HERENCIA RESOURCES PLC

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2012

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DIRECTORS, SECRETARY AND ADVISERS

Directors	The Hon. John Moore AO. (Non-Executive Chairman) Graeme Sloan (Managing Director) Michael Bohm (Non-Executive) Christopher James (Non-Executive) John Russell (Non-Executive)
Company Secretary	John Bottomley
Registered Office	One America Square Crosswall London EC3N 2SG
Principal Operating Office	Suite 7, 6 Richardson Street West Perth, Western Australia 6005
Company Number	05345029
Nominated Adviser and Broker	WH Ireland Limited 11 St James's Square Manchester M2 6WH
Auditors	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW
Solicitors	Watson, Farley & Williams LLP 15 Appold Street London EC2A 2HB Cariola Diez Perez-Cotapos Av Andres Bello 2711, Piso 19 Las Condes, Santiago, Chile
Registrars	Capita Registrars Ltd Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Principal Bankers	ANZ Bank 77 St Georges Terrace Perth, Western Australia 6000 Barclays Bank plc 1 Churchill Place London E14 5HP
Website	www.herenciaresources.com

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

It is with pleasure that I update shareholders on the activities undertaken by the Company during 2012, a very exciting period in the Company's short history.

Throughout the year the Company achieved a number of key milestones, including:

- the Patricia Feasibility Study was advanced with the aim of bringing Patricia into production to coincide with a forecast increase in the zinc price in 2015;
- the remaining assay results from the 2011 diamond drill programme were received with some of the highest grades ever returned at Paguanta, particularly near surface;
- an additional mineralised vein identified 50m south of the Carlos Vein (previously our most southerly vein at Patricia) in holes PTDD101 and PTDD073. These intersections continue to demonstrate the significant potential of the Patricia mineralised system, at depth, along strike and to the south;
- release an updated JORC-compliant Mineral Resource estimate in June 2012 that resulted in a 244% increase in the Measured and Indicated resource categories and a 29% increase in total tonnage when compared to the previous 2010 Resource Estimate (at 2% zinc cut-off);
- a comprehensive surface sampling programme and the re-sampling of selected near surface drill holes was undertaken that resulted in the identification of a near-surface silver mineralisation (or "silver-halo") plus the discovery of several new drill targets that could add significantly to the existing resource;
- assays from a surface sampling and re-sampling programme were incorporated into an updated Mineral Resource estimate and in December 2012, a further 2.2 million ounces of silver was added bringing the total silver Resource to 15.69 million ounces (20g/t cut off);
- a geophysical survey ("IP survey") extended the Patricia geophysical anomaly almost threefold to approximately 3km in length and up to 1km in width. Importantly the IP survey not only correlates well with the existing Patricia Mineral Resource but also identified adjacent targets that could potentially extend the resource to the south and east of the project area. In addition this large IP anomaly appears to increase with depth and is yet to be tested by deeper drilling;
- successful completion of a share placement to raise £1.2 million from the issue of 150,000,000 new ordinary shares. The funds raised were used to investigate the open pit potential at Patricia and to complete the IP geophysical survey mentioned above; and
- at Guamanga, a follow up drill program returned a number of very positive copper-gold intersections, including cobalt and molybdenum mineralisation. These results will be fully evaluated and a path forward mapped out during 2013.

One of the bigger challenges facing most junior mining and exploration companies today, is access to funds; however, I am pleased to report that in March 2013, the Company secured funding for up to US$15.0 million. These funds will be used to progress the development, permitting and resource-reserve expansion related work for the Paguanta Project (details of the funding package are contained in an RNS dated 11 March 2013 and note 24 to the financial statements).

Looking forward into 2013, the key aims for the Company are:

- complete the Patricia Feasibility Study and continue momentum toward mine development;
- lodge the necessary permitting applications with the relevant authorities;
- prioritise and advance the targets adjacent to the Patricia deposit that could add to the Patricia Resource;
- continue project financing initiatives with a key focus on debt financing, silver stream financing and concentrate off-take agreements associated with project development; and
- build on the excellent work completed during 2012.

In closing, I would like to welcome Graeme Sloan to the role as Managing Director and a very big thank you to our dedicated teams in Chile and Perth for their on-going commitment and dedication to the company. I would also like to extend a personal thank you to Mike Bohm, who stepped down from the MD role after six years. Mike has performed admirably during this time and has been an integral and important part of the Company growth over this period.

Finally, on behalf of the Herencia Board, I would like to thank each and every shareholder for their on-going support for the Company.

Hon. John Moore AO
Chairman

18 April 2013

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012.

Principal activity

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 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 2012 was £2,479,909 (2011: £2,554,579), of which the amount attributable to the equity holders of the Company, was £2,047,566 (2011: £2,190,038).

The Directors do not recommend any distribution by way of a dividend for the year ended 31 December 2012.

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 Company also has 100% interest in a number of key tenements in the La Serena area that have potential for large tonnage, IOCG and porphyry copper-gold systems.

At Paguanta, two updates to the Patricia Mineral Resource Estimate were announced during the year. The latest Patricia deposit Resource Estimate forms the basis for the Patricia Feasibility Study. The addition of near surface mineralisation within the Patricia Resource may result in an open pit being incorporated into the mine plan. Should this occur, a number of important practical and economic benefits could be realised, which will ultimately help mitigate operational and capital risk during the crucial early stages of mine production.

