**Herencia Resources plc**
**("Herencia" or the "Company")**

**Annual Report and Accounts**
**for the Twelve Months Ended 31 December 2016**

## CHAIRMAN'S STATEMENT

Dear shareholder

It is with qualified pleasure that I present to you my first Chairman's Statement.

The qualified pleasure arises from the fact that 2016 was a challenging year for the Company with the severe downturn in the copper price impacting negatively on equity raising opportunities. The poor equity market conditions resulted in the Company continuing its rationalisation process with a focus on expenditure. Chilean manpower and corporate manpower were reduced so that the organisation can be better aligned with its early stage exploration assets.

With a better organisational structure now being implemented, your board of directors are focused on reducing other overhead costs so that more funds can be directed to advancing the key exploration assets held by the Company – the Picachos and Pastizal copper prospects in Chile.

Your board of directors has been able to secure new funding with the completion of a share placement in May 2017 and with these funds expend monies to enhance the footprint of the Picachos copper prospect into the adjacent Pastizal copper prospect.

Looking forward, the board of directors plans to conduct a drilling campaign at its Picachos and Pastizel prospect to increase the copper resource; secure joint venture partners to fund exploration at the Guamanga and La Serena copper prospects; and, continue restructuring of the Company to reduce costs.

**PD Reeve**
**Chairman**

28 June 2017

The Annual Report and Accounts have been dispatched to shareholders today and are also available from the Company's website www.herenciaresources.com.au.

For further information please contact:


| | |
|---|---|
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**STRATEGIC REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2016**

The Directors present their Strategic Report for the year ended 31 December 2016.

## Principal Activity and Business Review

The Company is registered in England and Wales, having been incorporated on 27 January 2005 under the Companies Act with registered number 05345029 as a public limited company.

The principal activity of the Group is mineral exploration and development and it owns a portfolio of copper-silver 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.

## Review of the business and prospects

*Review of the business*

(i) The Company holds an option to acquire 100% of the currently producing Picachos copper prospect in north-central Chile and the adjacent Pastizal copper prospect.

(ii) The Company owns 100% of the Guamanga copper-gold and the La Serena copper prospects.

(iii) The Company is also active in seeking new exploration and development opportunities with a focus on Chilean projects, given its significant expertise and resources in Chile.

*Picachos and Pastizal prospects*

The Picachos prospect is an advanced copper prospect located 50 kilometres east to the major coastal city of La Serena and only eight kilometres west from the large Carmen de Andacollo copper mine owned by the Canadian miner, Teck Resources Inc. This region is a significant mining and resources location in Chile.

High grade copper ore grading approximately 2% copper is currently mined by private miners at Picachos on a small (artisanal) scale. During 2016, the Company did not undertake any drill programs. In 2014, the Company completed two successful drilling campaigns targeting both the high-grade structures and mantos-style copper mineralisation that exists at Picachos. Numerous high-grade copper intercepts were reported in both drill programs.

*Other prospects*

The Company proposes to undertake limited work programmes at the La Guamanga and La Serena prospects during 2017 in order to develop an appropriate strategy for extracting value.

The La Guamanga Project is targeting iron oxide copper-gold style mineralisation whilst the La Serena Project is targeting porphyry copper belt.

The package is highly prospective for leached cap, blanket style chalcocite copper mineralisation and/or porphyry gold.

*2017 goals*

- conducting drilling campaigns at the Picachos and Pastizal prospects; and

- source additional funding for the Company.

The Company's primary business remains 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 material adverse impact on the value of the Company.

Due to the early stage of the development of the Company 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.

*Strategy*

The Company's strategic plan is to advance the exploration programs at its Chilean Picachos and Pastizal prospects and continue to reduce creditors. With the strong Chilean management team, the Company will leverage off this significant operating experience in that country.

**Jeff Williams**
**Executive Director**

28 June 2017

**DIRECTORS' REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their Directors' Report as well as the audited financial statements for the Herencia Group (the "Group"), comprising Herencia Resources plc and its controlled entities, and the audited financial statements for Herencia Resources plc (the "Company"), for the financial year ended 31 December 2016.

**Results and dividends**

For the financial year ended 31 December 2016, the Group incurred a loss of £2,943,672 (2015: £13,977,097. The loss for the year included a charge for impairment of £875,000 for goodwill on acquisition (2015: nil). The 2015 result included an impairment of £10,908,123 for exploration and evaluation assets.

The reduction in the loss reflects the significant measures that the board of directors has put in place to reduce administrative expenses, the sale of the Paguanta project and lower impairment charges.

The directors do not recommend any distribution by way of a dividend for the financial year ended 31 December 2016.

**Going concern**

Note 27 details the Group's objectives, policies and processes for managing its capital financial risk, including exposures to credit and liquidity risk. The Group's capital management policy has been to raise sufficient funds through equity to fund exploration and development activities.

At 31 December 2016, the group had cash balances of £16,918. The Group completed an equity raising of £950,265 on 27 April 2017 and will look to raise further funding in order to advance its exploration activities at the Picachos project.

The board of directors believe that measures that have been put in place to refocus the exploration effort and to align the organisational structure to the exploration effort will improve the attractiveness of the Group in equity markets. Accordingly, the board of directors believe the Group will have capacity to access resources to continue its exploration effort for the foreseeable future and continue to meet, as and when they fall due, its financial obligations for at least the next twelve months from the date of approval of these financial statements. For this reason, the board of directors continue to adopt the going concern basis in the preparation of the financial statements.

There is however, no guarantee that the required funds will be raised within the necessary timeframe and therefore, material uncertainty exists that may cast doubt on the group's ability to continue to conduct its affairs as planned and to be able to meet its financial obligations in the normal course of business for a period not less than twelve months from the date of this report.

**Audit Committee**

The Audit Committee meets twice each year to discuss the half-year and annual results. Since the end of the financial year, the Audit Committee has been reconstituted with Mr Peter Reeve being appointed Chairman of the Audit Committee and Messrs John Moore and Jeff Williams as members.

For the annual results independent auditors, UHY Hacker Young, are invited to discuss the results and their assessment of internal controls.

The Company has adopted an Audit Committee Charter which sets out 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 this time, have a Remuneration Committee.

**Communications with shareholders**

The Company has its own website (www.herenciaresources.com) for the purposes of providing information to shareholders in a timely manner as well as providing information to potential investors.

**Group structure and changes in share capital**

A list of the entities controlled by the Company is shown in note 15 and movements in share capital during the financial year is set out in note 20 to the accounts.

