group 2011</b>	<b>Group 2010</b>	<b>Company 2011</b>	<b>Company 2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Plant and equipment</b>				
At cost	353,247	175,013	21,194	20,101
Accumulated depreciation	(142,567)	(82,861)	(9,862)	(3,861)
<b>Total property and equipment</b>	<u>210,680</u>	<u>92,152</u>	<u>11,332</u>	<u>16,240</u>

**Movements in carrying amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the financial period:

Balance at the beginning of the period	92,152	86,686	16,240	8,749
Additions at cost	191,366	20,212	1,093	11,020
Disposals	-	-	-	-
Depreciation expense	(59,706)	(24,608)	(6,001)	(3,529)
Effect of foreign currency exchange differences arising during the year	(13,132)	9,862	-	-
Carrying amount at the end of the period	<u>210,680</u>	<u>92,152</u>	<u>11,332</u>	<u>16,240</u>

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

**15. Fixed asset investments**

The Company's investments in subsidiary undertakings at 31 December 2011 were as follows:

	<b>Company £</b>
Cost at 1 January 2011 and at 31 December 2011	1,500,000
Less provision for impairment	(250,000)
Net book value at 1 January 2011 and at 31 December 2011	<u>1,250,000</u>

The Company's subsidiary undertakings as at 31 December 2011 were as follows:

<b>Company name</b>	<b>Country of registration or incorporation</b>	<b>Class</b>	<b>Shares held %</b>
<b>Direct</b>			
Tarapaca Resources (Bermuda) Limited	Bermuda	Ordinary	100
<b>Indirect</b>			
Tarapaca Holdings (BVI) Ltd	British Virgin Islands	Ordinary	100
Iquique Resources (Chile) SA	Chile	Ordinary	100
Paguanta Resources (Chile) SA	Chile	Ordinary	100
Paguanta Mining Services Ltd	Chile	Ordinary	100
Herencia Resources (Chile) SA	Chile	Ordinary	100
Compania Minera Paguanta SA	Chile	Ordinary	70

The principal activity of Iquique Resources (Chile) SA, Paguanta Resources (Chile) SA, Herencia Resources Chile SA and Compania Minera Paguanta SA is mineral exploration, Paguanta Mining Services Ltd is employment services company whilst Tarapaca Resources (Bermuda) Limited and Tarapaca Holdings (BVI) Ltd are holding companies.

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

<b>16. Provisions</b>	<b>Group 2011 £</b>	<b>Group 2010 £</b>	<b>Company 2011 £</b>	<b>Company 2010 £</b>
<b>Decommissioning expenditure</b>				
Balance at the beginning of the year	67,689	58,782	-	-
Effect of foreign currency exchange differences arising during the year	(7,088)	8,907	-	-
Balance at the end of the year	<u>60,601</u>	<u>67,689</u>	-	-
<b>Employee benefits</b>				
Balance at the beginning of the year	-	-	-	-
Arising during the year	39,157	-	39,157	-
Balance at the end of the year	<u>39,157</u>	-	<u>39,157</u>	-
<b>Comprising</b>				
Current	39,157	-	39,157	-
Non-current	60,601	67,689	-	-
	<u>99,758</u>	<u>67,689</u>	<u>39,157</u>	-

The Directors have considered the environmental issues and the need for any necessary provision for the cost of rectifying any environmental damage, as might be required under local legislation. A provision of £60,601 (2010: £67,689) has been made for any future costs of decommissioning or any environmental damage.

The provision for employee benefits relates to annual leave entitlements.

<b>17. Trade and other payables</b>	<b>Group 2011 £</b>	<b>Group 2010 £</b>	<b>Company 2011 £</b>	<b>Company 2010 £</b>
Other payables and accruals	992,321	193,623	102,029	96,741
	<u>992,321</u>	<u>193,623</u>	<u>102,029</u>	<u>96,741</u>

<b>18. Minority interest</b>	<b>Group 2011 £</b>	<b>Group 2010 £</b>
Called up share capital	4,134,997	1,886,088
Accumulated losses	(650,124)	(285,583)
Translation reserve	195,519	408,569
	<u>3,680,392</u>	<u>2,009,074</u>

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

<b>19. Share capital</b>	<b>Company 2011 £</b>	<b>Company 2010 £</b>
<i>Authorised:</i> 10,000,000,000 ordinary shares of £0.001 each	<u>10,000,000</u>	<u>10,000,000</u>
<i>Allotted, issued and fully paid:</i> 1,520,114,250 ordinary shares (2010: 1,248,556,376 ordinary shares)	<u>1,520,114</u>	<u>1,248,556</u>

Issued capital comprises:

	<b>Number of shares</b>	<b>Share Capital £</b>	<b>Share Premium £</b>
<b>Issued and fully paid</b>			
As at 1 January 2011	1,248,556,376	1,248,556	12,121,641
<b>Allotments during the year</b>			
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)
<b>Balances as at 31 December 2011</b>	<u>1,520,114,250</u>	<u>1,520,114</u>	<u>17,187,316</u>

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.