An added benefit flowing from the Feasibility study has been the identification of areas adjacent to and within the Resource package potentially containing further mineralised veins to the south, along strike and down dip of the main Patricia mineralisation. The final Patricia Feasibility is expected to be distributed to the Board for review and announcement in May 2013.

Review of the business and future prospects (continued)

At our Guamanga Project, the results of a shallow diamond drilling program conducted during December 2011 were received which identified a number of very encouraging near surface copper and gold intersections. An analysis of the results is underway and an exploration and development strategy will be finalised over the coming months.

Activities at both the Paguanta and Guamanga Projects have been largely funded by a £1.15 million (net of costs) capital raising in July 2012.

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

- The mineralisation at Patricia remains open along strike and down dip;
- Potential exists for further mineralised veins to be discovered;
- The Patricia Feasibility Study is nearing completion with early promising results;
- Baseline Environmental Studies are mostly complete and a final environmental impact statement will be submitted by June 2013; and
- We are supported by shareholders who we believe understand both the base metals industry and the Chilean operating environment.

Future Prospects

Herencia's goals for 2013 are to:

- Complete the Patricia Feasibility Study;
- Look to expand the Patricia Mineral Resource Estimate;
- Lodge permitting applications;
- Evaluate and develop a strategy surrounding the Guamanga copper-gold project; and
- Continue to seek new project opportunities in Chile.

Given the funding arrangements put in place subsequent to the end of the reporting period, the Company is well positioned to advance its work programs in 2013.

With Patricia Feasibility Study nearing completion, the Directors' consider that no impairment provision is required, at this time, with respect to the goodwill, exploration and evaluation expenditure and investment associated with the Paguanta Project.

The Group'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 materially adverse impact on the value of the Company.

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

Audit Committee

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

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

Remuneration Committee

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

Information to shareholders - Web site

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

Group structure and changes in share capital

Details of the Company's subsidiaries are shown in note 15 and movements in share capital during the year are set out in note 19 to these accounts.

Directors

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

Graeme Sloan	Managing Director (appointed 1 July 2012)
The Hon. John Moore AO.	Non-Executive Chairman
Michael Bohm	Non-Executive Director (resigned as Managing Director on 1 July 2012 and became a Non-Executive Director)
Christopher James	Non-Executive Director (appointed 5 March 2013)
John Russell	Non-Executive Director
Greg McMillan	Non-Executive (resigned 5 March 2013)

Directors' interests

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

Name	31 December 2012 Number of ordinary shares of £0.001	31 December 2011 Number of ordinary shares of £0.001
Graeme Sloan [1]	2,888,905	-
The Hon. John Moore AO. [2]	8,074,080	5,666,667
Michael Bohm [3]	38,876,249	35,126,249
John Russell [4]	7,407,413	5,000,000
Greg McMillan	-	-

[1] 2,888,905 shares are held by Graeme Sloan.

[2,] 8,074,080 shares are held by Ralsten Pty Ltd (31 December 2011: 5,666,667). The Hon. John Moore AO. is a director and shareholder of that company.

[3] 38,426,249 shares are held by Michael Bohm's wife, Charmaine Lobo (31 December 2011: 34,676,249), 450,000 shares are held by Michael Bohm (31 December 2011: 450,000).

[4] 7,407,413 shares are held by John Russell (31 December 2011: 5,000,000).

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):

Name	31 December 2012 Number of options over ordinary shares of £0.001	31 December 2011 Number of options over ordinary shares of £0.001
Graeme Sloan	20,000,000	-
The Hon. John Moore AO.	10,000,000	10,000,000
Michael Bohm	20,500,000	20,500,000
John Russell	10,000,000	10,000,000

Directors' service contracts

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

Pensions

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

Directors' remuneration

Remuneration of Directors for the year was as follows:

31 December 2012	Fees/basic salary £	Employer's NI £	Pension costs £	Long service leave £	Share based payments £	2012 Total £
Executive						
Graeme Sloan	148,118	-	10,698	-	29,830	188,646
Michael Bohm	117,875	-	18,345	49,389	-	185,609
Non-Executive						
The Hon. John Moore AO.	25,000	-	-	-	-	25,000
Michael Bohm	10,456	-	941	-	-	11,397
John Russell	21,000	1,880	-	-	-	22,880
Greg McMillan	-	-	-	-	-	-
	322,449	1,880	29,984	49,389	29,830	433,532

Graeme Sloan was appointed Managing Director on 1 July 2012 and his fees/basic salary amount of £148,118 represents base salary together with annual leave entitlement (no bonus was paid during the year). Michael Bohm's executive fees/basic salary amount of £117,875 represents the period 1 January 2012 to 1 July 2012 following his step down from Managing Director to Non-Executive Director. Both Graeme Sloan and Michael Bohm's salary are paid in Australian dollars and converted to GBP£'s for the purposes of these accounts. The share based payments are non-cash payment, it is a 'calculated' fair value for share options granted during the year (refer note 21 to the financial statements).

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

Value of options exercised by Directors

No options were exercised by the Directors during the year.