**Directors**

The following directors held office during or since the end of the financial year and until the date of this report. Directors held office for the entire financial period unless otherwise stated.

| | |
|---|---|
| Peter Reeve | Non-executive Director (appointed a Non-executive Director on 31 March 2017 and non-executive Chairman from 20th June 2017) |
| John Moore | Non-executive Chairman to 20th June 2017 and Non-executive Director after that date |
| John Russell | Non-executive director (resigned as a Non-executive Director on 31st March 2017) |
| Jeffrey Williams | Executive Director (appointed 31st March 2017) |
| Graeme Sloan | Managing Director (resigned as Managing Director on 31st March 2017) |

**Directors' interests**

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

| Name | 31 December 2016 Number of ordinary shares of £0.0001 | 31 December 2015 Number of ordinary shares of £0.0001 |
|---|---:|---:|
| Peter Reeve | N/A | N/A |
| The Hon. John Moore AO. [1] | 29,374,080 | 29,374,080 |
| Jeffrey Williams | N/A | N/A |
| Graeme Sloan (resigned 31 March 2017)[2] | 26,488,905 | 26,488,905 |
| John Russell (resigned 31 March 2017)[3] | 31,907,413 | 31,907,413 |

[1,] 29,374,080 ordinary shares are held by Ralsten Pty Ltd an entity in which Mr John Moore is a director and shareholder.
[2] 26,488,905 shares were held directly and indirectly by Graeme Sloan.
[3] 31,907,413 shares were held directly and indirectly by John Russell.

The directors do not have any options over ordinary shares of the Company as at balance date 31 December 2016 (2015: nil).

No options were held or granted to Directors during the year.

**Directors' service contracts**

The service contracts of all existing non-executive directors are subject to a one-month termination period.

**Pensions**

The Group does not have any pension scheme for directors and employees.

**Directors remuneration**

The remuneration of directors for the financial year is as follows:

| **31 December 2016** | **Fees/basic salary £** | **Employer's NI £** | **Pension costs £** | **Share based payments £** | **2016 Total £** |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| Graeme Sloan | 17,669 | - | 1,679 | - | 19,348 |
| **Non-Executive** | | | | | |
| The Hon. John Moore AO. | - | - | - | - | - |
| John Russell | - | - | - | - | - |
| | 17,669 | - | 1,679 | - | 19,348 |

| **31 December 2015** | **Fees/basic salary £** | **Employer's NI £** | **Pension costs £** | **Share based payments £** | **2015 Total £** |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| Graeme Sloan | 106,261 | - | 10,095 | - | 116,356 |
| **Non-Executive** | | | | | |
| The Hon. John Moore AO. | 8,333 | - | - | - | 8,333 |
| John Russell | 12,250 | 725 | - | - | 12,975 |
| Christopher James | - | - | - | - | - |
| Jimmy Lim | - | - | - | - | - |
| | 126,844 | 725 | 10,095 | - | 137,664 |

The amounts recorded as salaries and emoluments to Messrs Graeme Sloan and John Moore represent the British pound equivalent of the amount paid in Australian dollars.

**Value of options exercised by Directors**

No options were exercised by the Directors during the year.

**Value of options over ordinary shares exercised by directors**

No options over ordinary shares were exercised by the directors of the Company.

**Substantial shareholders**

The Company has been notified in accordance with section 792 of the Companies Act 2006 of the following interests on its ordinary shares as at 25 June 2017:

| | **Number of Ordinary shares** | **% of Share Capital** |
|---|---|---|
| The Australian Special Opportunity Fund | 920,703,558 | 12.87% |
| Oriental Darius Co Ltd | 760,395,782 | 10.63% |
| Shining Capital Management Ltd | 400,000,000 | 5.59% |

**Subsequent events**

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

*Convertible Facility*

On 19 October 2016, the Company advised that it had secured a US$200,000 Convertible Facility from the Australian Special Opportunity Fund ("Lind Partners") and Oriental Darius Co Limited ("Oriental").

The Convertible Facility comprised two Tranches. Tranche I was drawn on 19 October 2016 and Tranche II was drawn on 3 March 2017 (US$50,000) and 16 March 2017 (US$50,000).

Under the terms and condition of the Convertible Facility, Tranche II was drawn on the same terms as Tranche I, including 0% interest per annum, a 24-month term and security against the assets of the Company. In addition, the Convertible Facility providers, Lind Partners and Oriental, were granted the option to convert their Tranche II funds into ordinary shares, on the same basis as Tranche I. The Company agreed to issue the Convertible facility providers. Subject to shareholder approval, options over ordinary shares equal to 100% of the total value of the Tranche II face value. The options over ordinary shares will mature in 36-months from the date of drawdown of Tranche II with an exercise price of 0.04 pence per ordinary share.

*Equity Raising*

On 5 May 2017, the Company completed a share placement of 2,121,137,042 ordinary shares at a price of 0.045 pence per ordinary share. The total funds raised by the Company from this equity raising initiative was £950,265.

*Conversion of convertible loan*

On 15 May 2017, Oriental Darius Co Ltd converted US$50,000 in convertible loan monies into ordinary shares. The Company issued 388,018,004 ordinary shares at 0.01 pence per ordinary share in satisfaction of the conversion of US$50,000 in convertible loans into ordinary shares.

*Shares on issue*

Following the issue of ordinary shares from the equity raising initiative and the conversion of convertible loan monies into ordinary shares, the Company has 7,156,426,961 ordinary shares on issue.

No other matter or circumstance have arisen since the end of the reporting date to the date of this report which significantly affects the results of the Company.

**Environment Policy Statement**

The Group conducts exploration and evaluation activities for its own account and therefore, is totally responsible for environment at exploration permit areas granted. The group closely monitors activities to ensure, to the best of its knowledge, there is no potential for any breach of environmental regulations. The Group has not received any notices of breached Chilean regulations during the reporting period.

**Statement of responsibility of those charged with governance**

The board of directors is responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards 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 adequate 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 General Meeting.

By order of the board

**PD Reeve**
**Chairman**

28 June 2017

**INDEPENDENT AUDITORS' REPORT**
**TO THE MEMBERS OF HERENCIA RESOURCES PLC**
**FOR THE YEAR ENDED 31 DECEMBER 2016**

We have audited the financial statements of Herencia Resources plc for the year ended 31 December 2016 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Councils website at www.frc.org.uk/apb/scope/private.

**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 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure (made in note 1.1) to the financial statements concerning the Group's ability to continue as a going concern. Along with similar sized exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. As discussed in note 1.1 the Company will need to raise further funds in order to meet its budgeted operating and planned exploration costs for the next year.

These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's and

Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result (such as impairment of assets) if the Group and Company were unable to continue as a going concern.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements, and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors Report.