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

<b>20. Share to be issued</b>	<b>Company 2011 £</b>	<b>Company 2010 £</b>
Shares to be issued	24,000	-

Proceeds from the exercise of options over 1,000,000 ordinary shares at a price of 1.65p each and 1,000,000 ordinary shares at a price of 0.75p each totalling £24,000 were received prior to 31 December 2011. Ordinary shares of 2,000,000 were subsequently issued on 13 January 2012 (refer note 24).

**21. Share based payments**

**(a) Movements in share options during the period**

The following reconciles the outstanding share options granted as share based payments at the beginning and end of the financial year:

	<b>Number of options 2011</b>	<b>Weighted average exercise price 2011</b>	<b>Number of options 2010</b>	<b>Weighted average exercise price 2010</b>
Balance at the beginning of the year	59,000,000	1.38p	27,400,000	0.75p
Granted during the year	27,000,000	2.66p	44,000,000	1.59p
Exercised during the year	(28,500,000)	1.21p	(12,400,000)	0.75p
Expired during the year	-	-	-	-
Balance at the end of year	<u>57,500,000</u>	<u>2.06p</u>	<u>59,000,000</u>	<u>1.38p</u>

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 2.7 years (2010: 3.1 years). The range of exercise prices for options outstanding at the end of the year was 0.75p – 2.4p (2010: 0.75p – 1.65p).

**(b) Share options outstanding**

The following share-based payment arrangements were in existence during the current and prior reporting periods:

<b>Date of grant</b>	<b>Number of options</b>	<b>Exercise price</b>	<b>Expiry date</b>
30/11/2007	15,000,000	0.75p	30/11/2012
05/01/2010	3,000,000	0.75p	30/11/2012
12/10/2010	41,000,000	1.65p	31/10/2013
12/01/2011	6,000,000	3.55p	12/01/2014
03/12/2011	21,000,000	2.40p	31/12/2014

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

**21. Share based payments (continued)**

**(c) Fair value of options granted**

The Group recognised an expense of £256,719 (2010: £184,113) in the income statement in respect of the share-based payment plans. The share based payments charge was based on the requirements of International Financial Reporting Standard 2 “Share-based payments”. For this purpose, the fair value for the share options granted was calculated using a Black-Scholes option pricing model in respect of options issued to the employees. The following table lists the significant inputs to the model for the years ended 31 December 2011 and 31 December 2010:

	<b>Option Series</b>			
Grant date	03/12/2011	12/01/2011	12/10/2010	05/01/2010
Grant date share price	2.10p	3.55p	1.30p	0.56p
Fair value of options	0.75p	1.70p	0.43p	0.26p
Volatility	101%	101%	101%	101%
Risk-free interest rate	3.25%	4.99%	5.50%	5.75%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected life	1 year	1.5 years	1 year	1 year

Volatility was measured at the standard deviation of expected price return and was based on statistical analysis of the historical share price volatility, as it was assumed that this was indicative of future trends.

**(d) Options held by Directors**

Of the above share-based payment arrangements, the options held by Directors were as follows:

<b>Date of grant</b>	<b>Option price</b>	<b>Expiry date</b>	<b>Opening balance Number</b>	<b>Granted during the year Number</b>	<b>Exercised during the year Number</b>	<b>Closing balance Number</b>
<b>Michael Bohm</b>						
30/11/2007	0.75p	30/11/2012	3,000,000	-	(3,000,000)	-
12/10/2010	1.65p	31/10/2013	25,000,000	-	(14,500,000)	10,500,000
03/12/2012	2.40p	31/10/2014	-	10,000,000	-	10,000,000
			<u>28,000,000</u>	<u>10,000,000</u>	<u>(17,500,000)</u>	<u>20,500,000</u>
<b>The Hon. John Moore AO.</b>						
30/11/2007	0.75p	30/11/2012	5,000,000	-	(5,000,000)	-
12/10/2010	1.65p	31/10/2013	5,000,000	-	-	5,000,000
03/12/2012	2.40p	31/10/2014	-	5,000,000	-	5,000,000
			<u>10,000,000</u>	<u>5,000,000</u>	<u>(5,000,000)</u>	<u>10,000,000</u>
<b>John Russell</b>						
30/11/2007	0.75p	30/11/2012	5,000,000	-	(5,000,000)	-
12/10/2010	1.65p	31/10/2013	5,000,000	-	-	5,000,000
03/12/2012	2.40p	31/10/2014	-	5,000,000	-	5,000,000
			<u>10,000,000</u>	<u>5,000,000</u>	<u>(5,000,000)</u>	<u>10,000,000</u>

