

METMINCO LIMITED
REPORT FOR THE YEAR ENDED
31 DECEMBER 2011
ABN 43 119 759 349

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CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 31 December 2011.

Board Composition

The qualifications, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

The names of the independent directors are: Antonio Ortuzar, Timothy Read and Francisco Vergara-Irarrazaval.

When determining whether a non-executive director is independent the director must not fail any one of the following materiality thresholds:

- less than 10% of Company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

Ethical Standards

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the code of conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

Trading Policy

The Company's policy regarding directors and employees trading in its securities is set by the Audit Committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

In compliance with AIM Listing Rules, directors and officers of the Company are also not permitted to trade in the Company's securities for the periods as follows:

- two months preceding the publication of the Company's annual results or, if shorter, the period from its financial year end to the time of publication;
- two months immediately preceding the notification of the Company's half-yearly report or, if shorter, the period from the relevant financial period end up to and including the time of the notification; or
- one month immediately preceding the notification of the Company's quarterly results or, if shorter, the period from the relevant financial period end up to and including the time of the notification.

Occupational Health and Safety Policy

Metminco will be a model for responsible exploration and mining.

Having excellent local and government relationships and solid health, safety and environmental practices is just as important to a successful mining project as strong technical expertise. Metminco and its subsidiaries have demonstrated their corporate responsibility, proof of which was renewal of the Environmental Impact Declaration permits for their exploration activities and a continuing and amicable dialogue with local community groups. Metminco will continue to build on its positive record in Chile and Peru.

Diversity Policy Statement

Metminco's workforce consists of people from diverse backgrounds with a range of skills, values and experiences. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company recognises the organisational strength, deeper problem solving ability and opportunity for innovation that this diversity brings. The Company is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available at work.

Accordingly the Group has established a regional office in Moquegua, Southern Peru approximately 60 km from the Los Calatos Project with one of the objectives being to increase community participation in the Group's work force. As the Group has three staff in Australia it is not practical to set measurable targets.

However, the Company aims to continue with this diversity policy over the next few years as director and senior executive positions become vacant and appropriately qualified candidates become available.

Audit Committee

An Audit and Risk Committee has been established by the Board. The Committee's role and operations are documented in a Charter which is approved by the Board. This Charter is available on Metminco's website under www.metminco.com.au/corporategovernance.

The Committee's Charter provides that all members of the Audit and Risk Committee must be Non-Executive Directors, majority Independent Directors and that the Chair cannot be the Chairman of the Board.

The names and qualifications of those appointed to the Audit Committee and their attendance at meetings of the committee are included in the Directors' Report.

The role of the Committee is to:

- Ensure the integrity of the Group's internal and external financial reporting including compliance with applicable laws, regulations and codes of conduct.
- Ensure that financial information provided to the Board is of a sufficiently high quality to allow the Board to make informed decisions.
- Ensure that appropriate and effective internal systems and controls are in place to ensure proper financial governance and manage the Group's exposure to risk.
- Oversee the appointment, compensation, retention and oversight of the external auditor, and review of any non-audit services provided by the external auditor.
- Regularly review the performance of the external auditor regarding quality, costs and independence.
- Oversee the frequency, significance and propriety of all transactions with related parties.

The Audit and Risk Committee is required under the Charter to meet at least twice per year and otherwise as necessary. The Committee met three times during the year and Committee members' attendance records are disclosed in the Directors' Meetings section of the Directors' Report.

The Managing Director, Chief Financial Officer and external auditor also regularly attend the Committee meetings by standing invitation. Other Directors and management are invited to attend Committee meetings and participate in discussion relating to specific issues that they have an interest in.

CORPORATE GOVERNANCE STATEMENT continued

The Committee is authorised to obtain independent legal advice at the Group's expense if it considers it necessary in fulfilling its duties.

Performance Evaluation

The Board regularly receives reports from management on shareholder meetings including feedback on the performance of the Company and the Board.

The Managing Director undertakes an annual review of the performance of each senior executive against individual tasks and objectives. The report is considered by the Remuneration and Nomination Committee. Performance evaluations of the key executives were undertaken in the 2011 financial year.