**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.

**Subarna Banerjee (Senior Statutory Auditor)**
**For and on behalf of UHY Hacker Young**
Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London E1W 1YW

30 June 2017

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Notes | Year ended 31 December 2016 £ | Year ended 31 December 2015 (Restated*) £ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | | - | - |
| Cost of sales | | - | - |
| **Gross profit** | | - | - |
| Administration expenses | | (1,546,205) | (1,410,711) |
| Impairment of goodwill | 13 | (875,000) | - |
| Foreign exchange losses | | (426,969) | (517,944) |
| **Operating loss** | 6 | (2,848,174) | (1,928,655) |
| Finance revenue | | - | 227 |
| **Loss before tax** | | (2,848,174) | (1,928,428) |
| Income tax expenses | 8 | - | - |
| **Loss for the year from continuing operations** | | **(2,848,174)** | **(1,928,428)** |
| **Discontinued Operations** | | | |
| Loss from discontinued operation, net of tax | 6 | (95,498) | (12,048,669) |
| **Total Loss** | | **(2,943,672)** | **(13,977,097)** |
| **Other Comprehensive Income** | | | |
| Exchange differences on translating foreign operations | | 1,139,744 | 81,414 |
| **Total Comprehensive Loss for the year** | | **(1,803,928)** | **(13,895,683)** |
| **Loss attributable to:** | | | |
| Equity holders of the Company | | (2,959,765) | (13,741,247) |
| Non-controlling interests | | 16,093 | (235,850) |
| | | **(2,943,672)** | **(13,977,097)** |
| **Total Comprehensive Loss attributable to:** | | | |
| Equity holders of the Company | | (1,820,021) | (13,616,067) |
| Non-controlling interests | | 16,093 | (279,616) |
| | | **(1,803,928)** | **(13,895,683)** |
| **Loss per share** | | | |
| Loss per ordinary share – basic and diluted | 4 | (0.06)p | (0.36)p |
| **Loss per share –Continuing Operations** | | | |
| Loss per ordinary share – basic and diluted | 4 | (0.06)p | (0.05)p |
| **Loss per share –Discontinued Operations** | | | |
| Loss per ordinary share – basic and diluted | 4 | - | (0.31)p |

* Restated: Refer Note 6

**STATEMENTS OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2016**

| | Notes | Group 31 December 2016 £ | Group 31 December 2015 £ | Company 31 December 2016 £ | Company 31 December 2015 £ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Receivables | 12 | 4,293 | 432,202 | 4,082,063 | 6,556,570 |
| Intangible assets and goodwill | 13 | 4,161,875 | 4,719,602 | - | - |
| Property, plant and equipment | 14 | 22,798 | 41,437 | - | 3,140 |
| Investments in subsidiaries | 15 | - | - | - | 1,250,000 |
| | | 4,188,966 | 5,193,241 | 4,082,063 | 7,809,710 |
| **Current assets** | | | | | |
| Cash and cash equivalents | 9 | 16,918 | 207,183 | 8,827 | 16,424 |
| Trade and other receivables | 10 | 130,011 | 253,272 | - | 9,590 |
| Other assets | 11 | 21,556 | 41,736 | 21,556 | 41,736 |
| | | 168,485 | 502,191 | 30,383 | 67,750 |
| **Total assets** | | **4,357,451** | **5,695,432** | **4,112,446** | **7,877,460** |
| **LIABILITIES** | | | | | |
| **Non current liabilities** | | | | | |
| Provisions for liabilities | 16 | - | 46,566 | - | - |
| Loans and borrowings | 18 | 716,547 | - | 716,547 | - |
| | | 716,547 | 46,566 | 716,547 | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 17 | 1,171,728 | 1,290,721 | 269,794 | 198,818 |
| Provisions for liabilities | 16 | 92,692 | 72,738 | 45,375 | 35,214 |
| Loans and borrowings | 18 | 35,312 | 250,000 | 35,312 | 250,000 |
| | | 1,299,732 | 1,613,459 | 350,481 | 484,032 |
| **Total liabilities** | | **2,016,279** | **1,660,025** | **1,067,028** | **484,032** |
| **Net Assets** | | **2,341,172** | **4,035,407** | **3,045,418** | **7,393,428** |
| **EQUITY** | | | | | |
| Share capital | 20 | 4,304,675 | 4,266,609 | 4,304,675 | 4,266,609 |
| Share premium | | 23,412,246 | 23,412,246 | 23,412,246 | 23,412,246 |
| Share based payments reserve | | 761,360 | 761,360 | 761,360 | 761,360 |
| Other reserve | | 46,141 | - | 46,141 | - |
| Translation reserve | | (353,726) | (1,493,470) | - | - |
| Retained losses | | (25,952,648) | (26,381,417) | (25,479,004) | (21,046,787) |
| **Capital and reserves attributable to equity holders** | | **2,218,048** | **565,328** | **3,045,418** | **7,393,428** |
| Non-controlling interests | 19 | 123,124 | 3,470,079 | - | - |
| **Total equity and reserves** | | **2,341,172** | **4,035,407** | **3,045,418** | **7,393,428** |

The financial statements of Herencia Resources plc, company number 05345029, were approved by the Board of Directors and authorised for issue on 28 June 2017. They were signed on its behalf by:

**PD Reeve**
**Chairman**

**STATEMENTS OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Notes | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|---|---|---|---|---|---|
| **Net cash outflow from operating activities** | 22 | (1,462,966) | (1,089,785) | (329,952) | (430,354) |
| **Cash flows from investing activities** | | | | | |
| Interest received | | - | 227 | - | 227 |
| Payments for property, plant and equipment | 14 | - | (3,197) | - | - |
| Cash calls from subsidiary | 12 | - | - | (274,636) | (650,898) |
| Net funds used for investing in exploration | 13 | (406,585) | (445,722) | - | - |
| **Net cash used by investing activities** | | (406,585) | (448,692) | (274,636) | (650,671) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of shares | 20 | - | 512,000 | - | 512,000 |
| Proceeds from loans | 18 | 596,991 | 250,000 | 596,991 | 250,000 |
| Proceeds from sale of subsidiary | 6 | 1,082,295 | - | - | - |
| Share issue costs | | - | (65,856) | - | (65,856) |
| **Net cash from financing activities** | | 1,679,286 | 696,144 | 596,991 | 696,144 |
| **Net decrease in cash and cash equivalents** | | (190,265) | (842,333) | (7,597) | (384,881) |
| Cash and cash equivalents at the beginning of the year | | 207,183 | 1,049,516 | 16,424 | 401,305 |
| **Cash and cash equivalents at the end of the year** | 9 | **16,918** | **207,183** | **8,827** | **16,424** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2016

