MINERA IRL LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

CORPORATE INFORMATION

DIRECTORS
Courtney Chamberlain (Executive Chairman)
Russell Cranswick (Non-Executive)
Douglas Jones (Non-Executive)
Graeme Ross (Non-Executive)
Terence Streeter (Non-Executive)

COMPANY SECRETARY
Richard Michell

REGISTERED OFFICE
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

NOMINATED ADVISOR & BROKER
Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR

AUDITORS
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

BANKERS
Macquarie Bank Ltd
Brisbane Branch
300 Queen Street
Brisbane, Queensland 4000
Australia

Royal Bank of Scotland International
Liberté House
19-23 La Motte Street
St Helier
Jersey JE4 5RL

SOLICITORS
English Law
Fasken Martineau
Stringer Saul LLP
2nd Floor
17 Hanover Square
London W1S 1HU

Jersey Law
Mourant de Feu & Jeune
PO Box 87
22 Grenville Street
St Helier
Jersey JE4 8PX
Channel Islands

Peruvian Law
Rodrigo, Elias & Medrano
Av. San Felipe 758 – Jesús Maria
Lima
Perú

Argentinean Law
Baker & McKenzie Sociedad Civil
Av. Leandro N. Alem 1110, Piso 13
C100 1AAT Buenos Aires
Agentina

REGISTRARS
Computershare Investor Services
(Channel Islands) Limited
PO Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

Registered in Jersey under number 94923

CONTENTS

CHAIRMAN'S STATEMENT

I am pleased to present this annual report to shareholders, our first as a publicly listed company. The commencement of trading on the London AIM market on 12 April 2007 was the culmination of over six years of laying the foundations of our emerging mining company focused on South America.

Last year represented a period of advance and diversification for the Company with a number of notable achievements. By year end we had a portfolio of seven projects in Peru, Argentina and Chile led by a capable and experienced management team working from a base in Lima, Peru. We restructured the Company and moved the registration of Goldmin Holdings from the Cayman Islands to Jersey under the new name of Minera IRL Limited. This provided a more appropriate structure for the ensuing public listing in which we raised £11.4 million, mostly from new institutional investors.

Projects

The Company completed a bankable feasibility study and Environmental Impact Assessment (EIA) on its Corihuarmi Project located 160km southeast of Lima, Peru. This project is predicated on a minable reserve of 4 million tonnes containing 143,000 ounces of gold. The plan is for a 1 million tonne per annum conventional open cut mining and heap leach operation, supported by projections of modest waste mining requirements and good metallurgical recovery. Established additional resource and indications of exploration upside provide realistic expectations for a significant extension to the initial four and a half year mine life.

With projections of robust project economics at Corihuarmi, the EIA was lodged and subsequently approved by the Peruvian government. In May 2007, the Board of Directors formally committed US$16.6 million from the Company's cash reserves for project development. Construction mobilization commenced immediately and commissioning is expected by year end with gold production commencing in the first quarter of 2008. At that time, Minera IRL Limited will join the ranks of producing mining companies with a projected output of over 35,000 ounces in 2008. Corihuarmi is expected to provide the strong cash flow to fund further projects and ensure the continuing development of the Company.

During the year, the Company acquired the Jagüelito Project in San Juan Province, Argentina. This silver-gold project had been explored between 1996 and 2002 by Mexico based Minera Peñoles SA. Peñoles's 23,000 meters of drilling generated some very encouraging results and its database and Scoping Study on the main two known mineralized zones, Capote and Alcatraz, provided a strong incentive for this acquisition.

In September 2006, Minera IRL commenced a pre-feasibility study on Jagüelito. This is expected to take approximately twelve months and includes an in-fill drilling programme and detailed metallurgical studies. The 5,762 meter drilling programme was completed in April 2007 and defined an oxidized resource of 5.6 million tonnes containing approximately 158,000 ounces of gold and 10.4 million ounces of silver using a 0.5g/t gold-equivalent cut-off. The silver content in Capote in this latest resource estimate is considerably less than that projected by Peñoles, largely due to a more constrained high grade feeder zone. At Alcatraz, a high grade gold zone is not yet fully understood. The Company is now evaluating the merits of the defined resource and also developing an exploration strategy to expand the known mineralized zones and make new discoveries on this highly prospective tenement package.

The Ollachea Gold Project, located in southern Peru, was acquired by competitive tender from Rio Tinto. This represented a highly prized acquisition in what is widely considered to be an emerging slate belt gold district. Limited exploration in the late 1990s included five drill holes, all of which had significant intersections of elevated gold values, levels which could potentially be mined, and all holes finished in mineralization. Subsequent surface sampling by Rio Tinto defined a large area of elevated gold results.

CHAIRMAN'S STATEMENT (continued)

Efforts by Minera IRL Limited at Ollachea have been largely directed toward building strong community relations with the objective of signing a surface rights agreement. Once this surface rights agreement is in place, anticipated to be in mid-2007, exploration will commence with the immediate objective of further defining targets which can be evaluated by an exploratory drilling programme as soon as practical.

Other projects were advanced with drill targets defined at Cushuro and Chama. The Company's generative programme continued with a number of new opportunities under consideration. Included in this initiative is consideration of expanding into Colombia, where the Company has investigated a number of interesting gold properties.