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.

Substantial shareholders

The Company has been notified, in accordance with Section 792 of the Companies Act 2006, of the following interests in its ordinary shares as at 10 April 2013:

	Number of Ordinary shares	**% of Share Capital**
TD Direct Investing Nominees (Europe) Limited	200,503,096	11.80
Nyrstar International BV	170,447,468	10.03
Barclayshare Nominees Limited	133,323,545	7.85
Investor Nominees Limited	100,794,519	5.93
L R Nominees Limited	97,218,162	5.72

Political and charitable contributions

There were no political or charitable contributions made by the Company during the year ended 31 December 2012.

Subsequent events

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

- On 8 March 2013, the Company executed an Equity Drawdown Agreement for up to US$14.25 million investment and issued a Convertible Security Instrument of US$0.75 million to the Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners. As a first payment under these agreements, the Company has received a total of US$1.2 million in the form of the US$0.75 million Convertible Security and US$0.45 million towards the purchase of ordinary shares in the Company. Thereafter, monthly investments of US$0.3 million in shares subscriptions (which may be increased to US$0.6 million by mutual consent) for a maximum of 24 months, subject to the terms of the Agreement.

  The Convertible Security issued by the Company has a face value of US$0.75 million and a term of 24 months at a zero % (0.0%) interest rate. Under the Agreement, the Company is required to pay an execution fee of US$0.35 million which has been satisfied by the issue of 24,071,407 ordinary shares in the Company on 11 March 2013 at a price of 0.96p. Furthermore, 25,000,000 options exercisable at 130% of the average daily VWAP per share for the twenty consecutive trading days immediately prior to the date of the execution of the Agreement have been issued.

- On 11 March 2013, 2,684,713 ordinary shares were issued at a price of 0.96p each to Nyrstar International B.V. who exercised their right in accordance with their original investment agreement with the Company dated 16 April 2010 to subscribe for sufficient shares to maintain their percentage shareholding in the Company.

- On 12 April 2013, in pursuant with the Equity Drawdown Agreement with The Australian Special Opportunity Fund (see above), the prepayment for the first tranche of ordinary shares of $0.45million was satisfied by the issue of 36,923,986 ordinary shares in the Company, at a price of 0.80p ("Tranche Shares").

- Following the above share issues, the number of ordinary shares in issue is 1,735,794,356.

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

Environment Policy Statement

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

Statement of responsibilities of those charged with governance

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

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

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

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

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

Statement of disclosure to auditors

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

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

2. the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

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

By order of the board

Graeme Sloan
Director

18 April 2013

We have audited the financial statements of Herencia Resources plc for the year ended 31 December 2012 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 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 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.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

Quadrant House
4 Thomas More Square
London E1W 1YW

18 April 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administration expenses		(2,497,551)	(2,621,171)
Operating loss	6	(2,497,551)	(2,621,171)
Finance revenue		17,642	66,592
Loss before tax		(2,479,909)	(2,554,579)
Income tax expenses	8	-	-
Loss for the year		**(2,479,909)**	**(2,554,579)**
Other Comprehensive Income/(Loss)			
Exchange differences on translating foreign operations		417,357	(611,348)
Other comprehensive income for the year, net of tax		417,357	(611,348)
Total Comprehensive Loss for the year		**(2,062,552)**	**(3,165,927)**
Loss attributable to:			
Equity holders of the Company		(2,047,566)	(2,190,038)
Non-controlling interests		(432,343)	(364,541)
		(2,479,909)	**(2,554,579)**
Total Comprehensive Loss attributable to:			
Equity holders of the Company		(1,770,865)	(2,588,336)
Non-controlling interests		(291,687)	(577,591)
		(2,062,552)	**(3,165,927)**
Loss per share			
Loss per ordinary share – basic and diluted	4	(0.13)p	(0.16)p

The results shown above relate entirely to continuing operations.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	Group 31 December 2012 £	Group 31 December 2011 £	Company 31 December 2012 £	Company 31 December 2011 £
ASSETS					
Non-current assets					
Receivables	12	358,138	-	13,001,105	10,121,415
Intangible assets and goodwill	13	15,768,018	11,807,867	-	-
Property, plant and equipment	14	183,036	210,680	7,975	11,332
Investments in subsidiaries	15	-	-	1,250,000	1,250,000
		16,309,192	12,018,547	14,259,080	11,382,747
Current assets					
Cash and cash equivalents	9	1,629,772	5,142,832	461,996	3,128,139
Trade and other receivables	10	194,865	1,525,414	48,268	95,669
Other assets	11	16,784	17,470	16,784	17,470
		1,841,421	6,685,716	527,048	3,241,278
Total assets		**18,150,613**	**18,704,263**	**14,786,128**	**14,624,025**
LIABILITIES					
Non current liabilities					
Provisions for liabilities	16	62,932	60,601	-	-
		62,932	60,601	-	-
Current liabilities					
Trade and other payables	17	358,450	992,321	18,335	102,029
Provisions for liabilities	16	14,579	39,157	14,579	39,157
		373,029	1,031,478	32,914	141,186
Total liabilities		**435,961**	**1,092,079**	**32,914**	**141,186**
Net Assets		**17,714,652**	**17,612,184**	**14,753,214**	**14,482,839**
EQUITY					
Share capital	19	1,672,114	1,520,114	1,672,114	1,520,114
Share premium		18,208,977	17,187,316	18,208,977	17,187,316
Share based payments reserve		593,850	560,633	593,850	560,633
Shares to be issued	20	-	24,000	-	24,000
Translation reserve		756,620	479,919	-	-
Retained losses		(7,887,756)	(5,840,190)	(5,721,727)	(4,809,224)
Capital and reserves attributable to equity holders		**13,343,805**	**13,931,792**	**14,753,214**	**14,482,839**
Minority interests in equity	18	4,370,847	3,680,392	-	-
Total equity and reserves		**17,714,652**	**17,612,184**	**14,753,214**	**14,482,839**