| | Share capital £ | Share premium £ | Translation reserve £ | Share-based payments reserve £ | Other reserve £ | Shares to be issued £ | Retained losses £ | Total £ | Non-controlling interests £ | Total equity £ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2015** | 3,239,627 | 23,298,661 | (1,618,650) | 761,360 | 112,048 | 299,698 | (12,752,218) | 13,340,526 | 3,967,394 | 17,307,920 |
| Issue of shares | 1,026,982 | 179,441 | - | - | - | (299,698) | - | 906,725 | - | 906,725 |
| Share issue costs | - | (65,856) | - | - | - | - | - | (65,856) | - | (65,856) |
| Transfers from reserves | - | - | - | - | (112,048) | - | 112,048 | - | - | - |
| Other transactions with non-controlling interests | - | - | - | - | - | - | - | - | (217,699) | (217,699) |
| Total comprehensive income/(loss) for the year | - | - | 125,180 | - | - | - | (13,741,247) | (13,616,067) | (279,616) | (13,895,683) |
| **Balance at 31 December 2015** | 4,266,609 | 23,412,246 | (1,493,470) | 761,360 | - | - | (26,381,417) | 565,328 | 3,470,079 | 4,035,407 |
| **Balance at 1 January 2016** | 4,266,609 | 23,412,246 | (1,493,470) | 761,360 | - | - | (26,381,417) | 565,328 | 3,470,079 | 4,035,407 |
| Issue of shares | 38,066 | - | - | - | - | - | - | 38,066 | - | 38,066 |
| Compound instrument equity component | - | - | - | - | 46,141 | - | - | 46,141 | - | 46,141 |
| Other transactions with non-controlling interests | - | - | - | - | - | - | - | - | 25,486 | 25,486 |
| Disposal of subsidiary including minority interest | - | - | - | - | - | - | 3,388,534 | 3,388,534 | (3,388,534) | - |
| Total comprehensive income/(loss) for the year | - | - | 1,139,744 | - | - | - | (2,959,765) | (1,820,021) | 16,093 | (1,803,928) |
| **Balance at 31 December 2016** | 4,304,675 | 23,412,246 | (353,726) | 761,360 | 46,141 | - | (25,952,648) | 2,218,048 | 123,124 | 2,341,172 |

**COMPANY STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Share capital £ | Share premium £ | Share-based payments reserve £ | Other reserve £ | Shares to be issued £ | Retained losses £ | Total equity £ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2015** | 3,239,627 | 23,298,661 | 761,360 | 112,048 | 299,698 | (7,500,211) | 20,211,183 |
| Issue of shares | 1,026,982 | 179,441 | - | - | (299,698) | - | 906,725 |
| Share issue costs | - | (65,856) | - | - | - | - | (65,856) |
| Transfers from reserves | - | - | - | (112,048) | - | 112,048 | - |
| Total comprehensive income/(loss) for the year | - | - | - | - | - | (13,658,624) | (13,658,624) |
| **Balance at 31 December 2015** | 4,266,609 | 23,412,246 | 761,360 | - | - | (21,046,787) | 7,393,428 |
| **Balance at 1 January 2016** | 4,266,609 | 23,412,246 | 761,360 | - | - | (21,046,787) | 7,393,428 |
| Issue of shares | 38,066 | - | - | - | - | - | 38,066 |
| Compound instrument equity component | - | - | - | 46,141 | - | - | 46,141 |
| Total comprehensive income/(loss) for the year | - | - | - | - | - | (4,432,217) | (4,432,217) |
| **Balance at 31 December 2016** | 4,304,675 | 23,412,246 | 761,360 | 46,141 | - | (25,479,004) | 3,045,418 |

## 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 Parent Company's loss for the year ended 31 December 2016 of £4,432,217 includes an impairment charge of £2,749,142 relating to non-recoverability of loan receivables and £1,250,000 for non-recoverability of investment in subsidiaries. Excluding the impairment charges, the loss for the year was £433,075 compared to £527,395 (loss) in the previous year (ignoring impairment of £13,131,229).

The activities in the year and future prospects of the Group are discussed in the Strategic Report.

In addition, note 27 details the Group's objectives, policies and processes for managing its capital financial risk, including exposures to credit and liquidity risk. The Group's capital management policy has been to raise sufficient funds through equity to fund exploration activity and development activities.

At 31 December 2016, the group had cash balances of £16,918. The Group completed an equity raising of £950,265 on 27 April 2017 and will look to raise further funding in order to advance its exploration activities at the Picachos project.

The board of directors believe that measures that have been put in place to refocus the exploration effort and to align the organisational structure to the exploration effort will improve the attractiveness of the Group in equity markets. Accordingly, the board of directors believe the Group will have capacity to access resources to continue its exploration effort for the foreseeable future and continue to meet, as and when they fall due, its financial obligations for at least the next twelve months from the date of approval of these financial statements. For this reason, the board of directors continue to adopt the going concern basis in the preparation of the financial statements.

There is however, no guarantee that the required funds will be raised within the necessary timeframe and therefore, material uncertainty exists that may cast doubt on the group's ability to continue to conduct its affairs as planned and to be able to meet its financial obligations in the normal course of business for a period not less than twelve months from the date of this report.

### 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**

Property, plant and equipment are 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:

| | |
|---|---|
| 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 year end 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.

***Disposals***

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 the statement of comprehensive income 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, annual leave and long service 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. 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 and 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.

## 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)

The Company has adopted all new and revised Standards and Interpretations in the current period which has affected the amounts reported 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.

### 3.2 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.

The Company does not plan early adoption of any Standards.

## 4. Loss per share

The basic loss per ordinary share of 0.06p (2015: (0.36)p) for the Group has been calculated by dividing the loss for the year attributable to equity holders of £2,959,765 (2015: £13,741,247) by the weighted average number of ordinary shares in issue of 4,391,416,892 (2015: 3,770,137,684).

The basic loss per ordinary share from continuing operations of 0.06p (2015: (0.05)p) for the Group has been calculated by dividing the loss for the year from continuing operations of £2,848,174 (2015: £1,928,428) by the weighted average number of ordinary shares in issue of 4,391,416,892 (2015: 3,770,137,684).

The basic loss per ordinary share from discontinued operations of Nil (2015: (0.31)p) for the Group has been calculated by dividing the loss for the year from discontinued operations of £95,498 (2015: £12,048,669) by the weighted average number of ordinary shares in issue of 4,391,416,892 (2015: 3,770,137,684).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 4,416,416,892 (2015: 3,815,137,684). 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.