Board of Directors

I am pleased to welcome Graeme Ross and Terry Streeter as new members of our Board of Directors. Graeme is a resident of Jersey and a director of a number of public companies. He brings strong commercial and regulatory experience to our group. Terry is an investor in a number of international mining companies and brings a wealth of experience of the Mining Industry.

I wish to thank Peter Bradford and Arnold Offenberg who retired from the Board after a number of years of valuable contribution.

Corporate Governance

Minera IRL Limited has well defined policies that govern the Company. Strict environmental guidelines are followed at all projects and the Corihuarmi Mine is being constructed under stringent environmental controls which comply with international standards. We have a very strong community relations team and a track record of working closely with local communities in all project areas. In addition to local employment and training, our programmes cover other areas of social importance including health, education and Company sponsored projects aimed at sustainable development.

The Board of Directors maintains audit and remuneration committees which further assist in the governance of the Company. Public and investor relations management have been developed coincident with the move into the public arena.

Current Investment Climate and Country Outlook

The mining investment climate is strong. Precious metal prices continued to strengthen during 2006 and there appears to be widespread confidence that prices will remain strong in the short to medium term. There also appears to be appeal in the equities markets for mining companies with cash flow businesses. This can only be seen as beneficial to Minera IRL Limited.

To provide better exposure to investors in South America, the Company has initiated the process of establishing a secondary listing on the Lima, Peru stock exchange. A number of small exploration companies have experienced strong investor interest and sound trading after listing on the Lima exchange in recent months. It is expected that this step would enhance the liquidity of the Company's shares.

Elections were held in Peru in mid-2006 and President Alan Garcia's programme has been well received. The Company considers Peru to be a very attractive country in which to work and invest. Likewise, San Juan Province in Argentina remains a strongly pro-mining environment in which to do business.

CHAIRMAN'S STATEMENT (continued)

I wish to convey my sincere thanks to all employees of the Company for their dedication and perseverance. I would also like to take this opportunity to thank all shareholders for their support during the past year.

With production from Corihuarmi expected to commence in the first quarter of 2008, the variety of other projects under investigation and our vigorous programme to identify and acquire new projects, your company is well positioned to grow and prosper.

Courtney Chamberlain
Executive Chairman
Minera IRL Limited 27 June 2007

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 December 2006.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Minera IRL Group is exploration for and development of mines for the extraction of precious metals.

The Group has several mining properties, one of which (Corihuarmi) is in the process of mine development, a second (Jagüelito) is in the pre-feasibility stage and a third (Ollachea) is about to begin advanced exploration. The Group continues to evaluate the prospective quality of the other properties in its possession and continues to look for additional mining opportunities.

A full review of the business and plans for its future development are contained in the Chairman's Statement. A summary of the financial risk management policies and objectives is contained in the notes to the financial statements.

RESULTS AND DIVIDENDS

The loss for the year after tax was US$3,400,000 (2005: US$3,631,000). No dividend was paid during the year and no final dividend is proposed. A loss of US$3,400,000 (2005: US$3,631,000) is to be transferred to reserves.

DIRECTORS

The names of the directors who served during the year and their interests in the share capital of the Company at the start and the end of the year are:

	Ordinary shares of no par value	
Name	31 December 2006 (or date of appointment)	31 December 2005*
Peter Bradford (resigned 30 September 2006)		160,000
Courtney Chamberlain	3,250,000	3,213,200
Russell Cranswick	-	-
Douglas Jones	154,000	120,000
Arnold Offenberg (resigned 30 September 2006)		651,200
Graeme Ross (appointed 30 October 2006)	-	-
Terence Streeter (appointed 30 October 2006)	3,372,000	3,372,000

**Adjusted for the 400:1 share split described in note 14.*

Russell Cranswick is a partner of RCF Management LLC, which owns 2,717,676 shares in the share capital of the Company.

Douglas Jones is an employee of Golden Star Resources Limited, which owns 100% of Caystar Holdings Limited, which in turn owns 5,012,800 shares in the share capital of the Company.

DIRECTORS' REPORT (continued)

In addition, on 12 April 2007 the directors were granted the following share options under the Minera IRL Limited Incentive Stock Option Scheme:

Courtney Chamberlain	2,000,000 shares
Russell Cranswick	100,000 shares
Douglas Jones	100,000 shares
Graeme Ross	50,000 shares
Terence Streeter	100,000 shares

Since 31 December 2006 Courtney Chamberlain and Douglas Jones have purchased 130,000 and 6,160 shares respectively. There have been no other movements in any of the directors' interests in the share capital of the Company between 1 January 2007 and 22 June 2007.

Mr Chamberlain and Mr Cranswick retire by rotation and offer themselves for re-election at the forthcoming Annual General Meeting.

Mr Ross and Mr Streeter were appointed since the Company's last Annual General Meeting and are required under the Articles of Association to offer themselves for election at the forthcoming Annual General Meeting.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains appropriate insurance to cover directors' and officers' liability in the course of discharging their duties to the Company. This insurance does not provide cover where a director or an officer has acted dishonestly or fraudulently.

CREDITORS PAYMENT POLICY

It is the policy of the Company in the year to 31 December 2007 to pay all suppliers according to the terms agreed. At the year end trade creditors were on average 53 days old (2005: 62 days).

DONATIONS

The Company made no charitable donations outside of the areas in which it hopes to establish mines. However, extensive work is done to help the local communities of the Andean Cordillera where the Company is intending to establish mines and where the relationship with the local communities is extremely important.