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

<b>22. Net cash outflow from operating activities</b>	<b>Group 2011 £</b>	<b>Group 2010 £</b>	<b>Company 2011 £</b>	<b>Company 2010 £</b>
Operating loss	(2,621,171)	(1,072,825)	(1,396,827)	(813,927)
(Increase)/decrease in trade and other receivables	(789,026)	(260,906)	8,294	(67,032)
Increase in trade and other payables	798,697	1,692	5,288	24,178
Increase in provisions	39,157	-	39,157	-
Depreciation of property, plant and equipment	59,706	24,608	6,001	3,529
Exchange differences on retranslation of foreign operations	264,430	7,233	-	-
Share based payments expense	256,719	189,113	256,719	189,113
Net cash outflow from operating activities	<u>(1,991,488)</u>	<u>(1,111,085)</u>	<u>(1,081,368)</u>	<u>(664,139)</u>

**23. Control**

No one party is identified as controlling the Company.

**24. 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.

**25. Related party transactions**

John Bottomley, the secretary of the Company is a partner of SGH Martineau Company Secretarial LLP, a firm that provides company secretarial services. During the year this partnership was paid a sum of £19,404 (2010: £12,940) in respect of company secretarial services to the Company. This related party transaction is based on independent third party commercial rates.

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

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**26. Contingent liabilities and capital commitments**

During the year, the Company entered into an agreement, through one of its 100% owned Chilean subsidiaries (Iquique Resources (Chile) S.A. ("IRC")), to acquire a 51% controlling interest in a copper-gold opportunity in Chile (The Guamanga Project). The Guamanga Project is currently owned by Inversiones Santa Patricia Limitada.

Under the Agreement, the Company has the right to earn a 51% controlling stake in the Project by:

- (i) drilling a minimum of 7,500 metres over a 30 month period and
- (ii) making option payments totalling US\$600,100 over the same 30 month period.
- (iii) the Company also has the alternative to drill only 6,000 metres and make a further cash payment of US\$150,000 (in addition to making option payments totalling \$600,100) to the Vendor if it so chooses.

A minimum of 2,400 metres must be drilled within the first 12 months and was achieved in March 2012.

On satisfaction of these conditions, it is agreed that the Vendor will transfer the Project into a new company (yet to be established) in which the Company will hold 51% of the issued shares and the Vendor will hold 49% of the issued shares.

Other than above, the Group had no contracted capital commitments at 31 December 2011. The Group had no contingent liabilities at 31 December 2011.

**27. Financial instruments**

**Capital Risk Management**

The Group manages capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The Group's focus has been to raise sufficient funds through equity to fund exploration activity.

The Group's risk oversight and management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects and ensure that net cash flows are sufficient to support the delivery of the Group's financial targets whilst protecting future financial security. The Group continually monitors and tests its forecast financial position against these objectives.

The Group's activities expose it to a variety of financial risks; market, credit and liquidity. These risks are managed by senior management in line with policies set by the Board. The Group's principal financial instruments comprise cash and short term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

It is, and has been throughout the period under review, Group policy that no speculative trading in financial instruments be undertaken.

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

**27. Financial instruments (continued)**

**Interest Rate risk**

At 31 December 2011 the Group had British Pound cash at bank of £168,982, Chilean Peso cash at bank of a sterling equivalent of £2,009,324, Australian Dollar cash at bank of a sterling equivalent of £944,326 and US Dollar cash at bank of a sterling equivalent of £2,020,200. The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, was as follows:

	<b>Floating interest rate 31 Dec 2011</b>			
	£	£	£	£
<i>Financial assets:</i>				
Cash at bank	5,142,832	-	5,261,537	-

The effective weighted average interest rate was 1.50%.

*Financial liabilities:*

At 31 December 2011, the Group had no debt.

**Net Fair Value**

The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the balance sheet and in the related notes.

**Currency Risk**

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The functional currency for the Group's operating activities is the British pound and for drilling activities the Chilean Peso and US Dollar. The Group's objective in managing currency exposures arising from its net investment overseas is to maintain a low level of borrowings. The Group has not hedged against currency depreciation but continues to keep the matter under review.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	<b>Group 2011</b>	<b>Group 2010</b>	<b>Company 2011</b>	<b>Company 2010</b>
	£	£	£	£
Chilean Peso	2,009,324	22,404	-	-
US Dollars	2,020,200	602,058	2,014,830	7,676
Australian Dollars	944,326	50,856	944,326	50,856

**Financial risk management**

The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to further financial risks as the business develops.