## 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:

| | Mineral Exploration | | Central Costs | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | £ | £ | £ | £ | £ | £ |
| **Segment information by operating segment** | | | | | | |
| Finance revenue | - | - | - | 227 | - | 227 |
| Administration expenses | (1,141,787) | (1,614,406) | (343,174) | (518,779) | (1,484,961) | (2,133,185) |
| *Non-cash expenditure:* | | | | | | |
| Depreciation expense | (8,379) | (37,226) | (3,140) | (2,786) | (11,519) | (40,012) |
| Impairment of exploration | - | (10,908,123) | - | - | - | (10,908,123) |
| Impairment of goodwill on consolidation | - | - | (875,000) | | (875,000) | - |
| Loss on disposal of subsidiary | (167,386) | - | - | | (167,386) | - |
| Foreign exchange (losses)/gain | (318,045) | (889,897) | (86,761) | (6,107) | (404,806) | (896,004) |
| **Segment result** | (1,653,597) | (13,449,652) | (1,308,075) | (527,445) | (2,943,672) | (13,977,097) |
| Segment assets | 4,327,068 | 4,749,541 | 30,383 | 945,891 | 4,357,451 | 5,695,432 |
| Segment liabilities | (949,251) | (1,175,993) | (1,067,028) | (484,032) | (2,016,279) | (1,660,025) |
| **Net assets** | 3,377,817 | 3,573,548 | (1,036,645) | 461,859 | 2,341,172 | 4,035,407 |

| | External Revenue | | Non-Current Assets | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Segment information by region** | £ | £ | £ | £ |
| Australia | - | - | - | 3,140 |
| Chile | - | - | 4,188,966 | 5,190,101 |
| **Group** | - | - | 4,188,966 | 5,193,241 |

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.

## 6. Operating loss

| | Group 2016 £ | Group 2015 £ |
|---|---|---|
| Auditors' remuneration | | |
| - audit | 47,670 | 58,231 |
| Depreciation | 11,519 | 40,012 |
| Corporate and advisory fees | 423,423 | 545,512 |
| Employee benefits expense | 486,119 | 647,885 |
| Finance costs | 133,367 | 35,811 |
| Impairment of goodwill on consolidation | 875,000 | - |

The audit costs include £24,900 (2015: £24,900) payable to the parent company auditors.

***Discontinued Operations***

On 28 July 2016, the Company announced that it had completed the sale with Golden Rim Resources Limited ("GMR") to acquire Herencia's wholly owned subsidiary Paguanta Resources (Chile) SA ("PRC"). PRC held 70% of Compania Minera Paguanta S.A. which held the mineral concessions at the Paguanta silver-lead-zinc-copper project in northern Chile.

The total cash consideration received for the sale and purchase of the PRC shares was £1,082,295 (USD$1.5million). In addition, GMR agreed to issue US$800,000 worth of fully paid ordinary shares issued in the capital of GMR at a 20-Day VWAP in the event a decision to mine is made at Paguanta is made within 5 years from completion of the transaction. Given the uncertainty, this equity component has not been recorded as part of the total sale proceeds.

| | Group 2016 £ | Group 2015 £ |
|---|---|---|
| (Recoupment)/expenses | (49,725) | 762,486 |
| Impairment of exploration & evaluation assets held by discontinued subsidiary | - | 10,908,123 |
| Foreign exchange (gains)/losses | (22,163) | 378,060 |
| Loss on sale of discontinued subsidiary | 167,386 | - |
| Income tax | - | - |
| Total loss from discontinued operations | 95,498 | 12,048,669 |

## 7. Employees and emoluments

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

| | Group 2016 £ | Group 2015 £ |
|---|---|---|
| Wages and salaries | 416,778 | 611,014 |
| Social security costs | 4,966 | 5,468 |
| Directors' fees | - | 21,308 |
| Pension costs | 1,679 | 10,095 |
| | 423,423 | 647,885 |

### (b) Directors' remuneration

**31 December 2016**

| | Fees/basic salary £ | Employer's NI £ | Pension costs £ | Share based payments £ | 2016 Total £ |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| Graeme Sloan | 17,669 | - | 1,679 | - | 19,348 |
| **Non-Executive** | | | | | |
| The Hon. John Moore AO. | - | - | - | - | - |
| John Russell | - | - | - | - | - |
| | 17,669 | - | 1,679 | - | 19,348 |

| 31 December 2015 | Fees/basic salary £ | Employer's NI £ | Pension costs £ | Share based payments £ | 2015 Total £ |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| Graeme Sloan | 106,261 | - | 10,095 | - | 116,356 |
| | | | | | |
| **Non-Executive** | | | | | |
| The Hon. John Moore AO. | 8,333 | - | - | - | 8,333 |
| John Russell | 12,250 | 725 | - | - | 12,975 |
| Christopher James | - | - | - | - | - |
| Jimmy Lim | - | - | - | - | - |
| | 126,844 | 725 | 10,095 | - | 137,664 |

The amounts recorded as salaries and emoluments to Messrs Graeme Sloan and John Moore represent the British pound equivalent of the amount paid in Australian dollars.

### (c) Value of options exercised by Directors

No options were exercised by the Directors during the year.

## 8. Taxation

| | Group 2016 £ | Group 2015 £ |
|---|---|---|
| **Current tax charge** | - | - |
| | | |
| **Deferred tax** | | |
| Deferred tax current period charge | - | - |
| | - | - |

### 8.1 Income tax recognised in profit or loss

| | Group 2016 £ | Group 2015 £ |
|---|---|---|
| **Factors affecting the tax charge for the period** | | |
| Loss on ordinary activities before taxation | (2,943,672) | (13,977,097) |
| | | |
| Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 17.0% (2015: 20.0%) | (500,424) | (2,795,419) |
| | | |
| *Effects of:* | | |
| Impairment | 148,750 | 2,181,625 |
| Unrealised exchange differences | 14,750 | 1,222 |
| Tax losses | 336,924 | 612,572 |
| Current tax charge | - | - |

### 8.2 Income tax recognised in other comprehensive income

| | Group 2016 £ | Group 2015 £ |
|---|---|---|
| **Factors affecting the tax charge for the period** | | |
| Other comprehensive income/(loss) | 1,139,744 | 81,414 |
| | | |
| Total comprehensive income/(loss) before taxation multiplied by the standard rate of UK corporation tax of 17.0% (2015: 20.0%) | 193,756 | 16,282 |

| | | |
|---|---|---|
| *Effects of:* | | |
| Exchange difference on translating foreign operations | (193,756) | (16,282) |
| Current tax charge | - | - |

**Factors that may affect future tax charges**
At the year end date, the Group has unused tax losses available for offset against suitable future profits. The group had accumulated tax losses of £9,884,067 at 31 December 2016 (2015: £16,355,120). A deferred tax asset amounting to £1,680,291 (2015: £3,271,024) has not been recognised in respect of such losses due to uncertainty of future profit streams.