The financial statements of Herencia Resources plc, company number 05345029, were approved by the Board of Directors and authorised for issue on 18 April 2013. They were signed on its behalf by:

Graeme Sloan
Director

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Net cash outflow from operating activities	22	(2,134,405)	(1,991,488)	(950,266)	(1,081,368)
Cash flows from investing activities					
Interest received		17,642	66,592	16,956	30,965
Payments for property, plant and equipment		(28,604)	(191,366)	(3,066)	(1,093)
Cash calls to minority shareholder		982,142	2,248,909	-	-
Cash calls from subsidiary		-	-	(2,879,690)	(5,826,349)
Proceeds from sale of plant and equipment		262	-	262	-
Net funds used for investing in exploration	13	(3,499,758)	(5,612,585)	-	-
Net cash used by investing activities		(2,528,316)	(3,488,450)	(2,865,538)	(5,796,477)
Cash flows from financing activities					
Proceeds from issue of shares	19	1,200,000	5,517,907	1,200,000	5,517,907
Proceeds from shares to be issued	20	-	24,000	-	24,000
Issue costs		(50,339)	(180,674)	(50,339)	(180,674)
Net cash from financing activities		1,149,661	5,361,233	1,149,661	5,361,233
Net decrease in cash and cash equivalents		(3,513,060)	(118,705)	(2,666,143)	(1,516,612)
Cash and cash equivalents at the beginning of the year		5,142,832	5,261,537	3,128,139	4,644,751
Cash and cash equivalents at the end of the year	9	**1,629,772**	**5,142,832**	**461,996**	**3,128,139**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital £	Share premium £	Translation reserve £	Share-based payments reserve £	Shares to be issued £	Retained losses £	Total £	Minority interest £	Total equity £
Balance at 1 January 2011	1,248,556	12,121,641	878,217	303,914	-	(3,650,152)	10,902,176	2,009,074	12,911,250
Issue of shares	271,558	5,246,349	-	-	-	-	5,517,907	2,248,909	7,766,816
Share issue costs	-	(180,674)	-	-	-	-	(180,674)	-	(180,674)
Shares to be issued	-	-	-	-	24,000	-	24,000	-	24,000
Share based payments	-	-	-	256,719	-	-	256,719	-	256,719
Total comprehensive income/(loss) for the year	-	-	(398,298)	-	-	(2,190,038)	(2,588,336)	(577,591)	(3,165,927)
Balance at 31 December 2011	1,520,114	17,187,316	479,919	560,633	24,000	(5,840,190)	13,931,792	3,680,392	17,612,184
Balance at 1 January 2012	1,520,114	17,187,316	479,919	560,633	24,000	(5,840,190)	13,931,792	3,680,392	17,612,184
Issue of shares	152,000	1,072,000	-	-	(24,000)	-	1,200,000	982,142	2,182,142
Share issue costs	-	(50,339)	-	-	-	-	(50,339)	-	(50,339)
Share based payments	-	-	-	33,217	-	-	33,217	-	33,217
Total comprehensive income/(loss) for the year	-	-	276,701	-	-	(2,047,566)	(1,770,865)	(291,687)	(2,062,552)
Balance at 31 December 2012	1,672,114	18,208,977	756,620	593,850	-	(7,887,756)	13,343,805	4,370,847	17,714,652

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital £	Share Premium £	Share-based payments reserve £	Shares to be issued £	Retained losses £	Total equity £
Balance at 1 January 2011	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)
Balance at 31 December 2011	1,520,114	17,187,316	560,633	24,000	(4,809,224)	14,482,839
Balance at 1 January 2012	1,520,114	17,187,316	560,633	24,000	(4,809,224)	14,482,839
Issue of shares	152,000	1,072,000	-	(24,000)	-	1,200,000
Share issue costs	-	(50,339)	-	-	-	(50,339)
Share based payments	-	-	33,217	-	-	33,217
Total comprehensive income/(loss) for the year	-	-	-	-	(912,503)	(912,503)
Balance at 31 December 2012	1,672,114	18,208,977	593,850	-	(5,721,727)	14,753,214

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 2012 of £912,503 (31 December 2011: £1,365,862 (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 only one capital raise during the year. On 10 July 2012, the Company completed a private placement raising a capital sum (net of costs) of £1,149,661 from the issue of 150,000,000 ordinary shares at a price of 0.8p per share.