No political donations were made during the past year or the previous year.

SUBSTANTIAL SHAREHOLDERS

As at 22 June 2007 the Company has been notified of the following substantial shareholdings in addition to those of the directors:

	Number of Shares	Percentage of Issued Share Capital
Funds managed by BlackRock Investment Management (UK) Limited	9,260,961	15.0
Caystar Holdings Limited	5,012,800	8.1
Shairco for Trading, Industry and Contracting	4,160,000	6.7
Resource Capital Fund III LP	2,717,676	4.4
Macquarie Bank Limited	1,790,048	2.9

DIRECTORS' REPORT (continued)

SPECIAL BUSINESS AT FORTHCOMING ANNUAL GENERAL MEETING

An ordinary resolution will be proposed at the forthcoming Annual General Meeting to give the directors the authority to allot the Company's Ordinary shares up to maximum number of 3,089,046 shares. This authority is being sought to give the Company flexibility to make further issues of shares.

Subject to the passing of this ordinary resolution a special resolution will be proposed to renew the directors' power to disapply the pre-emption rights specified in the Articles of Association of the Company in respect to the allotment of the same 3,089,046 shares representing 5% of the current issued share capital of the Company. These authorities, if granted, would be valid from the date of the passing of the resolutions until the date of the next Annual General Meeting.

DISCLOSURE OF INFORMATION

So far as the directors are aware, there is no information needed by the Group's auditors in connection with the preparation of their report, which they have not been made aware of, and the directors have taken all the steps that they ought to have taken to discover any relevant audit information and to establish that the Group's auditors have been made aware of that information.

By order of the Board

Richard Michell
Company Secretary

27 June 2007

DIRECTORS' REMUNERATION REPORT

This report, which has been prepared in accordance with the provisions of the revised Combined Code, has been approved by the Board of Directors for submission to the shareholders for approval at the forthcoming Annual General Meeting.

Remuneration Committee

The Board of Directors is responsible for establishing the remuneration policy for the Company as a whole. The Remuneration Committee meets regularly to review the level of remuneration of the directors and senior management of the Company and make the appropriate recommendations to the Board. The committee is composed of the Executive Chairman and two non-executive directors, Terence Streeter and Russell Cranswick. The latter is also Chairman of the Committee.

Remuneration Policy

The objective of the remuneration policy is to ensure that the Company is able to attract, motivate and retain executives of the quality necessary to ensure the successful management of the Group. The remuneration of directors and senior management is decided having regard to their performance and experience, and to the level of remuneration of individuals with the same responsibilities in other companies of similar size and type. All directors and senior management have share options and some have significant shareholdings. The Company's remuneration policy is therefore based on the principle that the fortunes of the directors and the senior management are aligned with those of shareholders. Changes in the remuneration of directors and senior management are decided by the committee. There are no plans to make changes to this procedure.

Components of Remuneration

The sole executive director is the Executive Chairman, who receives a basic salary. There is no provision in his contract for either a bonus or a pension to be paid. The Executive Chairman also receives share options.

The remuneration of non-executive directors consists of fees for their services in connection with Board and Board Committee meetings. Their fees, which are reviewed from time to time, are determined having regard to the level of fees paid by similar sized companies and the demands made on their time for the proper discharge of their duties. As at the 31 December 2006, no fees had yet been paid.

Directors' Remuneration

Details of directors' remuneration for the year are as follows:

	Basic Salary & Fees US$'000	Other Emoluments US$'000	2006 Total US$'000	2005 Total US$'000
Courtney Chamberlain	125	-	125	50
Russell Cranswick	-	-	-	-
Douglas Jones	-	-	-	-
Graeme Ross	-	-	-	-
Terence Streeter	-	-	-	-
Total	125	-	125	50

DIRECTORS REMUNERATION REPORT (continued)

In addition, the directors have been granted share options after the year end, the details of which are shown in the Directors' Report of this document.

Share Option Schemes

The Company has a share option scheme which comprises two share option plans, one for the benefit of executive directors and the employees of the Group, the other for the benefit of non-executive directors, consultants or providers of services to the Group. The purpose of these plans is to provide incentives to those who are most important to the success of the Company. These options are not subject to any performance criteria and the committee believes that this is appropriate because of the uncertainty and risks associated with a mining Company in the early stages of development.

Directors' Contracts of Service

There are Service Contracts for all directors. None of these contracts provide for a notice period or for compensation for loss of office except that of Mr Chamberlain, who is entitled to payment for one year of service on termination of his contract. The Company is not obliged to give Mr Chamberlain any notice of such termination.

Pension Schemes

The Company makes no contributions to the pensions of its directors.