| **9. Cash and cash equivalents** | **Group 2016 £** | **Group 2015 £** | **Company 2016 £** | **Company 2015 £** |
|---|---|---|---|---|
| Cash at bank and in hand | 16,918 | 207,183 | 8,827 | 16,424 |

| **10. Trade and other receivables** | **Group 2016 £** | **Group 2015 £** | **Company 2016 £** | **Company 2015 £** |
|---|---|---|---|---|
| Other receivables | 130,011 | 253,272 | - | 9,590 |

| **11. Other current assets** | **Group 2016 £** | **Group 2015 £** | **Company 2016 £** | **Company 2015 £** |
|---|---|---|---|---|
| Prepayments | 21,566 | 41,736 | 21,566 | 41,736 |

| **12. Receivables – non current** | **Group 2016 £** | **Group 2015 £** | **Company 2016 £** | **Company 2015 £** |
|---|---|---|---|---|
| Other receivables | 4,293 | 432,202 | - | - |
| Amounts due from subsidiary undertakings | - | - | 4,082,063 | 6,556,570 |
| | 4,293 | 432,202 | 4,082,063 | 6,556,570 |

| **Amounts due from subsidiary undertakings** | | |
|---|---|---|
| Balance at the beginning of the year | 6,556,570 | 18,878,901 |
| Cash call to subsidiaries | 274,635 | 650,898 |
| Other non cash addition | - | 158,000 |
| Impairment on loan | (2,749,142) | (13,131,229) |
| Balance at the end of the year | 4,082,063 | 6,556,570 |

Other receivables of £4,293 (2015: £432,202) represents the net amount recoverable of value added tax (VAT) from the relevant taxation authority.

In 2015, directors undertook an impairment review of the carrying value of the subsidiary loans in response to the pending sale of Paguanta Resources (Chile) SA. Based on the cash consideration, this resulted in an impairment charge of £13,131,228.

In 2016, an impairment review was conducted by the directors. The review concluded that the carrying value of exploration and evaluation assets was both fair and reasonable. The directors; however, impaired the amount previously recorded as goodwill on acquisition of £875,000 and loans from subsidiaries of

£2,749,142. In 2015, the impairment review resulted in a charge of £10,908,123 being brought to account in the consolidated statement of comprehensive income.

### 13. Intangible assets

| | Goodwill | Exploration & evaluation costs | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Cost** | | | |
| As at 1 January 2016 | 1,000,000 | 15,299,858 | 16,299,858 |
| Additions | - | 406,585 | 406,585 |
| Disposals | - | (11,819,324) | (11,819,324) |
| Effect of foreign currency exchange differences | - | 821,889 | 821,889 |
| At 31 December 2016 | 1,000,000 | 4,709,008 | 5,709,008 |
| **Impairment** | | | |
| As at 1 January 2016 | (125,000) | (11,455,256) | (11,580,256) |
| Disposals | | 10,908,123 | 10,908,123 |
| Impairment loss | (875,000) | - | (875,000) |
| At 31 December 2016 | (1,000,000) | (547,133) | (1,547,133) |
| **Carrying amount** | | | |
| As at 31 December 2016 | - | 4,161,875 | 4,161,875 |
| As at 31 December 2015 | 875,000 | 3,844,602 | 4,719,602 |

The exploration and evaluation costs as at 31 December 2016 relate to Guamanga (£1,770,070), La Serena (£223,859) and Picachos (£2,167,946) projects located in Chile, South America. In accordance with Accounting Policy note 1.3, these projects are translated into Sterling at the rates of exchange ruling at the end of the year.

The Board has considered the carrying value of the Picachos, Guamanga and La Serena Projects and concluded that no impairment provision was required due to to the progressing state of the projects including the positive results from completed exploration to date and the potential for future discovery and development.

However, the board of directors approved the impairment of the goodwill on consolidation which resulted in a impairment charge of £875,000.

### 14. Property, plant and equipment

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Plant and equipment** | | | | |
| At cost | 106,010 | 302,625 | - | 23,854 |
| Accumulated depreciation | (83,212) | (261,188) | - | (20,714) |
| Total property and equipment | 22,798 | 41,437 | - | 3,140 |
| **Movements in carrying amounts** | | | | |
| Balance at the beginning of the year | 41,437 | 70,360 | 3,140 | 5,926 |
| Additions at cost | - | 3,197 | - | - |
| Disposals | (12,938) | - | - | - |
| Depreciation expense | (11,519) | (40,012) | (3,140) | (2,786) |
| Effect of foreign currency exchange differences arising during the year | 5,818 | 7,892 | - | - |
| Carrying amount at the end of the year | 22,798 | 41,437 | - | 3,140 |

### 15. Investments in subsidiaries

The Company's investments in subsidiary undertakings at 31 December 2016 were as follows:

| | Company £ |
|---|---|
| Cost at 1 January 2016 and at 31 December 2016 | 1,500,000 |
| | |
| Provision for impairment at 1 January 2015 | (250,000) |
| Impairment loss | (1,250,000) |
| Balance at 31 December 2016 | (1,500,000) |
| | |
| Net book value at 31 December 2016 | - |
| Net book value at 31 December 2015 | 1,250,000 |

The Company's subsidiary undertakings as at 31 December 2016 were as follows:

| **Company name** | **Country of registration or incorporation** | **Class** | **Shares held %** |
|---|---|---|---|
| **Direct** | | | |
| Tarapaca Resources (Bermuda) Limited | Bermuda | Ordinary | 100 |
| **Indirect** | | | |
| Tarapaca Holdings (BVI) Limited | British Virgin Islands | Ordinary | 100 |
| Iquique Resources (Chile) SA | Chile | Ordinary | 100 |
| Paguanta Mining Services Limited | Chile | Ordinary | 100 |
| Herencia Resources (Chile) SA [i] | Chile | Ordinary | 94 |
| Herencia Services SA | Chile | Ordinary | 100 |

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

As announced on 28 July 2016, the Company executed a formal agreement with Golden Rim Resources Limited for the sale of Paguanta Resources (Chile) SA which holds 70% of Compania Minera Paguanta S.A. Refer note 6 for further information.