On 8 March 2013, the Company executed an Equity Drawdown Agreement for up to US$14.25 million investment and issued a Convertible Security Instrument of US$0.75 million to the Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners. As a first payment under these agreements, the Company has received a total of US$1.2 million in the form of the US$0.75 million Convertible Security and US$0.45 million towards the purchase of ordinary shares in the Company. Thereafter, monthly investments of US$0.3 million in shares subscriptions (which may be increased to US$0.6 million by mutual consent) for a maximum of 24 months, subject to the terms of the Agreement

This Equity Drawdown agreement and Convertible Note provides the Group with access of up to US$15.0 million in funding in regular tranches and importantly, does not restrict the Company's future ability to raise additional capital from private and public placings nor the ability to enter into strategic industry partnerships or off-take agreements.

The activities in the year and future prospects of the Group are discussed in the Directors' Report. The Group has not yet earned revenue as it is still in the exploration phase of its business.

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

1.2. Basis of consolidation

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

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

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

1.3. Foreign currency translation

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

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

1.4. Cash and cash equivalents

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

1.5. Property, plant and equipment

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.

1.5. Property, plant and equipment (continued)

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.

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.

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.

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 except for IFRS 9 as set out below:

IFRS 10 – Consolidated Financial Statements; a single consolidation model that identifies control as the basis for consolidation and applies to all types of entities	Effective 1 January 2013
IFRS 11 – Joint Arrangements; defines the accounting for joint ventures and joint operations	Effective 1 July 2013
IFRS 12 – Disclosure of Interests in Other Entities; combines disclosure requirements for interests in subsidiaries, associates and joint ventures	Effective 1 July 2013
IFRS 13 – Fair Value Measurement; defines how fair value should be measured and disclosed where required by other IFRS	Effective 1 January 2013
IFRS 9 – Financial Instruments; deals with the classification and measurement of financial assets	Effective 1 January 2015
IAS 19 (amended) – Employee Benefits; revisions to recognition, measure, disclosure	Effective 1 January 2013
IFRS 7 / IAS 32 (amended) – Offsetting Financial Assets and Financial Liabilities; new disclosure requirements	Effective 1 January 2013/14
IAS 27 – Separate Financial Statements; new disclosure requirements	Effective 1 January 2013

The Company does not plan to adopt these Standard early.

4. Loss per share

The basic loss per ordinary share of (0.13)p (2011: (0.16)p) for the Group has been calculated by dividing the loss for the year attributable to equity holders of £2,047,566 (2011: £2,190,038) by the weighted average number of ordinary shares in issue of 1,593,354,687 (2011: 1,338,351,024).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 1,651,185,288 (2011: 1,391,872,942). 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.

5. Segmental reporting (continued)

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

	Mineral Exploration		Central Costs		Total	
	2012	2011	2012	2011	2012	2011
	£	£	£	£	£	£
Segment information by operating segment						
Finance revenue	686	35,627	16,956	30,965	17,642	66,592
Administration expenses	(1,700,953)	(1,692,258)	(804,456)	(943,768)	(2,505,409)	(2,636,026)
Non-cash expenditure:						
Depreciation expense	(61,525)	(53,705)	(6,161)	(6,001)	(67,686)	(59,706)
Share-based payments	-	-	(33,217)	(256,719)	(33,217)	(256,719)
Foreign exchange gain/(loss)	194,387	521,619	(85,626)	(190,339)	108,761	331,280
Segment result	(1,567,405)	(1,188,717)	(912,504)	(1,365,862)	(2,479,909)	(2,554,579)
Segment assets	16,783,483	14,664,132	1,367,130	4,040,131	18,150,613	18,704,263
Segment liabilities	(403,045)	(950,893)	(32,916)	(141,186)	(435,961)	(1,092,079)
Net assets	16,380,438	13,713,239	1,334,214	3,898,945	17,714,652	17,612,184

	External Revenue		Non-Current Assets	
	2012	2011	2012	2011
	£	£	£	£
Segment information by region				
Australia	-	-	7,975	11,332
Chile	-	-	16,301,217	12,007,215
Group	-	-	16,309,192	12,018,547

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 2012 £	Group 2011 £
Auditors' remuneration		
- audit	47,530	35,929
Depreciation	67,686	59,706
Corporate and advisory fees	749,178	337,601
Employee benefits expense	1,130,502	1,009,074
Share-based payments	33,217	256,719

The audit costs includes £22,200 (2011: £21,000), payable to the parent company auditors.

7. Employees and emoluments

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

	Group 2012 £	Group 2011 £
Wages and salaries	1,028,730	940,986
Social security costs	12,355	1,716
Directors' fees	59,277	48,417
Share-based payments	33,217	256,719
Pension costs	30,140	17,955
	1,163,719	1,265,793

(b) Average employee headcount:

	Group 2012 No	Group 2011 No
Australia	2	2
Chile	17	17
	19	19

7. Employees and emoluments (continued)

(c) Directors' remuneration

31 December 2012	Fees/basic salary £	Employer's NI £	Pension costs £	Long service leave £	Share based payments £	2012 Total £
Executive						
Graeme Sloan	148,118	-	10,698	-	29,830	188,646
Michael Bohm	117,875	-	18,345	49,389	-	185,609
Non-Executive						
The Hon. John Moore AO.	25,000	-	-	-	-	25,000
Michael Bohm	10,456	-	941	-	-	11,397
John Russell	21,000	1,880	-	-	-	22,880
Greg McMillan	-	-	-	-	-	-
	322,449	1,880	29,984	49,389	29,830	433,532