Board Roles and Responsibilities

The Board of Directors is responsible for the corporate governance of the Group and operates in accordance with the principles set out in its Charter, which is available in the corporate governance section of Metminco's website. To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board. These responsibilities include:

- Setting the strategy for the Group, including operational and financial objectives and ensuring that there are sufficient resources for this strategy to be achieved.
- Appointing and, where appropriate, removing the Managing Director, approving other key executive appointments and planning for executive succession.
- Overseeing and evaluating the performance of the Managing Director and the executive team through a formal performance appraisal process having regard to the Group's business strategies and objectives.
- Monitoring compliance with legal, regulatory, environmental, social and occupational health and safety requirements and standards.
- Overseeing the identification of key risks faced by the Group and the implementation of an appropriate internal control framework to ensure those risks are managed to an acceptable level.
- Approving the Group's budgets, including operational and capital budgets, and the approval of significant acquisitions, expenditures or divestitures.
- Approval of the annual and half-yearly financial reports.
- Ensuring the market and shareholders are fully informed of material developments.

The roles of Chairman and Managing Director are separated and clearly defined. The Chairman leads the Board and is responsible for ensuring the effectiveness of governance practices. The Chairman is also responsible for the conduct of Board and shareholder meetings.

Responsibility for the operations of the Company is delegated to the Managing Director who manages the Company within the policies set by the Board. The levels of authority for management are also documented.

To ensure that the responsibilities of the Board are upheld and executed to the highest level, the Board has established the following sub-committees:

- Audit and Risk Committee.
- Remuneration and Nomination Committee.
- Environment, Social, Occupational Health and Safety Committee.

Sub-committees are able to focus on a particular responsibility and provide informed feedback to the Board. Each of these sub-committees have established Charters and operating procedures in place, which are reviewed on a regular basis. The Board may also establish other sub-committees from time to time to deal with issues of special importance.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Metminco Limited, to lodge questions to be responded to by the Board, and are able to appoint proxies.

Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks. The Chief Financial Officer has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly.

The Managing Director and Chief Financial Officer have signed a declaration in accordance with S295A of the Corporations Act that internal compliance and control systems of the Company and Consolidated Entity to the extent they relate to financial reporting are operating efficiently and effectively, are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to the reporting of financial risks.

Remuneration Policies

The Remuneration Policy, which sets the terms and conditions for the key management personnel, was developed by the Remuneration and Nomination Committee after seeking professional advice from independent consultants and was approved by the Board. All executives receive a base salary, superannuation, performance incentives and retirement benefits. The Remuneration and Nomination Committee reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The policy is designed to attract the highest calibre executives and reward them for performance, which results in long-term growth in shareholder value.

Executives are also entitled to participate in any employee share and option arrangements.

The amount of remuneration for all key management personnel for the Company is detailed in the Directors' Report under the heading Remuneration Report. All remuneration paid to executives is valued at the cost to the Company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Binomial methodology.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to manage the Consolidated Group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the Remuneration and Nomination Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Remuneration and Nomination Committee

The names of the members of the Remuneration and Nomination Committee and their attendance at meetings of the committee are detailed in the Directors' Report.

The role of the Committee with respect to its remuneration function is to assist the Board in determining appropriate remuneration arrangements for the Directors and executive management.

These responsibilities include:

CORPORATE GOVERNANCE STATEMENT continued

- Reviewing the adequacy and form of remuneration of Non-Executive Directors.
- Ensuring that the remuneration of the Non-Executive Directors is reflective of the responsibilities and the risks of being a Director of the Group.
- Reviewing the contractual arrangements of the Managing Director and the executive management team including their remuneration.
- Comparing the remuneration of the Managing Director and executive management to comparable groups within similar industries to ensure that the remuneration on offer can attract, retain and properly reward performance which will translate into long term growth in shareholder value.
- Annually review key performance indicators of the Managing Director and executive team to ensure that they remain congruent with the Group's strategies and objectives.
- Reviewing the basis for remuneration of other Executive Directors of the Group for their services as Directors.
- Reviewing incentive performance arrangements when instructed by the Board.
- Reviewing proposed remuneration arrangements for new Director or executive appointments.

The Committee will submit their recommendations to the Board regarding the remuneration arrangements and performance incentives for the Managing Director and executive team. The Board will review these recommendations before providing their approval.

Details of the Group's remuneration structure and details of senior executives' remuneration and incentives are set out in the Remuneration Report contained within the Directors' Report.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

Other Information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's website at www.metminco.com.au.

Make timely and balanced disclosure

Metminco has established policies and procedures to ensure timely and balanced disclosure of all material matters concerning the Group, and ensure that all investors have access to information on the Group's financial performance. This ensures that the Group is compliant with the information disclosure requirements under the ASX Listing Rules and AIM Rules.