## 16. Provisions for liabilities

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|---|---|---|---|---|
| **Decommissioning expenditure** | | | | |
| Balance at the beginning of the year | 46,566 | 51,672 | - | - |
| Disposal | (46,566) | - | - | - |
| Effect of foreign currency exchange differences arising during the year | - | (5,106) | - | - |
| Balance at the end of the year | - | 46,566 | - | - |
| | | | | |
| **Employee benefits** | | | | |
| Balance at the beginning of the year | 72,738 | 37,926 | 35,214 | 37,926 |
| Arising during the year | 3,302 | 49,500 | 3,302 | 11,976 |
| Utilised during the year | - | (12,267) | - | (12,267) |
| Effect of foreign currency exchange differences arising during the year | 16,652 | (2,421) | 6,859 | (2,421) |
| Balance at the end of the year | 92,692 | 72,738 | 45,375 | 35,214 |
| | | | | |
| **Comprising** | | | | |
| Current | 92,692 | 72,738 | 45,375 | 35,214 |
| Non-current | - | 46,566 | - | - |
| | 92,692 | 119,304 | 45,375 | 35,214 |

The decommissioning expenditure provision related to the Pagunata project which was sold during the year. Based on an assessment of the remaining exploration projects, no provision is considered necessary.

The provision for employee benefits relates to annual leave entitlements.

| **17. Trade and other payables** | **Group 2016 £** | **Group 2015 £** | **Company 2016 £** | **Company 2015 £** |
|---|---|---|---|---|
| Other payables and accruals | 1,171,728 | 1,290,721 | 269,794 | 198,818 |

| **18. Loans and borrowings** | **Group 2016 £** | **Group 2015 £** | **Company 2016 £** | **Company 2015 £** |
|---|---|---|---|---|
| Current | 35,312 | 250,000 | 35,312 | 250,000 |
| Non-current | 716,547 | - | 716,547 | - |
| | 751,859 | 250,000 | 751,859 | 250,000 |
| **Convertible Notes** | | | | |
| Balance at the beginning of the year | - | 402,182 | - | 402,182 |
| Net proceeds from issue of convertible note | 326,256 | - | 326,256 | - |
| Conversion of loan | (38,066) | (395,355) | (38,066) | (395,355) |
| Amount classified as equity | (46,141) | - | (46,141) | - |
| Accreted interest | 16,765 | (6,827) | 16,765 | (6,827) |
| Carrying amount at the end of the year | 258,814 | - | 258,814 | - |
| **Other Loans** | | | | |
| Balance at the beginning of the year | 250,000 | - | 250,000 | - |
| Proceeds from loan | 270,735 | 250,000 | 270,735 | 250,000 |
| Effect of foreign currency exchange differences arising during the year | 62,310 | - | 62,310 | - |
| Loan discount | (90,000) | - | (90,000) | - |
| Carrying amount at the end of the year | 493,045 | 250,000 | 493,045 | 250,000 |

*Convertible Notes*

During the year, the Company entered into the following funding arrangements with two of its major shareholders, the Australian Special Opportunity Fund ("Lind Partners") and Oriental Darius Co. Ltd ("Oriental").

These funding arrangements are by way of Secured Convertible Facilities totalling US$950,000. As at 31 December 2016, US$450,000 has been drawn down with a further US$500,000 that can be advanced at the discretion of the Shareholders.

- On 26 February 2016 and 18 March 2016, the Company confirmed it had received US$50,000 loans from the Lind Partners and Oriental respectively. The loans are interest free and repayable after 6 months and, subject to shareholder approval, will be convertible into ordinary shares at 0.01p. As at 31 December 2016, the Lind Partners had converted this loan with Oriental converting the loan in May 2017 (refer Note 24).
- On 5 April 2016, Herencia announced that it executed a legally binding term sheets with the Shareholders to advance the Company up to US$500,000 by way of a Secured Convertible Facility, subject to the satisfaction of certain conditions. The funds will be divided into two Tranches (Tranche 1 totalling US$200,000 and Tranche 2 totalling US$300,000). As at 31 December 2016, US$200,000 has been fully drawn under Tranche 1.
- On 7 June 2016, the Company announced that it has entered into a further Secured Convertible Facility with the Shareholders to advance the Company up to US$150,000. The funds will be divided into two Tranches (Tranche 1 totalling US$50,000 and Tranche 2 totalling US$100,000). As

at 31 December 2016, US$50,000 has been fully drawn under Tranche 1.

- On 21 October 2016, the Company announced that it has entered into a further Secured Convertible Facility with the Shareholders to advance the Company up to US$200,000. The funds will be divided into two Tranches (Tranche 1 totalling US$100,000 and Tranche 2 totalling US$100,000). As at 31 December 2016, US$100,000 has been fully drawn under Tranche 1.

Full details of the terms and conditions of the Secured Convertible Facilities including the conversion issue price and options are contained in the respective announcements.

*Other Loans*
During the year, the Directors advanced further loans of £270,735 to the Company for working capital purposes comprising of £240,735 advanced by John Moore and £30,000 advanced by John Russell. These loans are unsecured and non-interest bearing with the exception of £210,735 (USD$300,000) which has an interest rate of 15% pa. Initial repayment terms provide that the loans be repayable within 12 months, however this can be extended if required. In addition, the total loans advanced by John Russell and Graeme Sloan have agreed to be reduced by 50% resulting in a reduction of £90,000.

The Director loan balance at 31 December 2016 is £493,045 (2015: £250,000) represented by £396,500 payable to John Moore, £44,045 payable to Graeme Sloan (net of 50% reduction) and £52,500 payable to John Russell (net of 50% reduction).

| **19. Non-controlling interests** | **Group 2016 £** | **Group 2015 £** |
|---|---|---|
| Called up share capital | 123,124 | 6,013,686 |
| Accumulated losses | - | (1,806,024) |
| Translation reserve | - | (737,583) |
| | 123,124 | 3,470,079 |

The movement during the year is due to the sale of Paguanta Resources (Chile) SA which held 70% of Compania Minera Paguanta S.A.

| **20. Share capital** | **Company 2016 £** | **Company 2015 £** |
|---|---|---|
| *Allotted, issued and fully paid:* | | |
| 4,647,271,915 ordinary shares of £0.01p each and 4,266,609,563 deferred shares of £0.09p each (2015: 4,266,609,563 ordinary shares) | 4,304,675 | 4,266,609 |

| *Movement in share capital during the period comprises:* | **Number of Ordinary Shares** | **Number of Deferred Shares** | **Share Capital £** | **Share Premium £** |
|---|---|---|---|---|
| **Issued and fully paid** | | | | |
| As at 1 January 2016 shares | 4,266,609,563 | - | 4,266,609 | 23,412,246 |
| Subdivision of ordinary shares [i]: | | | | |
| Ordinary shares | - | - | (3,839,949) | - |
| Deferred shares | - | 4,266,609,563 | 3,839,949 | - |
| 2 September 2016 - 0.01p per share [ii] | 380,662,352 | - | 38,066 | |
| **Balances as at 30 June 2016** | 4,647,271,915 | 4,266,609,563 | 4,304,675 | 23,412,246 |

[i] At the Annual General Meeting of the Company held on 29 June 2016, shareholders approved the subdivision of each ordinary share of 0.1p into 1 ordinary share of 0.01p and 1 deferred share of 0.09p.