Russell Cranswick
Chairman of the Remuneration Committee
On behalf of the Board 27 June 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Jersey Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group and of the loss for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MINERA IRL LIMITED

We have audited the group and parent company financial statements ('the financial statements') of Minera IRL Limited for the year ended 31 December 2006 which comprise the consolidated and company income statement, the consolidated and company balance sheets and cash flow statements, the consolidated and company statement of changes in equity and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 110 (2) of the Companies (Jersey) Law 1991. 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 auditors' 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and for preparing the group and parent financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the chairman's statement and the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

INDEPENDENT AUDITORS' REPORT (continued)

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2006 and of its loss for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the parent company's affairs as at 31 December 2006 and of its loss for the year then ended; and

- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

PKF (UK) LLP
Registered Auditors
London, UK

28 June 2007

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2006

	Notes	2006 US$000	2005 US$000
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Other income		**171**	-
Administrative expenses		**(2,768)**	(1,524)
Exploration costs written off		**(747)**	(1,775)
Other operating expenses		**-**	(332)
Operating loss		**(3,344)**	(3,631)
Finance expense	**6**	**(56)**	-
Loss before and after tax	**3**	**(3,400)**	(3,631)
Loss for the period		**(3,400)**	(3,631)

Loss per ordinary share (US cents)			
- Basic and diluted	**8**	**(13.8)**	(21.8)

CONSOLIDATED BALANCE SHEET as at 31 December 2006

	Notes	2006 US$000	2005 US$000
Assets			
Tangible assets	9	**5,648**	86
Intangible assets	10	**1,436**	3,582
Trade and other receivables	12	**1,059**	701
Total non-current assets		**8,143**	4,369
Other receivables and prepayments	12	**298**	111
Cash and cash equivalents	13	**1,402**	200
Total current assets		**1,700**	311
Total assets		**9,843**	4,680
Equity			
Share capital	14	**14,363**	55
Share premium	14	**-**	8,799
Other Reserves		**129**	129
Profit and loss account		**(8,534)**	(5,134)
Total equity		**5,958**	3,849
Liabilities			
Interest bearing loans	15	**3,000**	-
Total non-current liabilities		**3,000**	-
Trade and other payables	15	**885**	831
Total current liabilities		**885**	831
Total liabilities		**3,885**	831
Total equity and liabilities		**9,843**	4,680

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 June 2007.

Courtney Chamberlain
Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2006

	Note	Share capital US$000	Share premium US$000	Foreign currency reserve US$000	Profit and loss account US$000	Total US$000
Balance at 1 January 2005		**35**	**3,503**	**(61)**	**(1,503)**	**1,974**
Loss for the period		-	-	-	(3,631)	(3,631)
New share capital subscribed		20	5,296	-	-	5,316
Gain on consolidation of foreign subsidiary		-	-	190	-	190
Balance 31 December 2005		**55**	**8,799**	**129**	**(5,134)**	**3,849**

	Note	Share capital US$000	Share premium US$000	Foreign currency reserve US$000	Profit and loss account US$000	Total US$000
Balance at 1 January 2006		**55**	**8,799**	**129**	**(5,134)**	**3,849**
Loss for the period		**-**	**-**		**(3,400)**	**(3,400)**
New share capital subscribed		**19**	**5,490**	**-**	**-**	**5,509**
Transfer share premium to share capital		**14,289**	**(14,289)**	**-**	**-**	**-**
Balance 31 December 2006		**14,363**	**-**	**129**	**(8,534)**	**5,958**

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2006

	Note	2006 US$000	2005 US$000
Cash flows from operating activities			
Operating loss		(3,344)	(3,631)
Depreciation		21	5
Impairment of exploration assets		84	1,417
Loss or disposals of assets		36	-
Increase in other receivables and prepayments		(545)	(350)
Increase in trade and other payables		54	686
Cash used in operations		**(3,694)**	**(1,873)**
Interest paid		(56)	-
Net cash outflow from operating activities		**(3,750)**	**(1,873)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(122)	(81)
Acquisition of intangible assets (exploration expenditure)		(3,435)	(3,462)
Net cash outflow from investing activities		**(3,557)**	**(3,543)**
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		5,509	5,472
Receipt of loans		3,000	-
Net cash inflow from financing activities		**8,509**	**5,472**
Net increase in cash and cash equivalents		**1,202**	**56**
Cash and cash equivalents at beginning of period		200	145
Currency translation adjustments		-	(1)
Cash and cash equivalents at end of period		**1,402**	**200**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Minera IRL Limited (the "Company") was incorporated in the Cayman Islands on 27 August 2003 as Goldmin Holdings Limited. The registered office of the Company was at the offices of Close Brothers (Cayman) Limited, Harbour Place, 103 South Church Street, Grand Cayman, Cayman Islands. During the year the Company changed its name to Minera IRL Limited, migrated its domicile to Jersey and changed its registered office to Ordnance House, 31 Pier Road, St. Helier, Jersey.

The principal activity of the Company and its subsidiaries is exploration for and development of mineral resources.

The consolidated financial statements of the Company for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 27 June 2007.

Statement of Compliance

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

The Company has previously prepared audited financial statements in accordance with IFRS for distribution to shareholders, so these financial statements are not its first IFRS financial statements.

Basis of Preparation

The financial statements are presented in United States dollars, rounded to the nearest thousand, and have been prepared on the historical cost basis or the fair value basis where the fair valuing of relevant assets and liabilities has been applied.

In common with many exploration and mining companies, the Company raises finance for its activities in discrete tranches to finance itself for limited periods only. Further funding is raised as and when required, the most recent being in April 2007.

Having taken into account the proceeds of the recent placing of shares, the Directors of the Company consider that it will have sufficient funds to bring the Corihuarmi mine into production. To the extent that there are cost overruns in commissioning the mine, or delays in bringing it into production, there are actions that they can and will take to enable the Company to continue as a going concern for the foreseeable future.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries. The subsidiaries' details appear in note C4 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Significant accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are mainly related to the expectation to recover the investments in mining concessions. Details of the carrying value of these assets are included in note 10.