These policies and procedures include a comprehensive Disclosure Policy that includes identification of matters that may have a material impact on the price of Metminco's securities, notifying them to the ASX and AIM, posting relevant information on the Group's website and issuing media releases. These policies are available on Metminco's website under www.metminco.com.au/corporategovernance.

Matters involving potential market sensitive information must first be reported to the Managing Director either directly or via the Company Secretary. The Managing Director will advise the other Directors if the issue is important enough to warrant the consideration of the full Board. In all cases the appropriate action must be determined and carried out in a timely manner in order for the Group to comply with the Information Disclosure requirements of the ASX and AIM.

Once the appropriate course of action has been agreed upon, either the Managing Director or Company Secretary will disclose the information to the relevant authorities, being the only authorised officers of the Group who are able to disclose such information. Board approval is required for market sensitive information such as financial results, material transactions or upgrading/downgrading financial forecasts. This approval is minuted in the meetings of the Board of Directors.

DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Group being Metminco Limited (Metminco or the Company) and its controlled entities, for the financial year ended 31 December 2011.

Directors

The following persons held the office of director at any time during or since the year ended 31 December 2011:

| | |
|---|------------------------|
| Antonio Ortuzar (<i>appointed 16 March 2011</i>) | Non Executive Chairman |
| William J Howe | Managing Director |
| Timothy Read | Non Executive Director |
| Francisco Vergara-Irarrazaval | Non Executive Director |
| Phillip J Wing | Non Executive Director |
| William S Etheridge | Non Executive Director |
| John Fillmore (<i>appointed 10 May 2007, resigned as a Director of the Company and Chairman of the Board on 16 March 2011</i>). | |

Directors have been in office since the start of the year unless otherwise stated.

Company Secretary

Philip Killen was the Company Secretary for the financial year and was in office at the date of this report.

Principal activities and significant changes in the nature of activities

The Principal activities of the Group during the financial year were as a diversified mineral explorer focussing on prospects in South America. The Group has a significant portfolio of projects located in Chile and Peru, primarily focused on porphyry copper style deposits, but including exposure to gold, molybdenum and zinc.

Operating results

The consolidated loss of the Group for the year was A\$8,777,306 after providing for income tax (31 Dec 2010: loss of A\$11,340,398 for 6 months).

DIRECTORS' REPORT continued

Review of operations

Metminco, through its wholly owned subsidiaries Minera Hampton Chile Limitada (Hampton Chile) and Minera Hampton Peru SAC (Hampton Peru), holds equity interests in a portfolio of base and precious metal projects that are located within well-constrained metallogenic belts that occur within the Andean Cordillera in Chile and Peru. A summary of Metminco's projects is provided below, with the three most advanced projects being the Los Calatos copper-molybdenum porphyry deposit in southern Peru, and the Mollacas copper leach deposit and La Colorada (Vallecillo) polymetallic deposits in Region IV, Chile.

The Company's premier project, Los Calatos, is located near and in a similar geological setting to three large operating porphyry hosted copper-molybdenum mines, namely the Cerro Verde, Cuajone and Toquepala mines (Figure 1).

JORC-compliant resources have historically been declared for Los Calatos, Mollacas and Vallecillo (La Colorada) (Appendix 1).

A 34,200 metre diamond drilling program (Phase 3) was completed at Los Calatos in December 2011. A Phase 4 program comprising 100,000 metres of diamond drilling commenced in December 2011 and is scheduled for completion by the end of 2012, at which time a total of approximately 160 kilometres of diamond drilling would have been completed at Los Calatos. The Company will complete an interim resource estimate for Los Calatos by mid-2012, and a further updated resource estimate on completion of the 2012 drill program. The Company intends to commission a pre-feasibility study on the Los Calatos Project for completion in 2013.



Figure 1: Location of Los Calatos and surrounding Cu-Mo operating mines

Exploration programs, which largely involved in-fill drilling, were also completed at the Mollacas and Vallecillo projects, for which revised resource estimates are currently in preparation. In the case of Mollacas, the new resource estimate will form the basis of a Feasibility Study, whereas in the case of Vallecillo, the resource estimate will be followed by a pre-feasibility study, both of which will be completed by the end of 2012.

LOS CALATOS

The Los Calatos Project is located in a well-defined copper-molybdenum porphyry belt in southern Peru, approximately 80 kilometres to the southeast of Arequipa, and 60 kilometres northwest of Moquegua.