[ii] Shares issued to The Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners as satisfaction of conversion of the US$50,000 Convertible Loan Note. Refer note 18.

## 21. Share options and share-based payments

### (a) Movements in share options during the year

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

| | Number of options 2016 | Weighted average exercise price 2016 | Number of options 2015 | Weighted average exercise price 2015 |
|---|---|---|---|---|
| Balance at the beginning of the year | 25,000,000 | 1.33p | 45,000,000 | 1.30p |
| Expired during the year | (25,00,000) | 1.33p | (20,00,000) | 1.25p |
| Balance at the end of year | - | - | 25,000,000 | 1.33p |

No share options were in existence at the current year end

### (b) Fair value of share options granted

No shares options were granted during the year (2015: Nil).

### (c) Options held by Directors

No options were held or granted to Directors during the year.

| 22. Net cash outflow from operating activities | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|---|---|---|---|---|
| Operating loss | (2,943,672) | (13,977,324) | (4,432,217) | (13,658,851) |
| *Adjustments for non-cash items:* | | | | |
| Depreciation of property, plant and equipment | 11,519 | 40,012 | 3,140 | 2,786 |
| Exchange differences on retranslation of foreign operations / financial liabilities | 416,484 | 1,447,507 | 62,310 | - |
| Impairment on loan | - | - | 2,749,142 | 13,131,229 |
| Impairment of investment in subsidiaries | - | - | 1,250,000 | - |
| Impairment of goodwill | 875,000 | - | - | - |
| Impairment on exploration & development costs | - | 10,908,123 | - | - |
| Reduction on loans | (90,000) | - | (90,000) | - |
| Non-cash finance costs | 16,765 | (7,456) | 16,765 | (7,456) |
| Other Non-cash differences | (158,156) | - | - | - |
| *Changes in assets and liabilities:* | | | | |
| (Increase)/decrease in trade and other receivables | 571,350 | (230,458) | 29,765 | (32,602) |
| Increase/(decrease) in trade and other payables | (118,992) | 692,579 | 70,977 | 137,252 |
| Increase/(decrease in provisions | (43,264) | 37,232 | 10,161 | (2,712) |
| Net cash outflow from operating activities | (1,462,966) | (1,089,785) | (329,957) | (430,354) |

## 23. Control

No one party is identified as controlling the Company.

## 24. Subsequent events

- On 3 March 2017, the Company received US$50,000 from the Australian Special Opportunity Fund representing Tranche 2 of the Convertible Note facility announced 19 October 2016.

- On 16 March 2017, the Company received US$50,000 from Oriental Darius Co. Ltd representing Tranche 2 of the Convertible Note facility announced 19 October 2016.

- On 5 May 2017 the Company successfully placed US$1.230 million from the issue of 2,121,137,042 new ordinary shares at 0.045 pence.

- On 15 May 2017, 388,018,004 ordinary shares were issued to Oriental Darius Co., Ltd as satisfaction of conversion of the Convertible Loan of US$50,000 at 0.01 pence per share.

Following the above share issue, the number of ordinary shares in issue is 7,156,426,961.

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

## 25. Related party transactions

*Director Loans*
During the year, the Directors advanced further loans of £270,735 to the Company for working capital purposes comprising of £240,735 advanced by John Moore and £30,000 advanced by John Russell. These loans are unsecured and non-interest bearing with the exception of £210,735 (USD$300,000) which has an interest rate of 15% pa. Initial repayment terms provide that the loans be repayable within 12 months, however this can be extended if required. In addition, the total loans advanced by John Russell and Graeme Sloan have agreed to be reduced by 50% resulting in a reduction of £90,000.

The Director loan balance at 31 December 2016 is £493,045 (2015: £250,000) represented by £396,500 payable to John Moore, £44,045 payable to Graeme Sloan (net of 50% reduction) and £52,500 payable to John Russell (net of 50% reduction).

*Other*
Ben Harber was the secretary of the Company during 2016 and was also a partner of Shakespeare Martineau LLP, a firm of which provides company secretarial and legal services. During the year this partnership was paid a sum of £61,640 (2015: £38,088) in respect of company secretarial and legal services to the Company. This related party transaction is based on independent third party commercial rates.

## 26. Contingent liabilities and capital commitments

*Picachos Project*
On 7 August 2013, the Company announced that its subsidiary Herencia Resources (Chile) SA entered into an Option Agreement (“Agreement”) to acquire the advanced Picachos Copper Project in central Chile.

Under the original terms of the Agreement, for Herencia Resources (Chile) SA to earn 100% of the project, US$200,000 was paid upfront on signing with further payments of US$8.3m over 4 years.

*Pastizal Project*
On 29th October 2015 the Company announced it had entered into a binding term sheet to acquire the Pastizal project which is situated on the south west boundary of the Picachos tenements. Under this agreement, upon completion of the payments, Herencia would have committed US$860,000 to acquire 100% of the project.

Since then, three other tenements have been added to the Pastizal tenement increasing the total Pastizal area to 44 hectares.

Other than above, the Group had no contracted capital commitments or contingent liabilities at 31 December 2016.

## 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 and sale of assets 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.

### Interest rate risk

At 31 December 2016 the Group had British Pound cash at bank of £8,079 (2015: £15,006), Chilean Peso cash at bank of a sterling equivalent of £3,994 (2015: £190,751), Australian Dollar cash at bank of a sterling equivalent of £31 (2015: £1,273) and US Dollar cash at bank of a sterling equivalent of £4,814 (2015: £153). 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:

| | **Floating interest rate 31 Dec 2016 £** | **Fixed interest rate 31 Dec 2016 £** | **Floating interest rate 31 Dec 2015 £** | **Fixed interest rate 31 Dec 2015 £** |
|---|---|---|---|---|
| *Financial assets:* | | | | |
| Cash at bank | 16,918 | - | 207,183 | - |

The effective weighted average interest rate was 0.20% (2015: 0.20%).

*Financial liabilities:*

At 31 December 2016, the Group has loans of £751,859 (2015: £250,000).

### 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:

| | **Group** | **Group** | **Company** | **Company** |
|---|---|---|---|---|

| | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Chilean Peso | 8,079 | 190,751 | - | - |
| US Dollars | 4,814 | 153 | 4,814 | 145 |
| Australian Dollars | 31 | 1,273 | 31 | 1,273 |

**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.