(c) Revenue Recognition

During the exploration and development phase, any revenue generated from incidental sales is treated as a contribution towards previously incurred costs and offset accordingly.

(d) Income Tax

The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation. Deferred tax is expected to be payable or recoverable on differences between the carrying value amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computations and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(e) Foreign Currency

Foreign currency transactions are brought to account using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

The Group's functional and presentational currency is United States dollars (US$).

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand deposits, and money market investments readily converted to cash. Bank overdrafts are shown within borrowings in current liabilities. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash, net of outstanding bank overdrafts.

(g) Accounts Receivable

Accounts receivable are not interest bearing and are stated at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

(i) Owned asset

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy j below).

(ii) Subsequent costs

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation on these assets is calculated by the straight-line method to allocate their cost over their estimated useful lives, as follows: vehicles 5 years, computer equipment 4 years, furniture and fixtures and other equipment 10 years. Depreciation on the assets not directly related to the exploration activities is charged to the income statement.

(iv) Deferred development costs

When the technical and commercial feasibility of an area of interest has been demonstrated and the appropriate mining licence has been issued, the area of interest enters its development phase. The accumulated costs are transferred from exploration and evaluation expenditure and reclassified as Development Expenditure.

Once mining commences the asset is amortised on a depletion percentage basis. Provision is made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

(i) Intangible assets

Deferred exploration costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against the result in the year in which the decision to abandon the area is made.

The recoverability of the deferred exploration cost is dependent upon the discovery of economically recoverable ore reserves, continuing compliance with the terms of relevant agreements, the ability of the Group to obtain the necessary financing to complete the development of ore reserves, and the future profitable production or profitable disposal of the area of interest.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances apply:

- Unexpected geological occurrences that render the resource uneconomic;
- Title to the asset is compromised;
- Variations in metal prices that render the project uneconomic; and
- Variations in the currency of operation.

(k) Trade and other payables

Trade and other payables are not interest bearing and are stated at amortised cost.

(l) Segment reporting

A segment is a component of the Group distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events when it is more likely than not that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated.

NOTE 2 SEGMENT REPORTING

Business segments
The Group's only business segment is the exploration for and development of mines for the extraction of precious metals.

Geographical segments
The Group confines its activity to the Andean Cordillera of South America with support functions in Europe. There was no sales revenue for the period. The geographical segments for the Group's operating expenditure, assets and capital expenditure are as follows:

	2006				2005			
	Peru US$000	Argentina US$000	Other US$000	Total US$000	Peru US$000	Argentina US$000	Other US$000	Total US$000
Operating expenditure	2,445	611	288	3,344	3,588	-	43	3,631
Assets	7,425	2,216	202	9,843	4,390	-	290	4,680
Liabilities	526	176	3,183	3,885	751	-	80	831
Net assets / (liabilities)	6,899	2,040	(2,981)	5,958	3,639	-	210	3,849
Capital expenditure	2,864	693	-	3,557	3,410	-	-	3,410
Impairment	84	-	-	84	1,417	-	-	1,417
Depreciation	18	3	-	21	5	-	-	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 3 LOSS BEFORE TAX

	2006 US$000	2005 US$000
Loss is stated after charging:		
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**17**	-
Fees payable to the Company's auditor and its associates in respect of :		
The auditing of accounts of associates of the Company pursuant to legislation	**36**	24

NOTE 4 STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2006	Number of employees 2005
Corporate finance and administration	**11**	6
Technical	**7**	4
	18	10

The aggregate payroll costs of these persons were as follows:

	2006 US$000	2005 US$000
Wages and salaries	**802**	398
Social security	**31**	13
	833	411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Basic Annual Salary US$000	Other Benefits US$000	Total Remuneration US$000
2006			
Directors			
C Chamberlain	125	-	125
Non-Directors	551	55	606
TOTAL	676	55	731

NOTE 6 NET FINANCE EXPENSE

	2006 US$000	2005 US$000
Interest expense	**85**	5
Interest income	**29**	5
Net finance expense	**56**	-

NOTE 7 INCOME TAX EXPENSE

Factors affecting the tax charge for the current period

The tax credit for the period is lower than the credit resulting from the loss before tax at the standard rate of corporation tax - 30% (2005: 30%). The differences are explained below.

	2006 US$000	2005 US$000
Tax reconciliation		
Loss before tax	**(3,400)**	(3,631)
Tax at 30% (2005: 30%)	**(1,020)**	(1,089)
Effects (at 30%) of:		
Expenses not deductible for tax purposes	**261**	351
Difference in tax rates	**13**	-
Tax losses carried forward	**746**	738
Tax on loss	**-**	-

Factors that may affect future tax charges

The Group has tax losses of US$5,570,000 (2005: 3,040,000) carried forward which may be deductible from future taxable profits (Note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

As at 31 December 2006 the Group had a potential liability for penalties in relation to incorrectly filed tax returns. The maximum amount of this potential liability was US$220,000. Subsequently a voluntary declaration was made to the tax authority concerned which resulted in the penalty being reduced by 90%.