Graeme Sloan was appointed Managing Director on 1 July 2012 and his fees/basic salary amount of £148,118 represents base salary together with annual leave entitlement (no bonus was paid during the year). Michael Bohm's executive fees/basic salary amount of £117,875 represents the period 1 January 2012 to 1 July 2012 following his step down from Managing Director to Non-Executive Director. Both Graeme Sloan and Michael Bohm's salary are paid in Australian dollars and converted to GBP£'s for the purposes of these accounts. The share based payments are non-cash payment, it is a 'calculated' fair value for share options granted during the year (refer to note 21 to these financial statements).

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

(d) Value of options exercised by Directors

No options were exercised by the Directors during the year.

8. Taxation

	Group 2012 £	Group 2011 £
Current tax charge	-	-
Deferred tax		
Deferred tax current period charge	-	-
	-	-

8.1 Income tax recognised in profit or loss

Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(2,479,909)	(2,554,579)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 24.5% (2011: 26.5%)	(607,578)	(676,963)
Effects of:		
Non deductible expenses	20,978	50,439
Tax losses	586,600	626,524
Current tax charge	-	-

8.2 Income tax recognised in other comprehensive income

	Group 2012 £	Group 2011 £
Factors affecting the tax charge for the period		
Other comprehensive income/(loss)	417,357	(611,348)
Total comprehensive income/(loss) before taxation multiplied by standard rate of corporation tax of 24.5% (2011: 26.5%)	102,252	(162,007)
Effects of:		
Exchange difference on translating foreign operations	(102,252)	162,007
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 £7,936,964 at 31 December 2012 (2011: £5,542,681). A deferred tax asset amounting to £1,825,500 (2011: £1,385,670) has not been recognised in respect of such losses due to uncertainty of future profit streams.

9. Cash and cash equivalents	**Group 2012 £**	**Group 2011 £**	**Company 2012 £**	**Company 2011 £**
Cash at bank and in hand	1,629,772	5,142,832	461,996	3,128,139

10. Trade and other receivables	**Group 2012 £**	**Group 2011 £**	**Company 2012 £**	**Company 2011 £**
Other receivables	194,865	1,525,414	5,376	8,190
Amounts due from subsidiary undertakings	-	-	42,892	87,479
	194,865	1,525,414	48,268	95,669

11. Other current assets	**Group 2012 £**	**Group 2011 £**	**Company 2012 £**	**Company 2011 £**
Prepayments	16,784	17,470	16,784	17,470

12. Receivables – non current	**Group 2012 £**	**Group 2011 £**	**Company 2012 £**	**Company 2011 £**
Other receivables	358,138	-	-	-
Amounts due from subsidiary undertakings	-	-	13,001,105	10,121,415
	358,138	-	13,001,105	10,121,415

Other receivables of £358,138 represents the net amount recoverable of value added tax (VAT) from the relevant taxation authority, offset by a recovery of £1,311,970 which was received during the year. Refer note 26 for further details.

The amount due from subsidiary undertakings of £13,001,105 (2011: £10,121,415) is net of a provision of £1,033,801, being an amount due from Iquique Resources (Chile) SA.

13. Intangible assets

	Goodwill £	Exploration & evaluation costs £	Total £
Cost			
As at 1 January 2012	1,000,000	11,480,000	12,480,000
Additions	-	3,499,758	3,499,758
Effect of foreign currency exchange differences	-	460,393	460,393
At 31 December 2012	1,000,000	15,440,151	16,440,151
Impairment			
As at 1 January 2012	(125,000)	(547,133)	(672,133)
Impairment loss	-	-	-
At 31 December 2012	(125,000)	(547,133)	(672,133)
Carrying amount			
As at 31 December 2012	875,000	14,893,018	15,768,018
As at 31 December 2011	875,000	10,932,867	11,807,867

The goodwill and exploration and evaluation costs as at 31 December 2012 relate entirely to the Paguanta, Guamanga and La Serena projects located in Chile, South America.

Based on the progression of a Feasibility Study and the potential to further extend the mine life, 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 2012.

14. Property, plant and equipment

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Plant and equipment				
At cost	402,228	353,247	22,182	21,194
Accumulated depreciation	(219,192)	(142,567)	(14,207)	(9,862)
Total property and equipment	183,036	210,680	7,975	11,332
Movements in carrying amounts				
Balance at the beginning of the year	210,680	92,152	11,332	16,240
Additions at cost	28,604	191,366	3,066	1,093
Disposals	(262)	-	(262)	-
Depreciation expense	(67,686)	(59,706)	(6,161)	(6,001)
Effect of foreign currency exchange differences arising during the year	11,700	(13,132)	-	-
Carrying amount at the end of the year	183,036	210,680	7,975	11,332

15. Investments in subsidiaries

The Company's investments in subsidiary undertakings at 31 December 2012 were as follows:

	Company £
Cost at 1 January 2012 and at 31 December 2012	1,500,000
Less provision for impairment at 1 January 2012 and at 31 December 2012	(250,000)
Net book value at 1 January 2012 and at 31 December 2012	1,250,000

The Company's subsidiary undertakings as at 31 December 2012 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 Resources Chile SA	Chile	Ordinary	100
Paguanta Mining Services Limited	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 Limited is employment services company whilst Tarapaca Resources (Bermuda) Limited and Tarapaca Holdings (BVI) Limited are holding companies.

16. Provisions for liabilities	**Group 2012 £**	**Group 2011 £**	**Company 2012 £**	**Company 2011 £**
Decommissioning expenditure				
Balance at the beginning of the year	60,601	67,689	-	-
Effect of foreign currency exchange differences arising during the year	2,331	(7,088)	-	
Balance at the end of the year	62,932	60,601	-	-
Employee benefits				
Balance at the beginning of the year	39,157	-	39,157	-
Arising during the year	63,098	39,157	63,098	39,157
Utilised during the year	(87,676)	-	(87,676)	-
Effect of foreign currency exchange differences	-	-	-	-
Balance at the end of the year	14,579	39,157	14,579	39,157
Comprising				
Current	14,579	39,157	14,579	39,157
Non-current	62,932	60,601	-	-
	77,511	99,758	14,579	39,157

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 £62,932 (2011: £60,601) has been made for any future costs of decommissioning or any environmental damage.

The provision for employee benefits relates to annual leave and long service leave entitlements.

17. Trade and other payables	**Group 2012 £**	**Group 2011 £**	**Company 2012 £**	**Company 2011 £**
Other payables and accruals	358,450	992,321	18,335	102,029

18. Minority interests

	Group 2012 £	**Group 2011 £**
Called up share capital	5,117,139	4,134,997
Accumulated losses	(1,082,467)	(650,124)
Translation reserve	336,175	195,519
	4,370,847	3,680,392

19. Share capital

	Company 2012 £	Company 2011 £
Authorised:		
10,000,000,000 ordinary shares of £0.001 each	10,000,000	10,000,000
Allotted, issued and fully paid:		
1,672,114,250 ordinary shares (2011: 1,520,114,250 ordinary shares)	1,672,114	1,520,114

Issued capital comprises:

	Number of shares	Share Capital £	Share Premium £
Issued and fully paid			
As at 1 January 2012	1,520,114,250	1,520,114	17,187,316
Allotments during the year			
13 January 2012 - 1.65p per share	1,000,000	1,000	15,500
13 January 2012 - 0.75p per share	1,000,000	1,000	6,500
10 July 2012 – 0.80p per share	150,000,000	150,000	1,050,000
Share issue costs	-	-	(50,339)
Balances as at 31 December 2012	1,672,114,250	1,672,114	18,208,977

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

- On 13 January 2012, 1,000,000 ordinary shares were issued following the exercise of options at a price of 1.65p and 1,000,000 ordinary shares were issued following the exercise of options at a price of 0.75p. Proceeds from the exercise of these options were received prior to 31 December 2011 (refer note 20).
- On 10 July 2012, the Company completed a private placement raising a capital sum (net of costs) of £1,149,661 from the issue of 150,000,000 ordinary shares at a price of 0.80p per share.

20. Share to be issued

	Company 2012 £	Company 2011 £
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 19).

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 2012	Weighted average exercise price 2012	Number of options 2011	Weighted average exercise price 2011
Balance at the beginning of the year	57,500,000	2.06p	59,000,000	1.38p
Granted during the year	20,000,000	1.25p	27,000,000	2.66p
Exercised during the year	(2,000,000)	1.20p	(28,500,000)	1.21p
Expired during the year	(3,000,000)	0.75p	-	-
Balance at the end of year	72,500,000	1.91p	57,500,000	2.06p

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 1.8 years (2011: 2.7 years). The range of exercise prices for options outstanding at the end of the year was 0.75p – 3.55p (2011: 0.75p – 3.55p).

(b) Share options outstanding

The following share-based payment arrangements were in existence at the current year end:

Date of grant	Number of options	Exercise price	Expiry date
12/10/2010	22,500,000	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
15/11/2012	10,000,000	1.50p	31/12/2015
15/11/2012	10,000,000	1.00p	31/12/2015

21. Share options and share-based payments (continued)

(c) Fair value of share options granted

The Group recognised an expense of £33,217 (2011: £256,719) 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 2012 and 31 December 2011:

	Option Series			
Grant date	15/11/2012	15/11/2012	03/12/2011	12/01/2011
Grant date share price	0.69p	0.69p	2.10p	3.55p
Fair value of options	0.19p	0.26p	0.75p	1.70p
Volatility	101%	101%	101%	101%
Risk-free interest rate	2.80%	2.80%	3.25%	4.99%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected life	1.5 years	1.5 years	1 year	1.5 years

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:

Date of grant	Option price	Expiry date	Opening balance Number	Granted during the year Number	Exercised during the year Number	Closing balance Number
Graeme Sloan						
15/11/2012	1.00p	31/12/2015	-	10,000,000	-	10,000,000
15/11/2012	1.50p	31/12/2015	-	10,000,000	-	10,000,000
			-	20,000,000	-	20,000,000
The Hon. John Moore AO.						
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
			10,000,000	-	-	10,000,000
Michael Bohm						
12/10/2010	1.65p	31/10/2013	10,500,000	-	-	10,500,000
03/12/2012	2.40p	31/10/2014	10,000,000	-	-	10,000,000
			20,500,000	-	-	20,500,000
John Russell						
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
			10,000,000	-	-	10,000,000