NOTE 8 LOSS PER SHARE

The calculation of the basic loss per share is based on losses attributable to ordinary shareholders of US$3,400,000 (2005: US$3,631,000) and the weighted average number of ordinary share outstanding during the year ended 31 December 2006 of 24,775,000 (2005: 16,650,400). The average number of shares has been calculated as if the 400:1 share split had occurred at the start of the comparative period. There are no equity instruments in issue that would have a dilutive effect on the loss per share. Details of equity issues subsequent to the year end are included in note 19.

NOTE 9 TANGIBLE ASSETS

	Deferred development costs US$000	Motor vehicles US$000	Computers and office equipment US$000	Total US$000
Cost				
Balance at 1 January 2005	-	-	11	11
Additions	-	49	32	81
Balance 31 December 2005	-	49	43	92
Balance at 1 January 2006	-	49	43	92
Additions	-	68	54	122
Disposals	-	(30)	(7)	(37)
Transfers from deferred exploration costs	5,497	-	-	5,497
Balance 31 December 2006	5,497	87	90	5,674
Depreciation and impairment losses				
Balance at 1 January 2005	-	-	1	1
Depreciation charge for the year	-	-	5	5
At 31 December 2005	-	-	6	6
Balance at 1 January 2006	-	-	6	6
Depreciation charge for the year	-	10	11	21
Disposals	-	-	(1)	(1)
At 31 December 2006	-	10	16	26
Carrying amounts				
At 1 January 2005	-	-	10	10
Balance 31 December 2005	-	49	37	86
At 1 January 2006	-	49	37	86
Balance 31 December 2006	5,497	77	74	5,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 10 INTANGIBLE ASSETS

	Deferred exploration costs US$000
Cost	
Balance 1 January 2005	**1,689**
Additions	**3,329**
Exchange adjustments	**(19)**
Balance 31 December 2005	**4,999**
Balance at 1 January 2006	**4,999**
Additions	**3,435**
Transferred to deferred development costs	**(5,497)**
Balance 31 December 2006	**2,937**
Impairment	
Balance at 1 January 2005	**-**
Provision for impairment	**1,417**
Balance 31 December 2005	**1,417**
Balance at 1 January 2006	**1,417**
Provision for impairment	**84**
Balance 31 December 2006	**1,501**
Carrying amounts	
At 1 January 2005	**1,689**
At 31 December 2005	**3,582**
At 1 January 2006	**3,582**
Balance 31 December 2006	**1,436**

An external feasibility study of the Corihuarmi project was completed in April 2006 and determined that the prospect represented an economically viable mine project. The deferred cost was therefore transferred from exploration to development (note 9).

During 2006 and 2005 the Group wrote off expenditure relating to a number of mining concessions. The impairment occurred due to unfavourable results from the exploration activities in the individual concessions. These amounts have been charged to the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 11 DEFERRED TAXATION

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following potential amounts which have been calculated based on a future tax rate of 30%.

	2006 US$000	2005 US$000
Tax losses	1,650	904

The tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available in the foreseeable future against which the Group can utilise the benefits therefrom.

NOTE 12 Trade and other receivables

	2006 US$000	2005 US$000
Non current assets		
Other receivables	**1,059**	**701**
Current assets		
Other receivables	**212**	**3**
Prepayments	**86**	**108**
	298	**111**

Non current assets

Other receivables represents amounts relating to sales tax paid on the purchase of goods and services needed for the exploration activities of the Company. This amount is expected to be fully recovered as a deduction against taxes payable on the Company's future sales.

NOTE 13 CASH AND CASH EQUIVALENTS

	2006 US$000	2005 US$000
Bank balances	**12**	200
Call deposits	**1,390**	-
Cash and cash equivalents in the statement of cash flows	**1,402**	200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 14 CAPITAL AND RESERVES

As at 31 December 2006 the Company had an authorised share capital of no par shares of an unlimited value (2005: authorised 100,000 ordinary shares of US$1 each).

Issued share capital	Ordinary shares
Shares in issue 1 January 2006	**54,870**
Shares issued 4 April 2006 of US$1 each at nominal value	**353**
Shares issued 6 April 2006 of US$1 each at nominal value	**50**
Shares issued 3 May 2006 of US$1 each for a total consideration of US$250,200	**834**
Shares issued 9 May 2006 of US$1 each for a total consideration of US$60,000	**200**
Shares issued 17 May 2006 of US$1 each for a total consideration of US$500,500	**1,430**
Shares issued 19 May 2006 of US$1 each for a total consideration of US$78,750	**225**
Shares issued 28 July 2006 of US$1 each for a total consideration of US$300,000	**1,500**
Shares issued 1 September 2006 of US$1 each for a total consideration of US$3,090,000	**10,000**
Shares issued 13 September 2006 of US$1 each for a total consideration of US$150,500	**437**
Shares issued 3 October 2006 of US$1 each for a total consideration of US$70,774	**974**
Shares issued 6 October 2006 of US$1 each for a total consideration of US$638,600	**1,866**
Shares issued 23 October 2006 of US$1 each for a total consideration of US$19,250	**55**
Shares issued 30 October 2006 of US$1 each for a total consideration of US$350,000	**1,000**
Total	**73,794**

On 29 November 2006, the shareholders of the Company at an Extraordinary General Meeting resolved that each issued ordinary share be divided into 400 ordinary shares in the Company. Accordingly, as at 31 December 2006 there were 29,517,600 shares in issue.

On the same date, the authorised share capital was amended to an unlimited number of no par value shares. As a result, the share premium reserve was transferred at this date to the contributed surplus of $14,363,000 arising on share issues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 14 CAPITAL AND RESERVES (continued)

Potential issues of ordinary shares

At 1 January 2006 the Company had 1,500 options outstanding in the name of Caystar Holdings at a price of US$200. These were exercised on 28 July 2006, bringing the balance of options outstanding to nil. Further options were issued later in the year and at 31 December 2006 the Company had 2,857,200 options outstanding for the issue of ordinary shares, as follows:

Options

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 31 December 2006
17 August 2006	17 August 2006	30 June 2009	US$1.05	1,904,800	1,904,800
6 October 2006	6 October 2006	30 June 2009	US$1.05	952,400	952,400
Total contingently issuable shares at 31 December 2006					2,857,200

On 5 April 2007 the Company issued 308,904 warrants to Arbuthnot Securities Limited. Each warrant entitles the holder upon exercise and payment of 45 pence to the allotment and issue of one new ordinary share, fully paid. The warrants are exercisable at any time up to 12 April 2011.

Dividends

The directors do not recommend the payment of a dividend.

NOTE 15 Liabilities

Interest bearing loans

In August and October 2006 respectively, the Company agreed separate debt facilities with Macquarie Bank Limited and Resource Capital Fund III LP in a total amount of US$3 million. These facilities have been drawn in full and are repayable on 30 June 2009.

	2006 US$000	2005 US$000
Trade and other payables		
Current		
Trade payables	**269**	655
Other payables	**616**	176
Accrued expenses	**-**	-
	885	831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 16 FINANCIAL RISK MANAGEMENT

The Group is exposed to certain financial risks due to its business activities. The potential adverse effects of these risks are constantly assessed by the management of the Company with a view to minimising them, and the directors consider whether it is appropriate to make use of financial instruments for this purpose. The following are major financial risks which the Company is exposed to:

Exchange rate risk
Significant transactions are denominated in currencies other than US dollars (the functional currency of the Company). These transactions comprise operating costs and capital expenditure in the local currencies of the countries in which the Company works. These currencies have a close relationship to the US dollar and considering the local devaluation in the last few years and recent estimates of future devaluations, the management believes that changes in the exchange rates will not have a significant effect on the Company's financial statements.

Liquidity risk
Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents as well as an adequate amount of committed credit facilities. The management of the Company safeguards its cash resources and makes regular forecasts of the requirements to use those resources. If necessary the Company adapts its plans to suit the resources available.

Market price of minerals risk
The Company's business exposes it to the effects of changes in the market price of minerals. Severe changes in the market price of minerals may effect the recoverability of the Company's investments in exploration assets and mining rights. However, considering the market prices in the last few years and available projections of future prices, the management believes that changes in market prices of minerals will not have a damaging impact on the Company's financial statements.

NOTE 17 CAPITAL COMMITMENTS

As at the date of this report the Company has entered into agreements with various third parties, in connection with its licences, to make further payments. The total commitment is US$10 million. In addition, under the agreement with Rio Tinto for the acquisition of the Ollachea project, the Company is required to make further payments based upon a formula. In the opinion of the directors of the Company there were no material capital commitments at 31 December 2006.

NOTE 18 RELATED PARTIES

During the period, the Company has obtained management services from Investor Resources Limited, a company related through a common director, under the terms of a management services agreement for a sum of US$20,000 per annum. In addition, the Group has expenses paid for it by IRL South America Limited, shareholder until 30 October 2006, under the terms of a service agreement whereby IRL South America Limited holds and administers cash funds on behalf of the Company. The balance of the funds held by IRL South America Limited on behalf of the Company on 31 December 2006 was US$202,000.

During the period, the Company has obtained registrar services from Computershare Investor Services (Channel Islands) Limited, a company related through a common director. The contract for these services provides for a minimum annual charge of £3,000 to be paid by the Company.

During the period a Working Capital Facility was agreed between the Company and Resource Capital Fund III L.P. Under this agreement the latter agreed to provide the Company with a Working Capital Facility of US$1 million to be repaid on 30 June 2009. Resource Capital Fund III L.P. is related through a common director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 (continued)

NOTE 19 SUBSEQUENT EVENTS

Since 31 December 2006 the Company has issued a total of 32,263,324 shares of which 25,333,333 related to the listing of the Company's shares on the Alternative Investment Market on 12 April 2007.

In addition the Group has entered into contracts for the construction of the Corihuarmi gold mine for a total of US$2,900,000.

COMPANY FINANCIAL STATEMENTS

COMPANY INCOME STATEMENT for the year ended 31 December 2006

	Notes	2006 US$000	2005 US$000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income		-	-
Administrative expenses		(764)	(333)
Exploration costs written off		(81)	-
Operating loss		(845)	(333)
Finance income / (expense)		(58)	6
Loss before and after tax		(903)	(327)
Loss for the period		(903)	(327)

COMPANY FINANCIAL STATEMENTS (continued)

COMPANY BALANCE SHEET at 31 December 2006

	Note	2006 US$000	2005 US$000
Assets			
Intangible assets	*C3*	**967**	-
Investments in subsidiary undertakings	*C4*	**15,032**	8,136
Total non-current assets		**15,999**	8,136
Other receivables and prepayments	*C5*	**202**	108
Cash and cash equivalents	*C6*	**-**	182
Total current assets		**202**	290
Total assets		**16,201**	8,426
Equity			
Issued share capital	*14*	**14,363**	55
Share premium	*14*	**-**	8,799
Profit and loss account		**(1,346)**	(443)
Total equity		**13,017**	8,411
Liabilities			
Interest bearing loans	*15*	**3,000**	-
Total non-current liabilities		**3,000**	-
Trade and other payables	*C7*	**184**	15
Total current liabilities		**3,184**	15
Total equity and liabilities		**16,201**	8,426

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 June 2007.