22. Net cash outflow from operating activities	**Group 2012 £**	**Group 2011 £**	**Company 2012 £**	**Company 2011 £**
Operating loss	(2,497,551)	(2,621,171)	(929,459)	(1,396,827)
Decrease/(increase) in trade and other receivables	973,097	(789,026)	48,087	8,294
(Decrease)/increase in trade and other payables	(633,871)	798,697	(83,694)	5,288
(Decrease)/increase in provisions	(24,578)	39,157	(24,578)	39,157
Depreciation of property, plant and equipment	67,686	59,706	6,161	6,001
Exchange differences on retranslation of foreign operations	(52,405)	264,430	-	-
Share-based payments expense	33,217	256,719	33,217	256,719
Net cash outflow from operating activities	(2,134,405)	(1,991,488)	(950,266)	(1,081,368)

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 8 March 2013, the Company executed an Equity Drawdown Agreement for up to US$14.25 million investment and issued a Convertible Security Instrument of US$0.75 million to the Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners. As a first payment under these agreements, the Company has received a total of US$1.2 million in the form of the US$0.75 million Convertible Security and US$0.45 million towards the purchase of ordinary shares in the Company. Thereafter, monthly investments of US$0.3 million in shares subscriptions (which may be increased to US$0.6 million by mutual consent) for a maximum of 24 months, subject to the terms of the Agreement.

  The Convertible Security issued by the Company has a face value of US$0.75 million and a term of 24 months at a zero % (0.0%) interest rate. Under the Agreement, the Company is required to pay an execution fee of US$0.35 million which has been satisfied by the issue of 24,071,407 ordinary shares in the Company on 11 March 2013 at a price of 0.96p. Furthermore, 25,000,000 options exercisable at 130% of the average daily VWAP per share for the twenty consecutive trading days immediately prior to the date of the execution of the Agreement have been issued.

- On 11 March 2013, 2,684,713 ordinary shares were issued at a price of 0.96p each to Nyrstar International B.V. who exercised their right in accordance with their original investment agreement with the Company dated 16 April 2010 to subscribe for sufficient shares to maintain their percentage shareholding in the Company.

- On 12 April 2013, in pursuant with the Equity Drawdown Agreement with The Australian Special Opportunity Fund (see above), the prepayment for the first tranche of ordinary shares of $0.45million was satisfied by the issue of 36,923,986 ordinary shares in the Company, at a price of 0.80p ("Tranche Shares").

- Following the above share issues, the number of ordinary shares in issue is 1,735,794,356.

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 of that provides company secretarial services. During the year this partnership was paid a sum of £19,465 (2011: £19,404) in respect of company secretarial services to the Company. This related party transaction is based on independent third party commercial rates.

26. Contingent liabilities and capital commitments

During the year, the Chilean Ministry of Economy, Development and Tourism authorised Paguanta Compania Minera SA (a 70% owned Chilean subsidiary) to obtain from the Chilean Treasury of the Republic, a value added tax (VAT) recovery of £1,311,970 under the "export VAT refund early" scheme. This amount has been offset against other receivables (refer note 12).

Under this scheme, the company has undertaken to make exports prior to 31 December 2015, however this can be extended to 2017 where there are reasonable grounds to justify the delay. A promissory note to this effect has been issued.

Failure to meet the 2015 export deadline and where an extension to 2017 by the Ministry of Economy, Development and Tourism has not been granted, the company shall return the amounts reimbursed within the month following that in which it has knowledge of not being able to make the export together with penalties and a monthly interest charge of 1%. The amount refunded, excluding any penalties and interest, will then be reinstated in remaining tax credits.

Based on the progress of the feasibility study, there is no indication that the deadline of 2015 will not be met. Accordingly, no provision for any liability has been made in respect of these financial statements.

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 or contingent liabilities at 31 December 2012.

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.

Interest rate risk
At 31 December 2012 the Group had British Pound cash at bank of £97,463 (2011: £168,982), Chilean Peso cash at bank of a sterling equivalent of £1,152,983 (2011: £2,009,324), Australian Dollar cash at bank of a sterling equivalent of £71,881, (2011: £944,326) and US Dollar cash at bank of a sterling equivalent of £307,445 (2011: £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:

	Floating interest rate 31 Dec 2012 £	Fixed interest rate 31 Dec 2012 £	Floating interest rate 31 Dec 2011 £	Fixed interest rate 31 Dec 2011 £
Financial assets:				
Cash at bank	1,554,772	75,000	5,017,832	125,000

The effective weighted average interest rate was 0.50% (2011: 1.50%).

Financial liabilities:
At 31 December 2012, 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.

27. Financial instruments (continued)

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 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Chilean Peso	1,152,983	2,009,324	-	-
US Dollars	307,445	2,020,200	292,651	2,014,830
Australian Dollars	71,881	944,326	71,881	944,326

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.