Courtney Chamberlain
Executive Chairman

COMPANY FINANCIAL STATEMENTS (continued)

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Share capital US$000	Share premium US$000	Profit and loss account US$000	Total equity US$000
Balance at 1 January 2005		**35**	**3,503**	**(116)**	**3,422**
Loss for the period		-	-	(327)	(327)
New share capital subscribed		20	5,296	-	5,316
Balance at 31 December 2005		**55**	**8,799**	**(443)**	**8,411**
Loss for the period		**-**	**-**	**(903)**	**(903)**
New share capital subscribed		**19**	**5,490**	**-**	**5,509**
Transfer share premium to share capital		**14,289**	**(14,289)**	**-**	**-**
Balance at 31 December 2006		**14,363**	**-**	**(1,346)**	**13,017**

COMPANY FINANCIAL STATEMENTS (continued)

COMPANY STATEMENT OF CASH FLOWS for the year ended 31 December 2006

	Note	2006 US$000	2005 US$000
Cash flows from operating activities			
Operating loss from continuing operations		**(903)**	(327)
(Increase) / decrease in other receivables and prepayments		**(94)**	36
Increase / (decrease) in trade and other payables		**169**	(76)
Cash used in operations		**(828)**	(367)
Interest paid		**-**	-
Net cash outflow from operating activities		**(828)**	(367)
Cash flows from investing activities			
Acquisition of intangible assets	*C3*	**(967)**	-
Interest received		**-**	-
Investment in subsidiary undertakings		**(6,896)**	(4,798)
Net cash outflow from investing activities		**(7,863)**	(4,798)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**5,509**	5,316
Receipt of loans		**3,000**	-
Net cash inflow from financing activities		**8,509**	5,316
Net increase / (decrease) in cash and cash equivalents		**(182)**	151
Cash and cash equivalents at beginning of period		**182**	31
Cash and cash equivalents at end of period		**-**	182

NOTES TO THE COMPANY FINANCIAL STATEMENTS

The accounting policies in the Group accounts also form part of the Company accounts

C1. Accounting policies for the Company

The accounting policies applied to the Company are consistent with those adopted by the Group with the exception of the following:-

Subsidiary investments
Investments in subsidiary undertakings are stated at cost less impairment losses.

C2. Remuneration of directors and key management personnel

Key management personnel of the Company comprises entirely of the directors of the Company. Their remuneration is summarised in the table below.

	2006 US$000	2005 US$000
Basic annual salary	**125**	50
Bonus	**-**	-
Total emoluments	**125**	50
Pensions	**-**	-
Total remuneration	**125**	50

C3. Intangible assets

	Deferred exploration costs US$000
Cost	
Balance at 1 January 2006	-
Additions	967
Balance at 31 December 2006	967
Amortisation and impairment losses	
Balance 1 January 2006	-
Provision for impairment	-
Balance at 31 December 2006	-
Carrying amounts	
1 January 2006	-
31 December 2006	967
Balance at 31 December 2006	**967**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

C4. Investments in subsidiary undertakings

	Shares in Group undertakings US$000
Cost	
Balance at 1 January 2005	3,338
Net additions	4,798
Balance at 31 December 2005	8,136
Balance at 1 January 2006	8,136
Net additions	6,896
Balance at 31 December 2006	**15,032**
Amortisation and impairment losses	
Balance at 1 January and 31 December 2005	-
Balance at 1 January 2006	-
Write-offs	-
Balance at 31 December 2006	**-**
Carrying amounts	
At 1 January 2005	3,338
At 31 December 2005	8,136
At 1 January 2006	8,136
At 31 December 2006	**15,032**

The Company has a controlling interest in the following subsidiary undertakings:

	Country of Incorporation and operation	Principal activity	Minera IRL Limited effective interest 2006	2005
Minera IRL SA	Peru	Mining and exploration	100%	100%
Minera IRL Argentina SA	Argentina	Mining and exploration	100%	-
Minera Kuri Kullu SA	Peru	Mining and exploration	100%	-

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

C5. Other receivables and prepayments

	2006 US$000	2005 US$000
Other receivables	**202**	108

C6. Cash and cash equivalents

	2006 US$000	2005 US$000
Bank balances	**-**	182
Call deposits	**-**	-
Cash and cash equivalents in the statement of cash flows	**-**	182

C7. Trade and other payables

	2006 US$000	2005 US$000
Current		
Other payables	**25**	-
Accrued expenses and deferred income	**159**	15
	184	15

C8. Related parties

The Company has a related party relationship with its subsidiaries (see note C4), directors and other key management personnel (see note 5).

The following table details transactions carried out with subsidiary undertakings:

	2006 US$000	2005 US$000
Transfer of cash to subsidiaries	**6,896**	4,582
Cash received by subsidiaries on behalf of the Company	**-**	216

Other related parties
Transactions with other related parties are detailed in note 18.