Production from mines in this region exceeded 600,000 tonnes of copper metal in 2009. With the proposed upgrade to the Toquepala, Cuajone and Cerro Verde mines and the development of the Tia Maria and Quellaveco mines, production from this belt is anticipated to increase to more than 1.3 million tonnes of copper metal per annum. Molybdenum constitutes a significant byproduct of copper mining from this belt (Figure 1).

The project comprises 26 exploration licences covering an area of 214 square kilometres, and occurs at an altitude of approximately 2,900 metres above mean sea level. It can be accessed via a sealed road (Pan American Highway) from Moquegua and Arequipa, except for the last 50 kilometres which is unsealed. The port of Ilo is located approximately 160 kilometres by road to the southwest of the project area.

The main area of interest at Los Calatos is defined at surface by a north-westerly trending zone of advanced argillic alteration or "LIX capping" (Figure 2), which overlies a sub-vertical porphyry system that is developed to drilled depths in excess of 1,700 metres. The LIX capping is 3.3 kilometres in strike extent with a variable width of up to 1 kilometre.

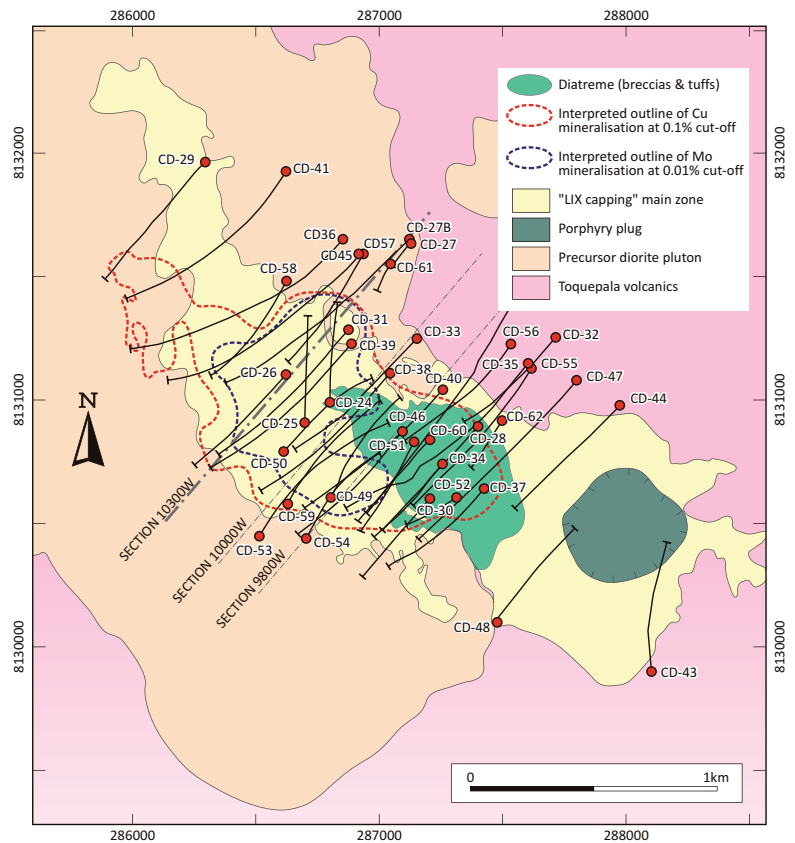


Figure 2: Phase 3 drilling program and regional extent of the LIX zone

LOS CALATOS continued

An extensive, regional scale, mapping, geochemical and geophysical program has been completed historically by Metminco over the project area, which identified eight anomalies (targets) with potential, of which two (Targets 1 and 2) have been drill tested. The current JORC-compliant resource (August 2010) is located within these two target areas (Figure 3).

A JORC-compliant mineral resource was estimated for the project by SRK Consulting (Chile) SA ("SRK") in August 2010, based on the Phase 1 and 2 drilling results completed prior to July 2010, totalling 21,200 metres of drilling (Appendix 1).

A third phase of drilling was completed in December 2011 (Figure 2) totalling 34,200 metres, the objective of which was to delineate the extent of the mineralised porphyry system (mineralised envelope), as well as to ascertain future infill drilling requirements to increase, and upgrade the mineral resource. This drilling phase not only confirmed the fact that the Los Calatos Project embraces a classic mineralised porphyry system, but it also returned well-mineralised intercepts at vertical depths of 50 metres to depths in excess of 1,700 metres below surface. Certain of the drilling results for Phase 3 are summarised in Table 1, Appendix 2.

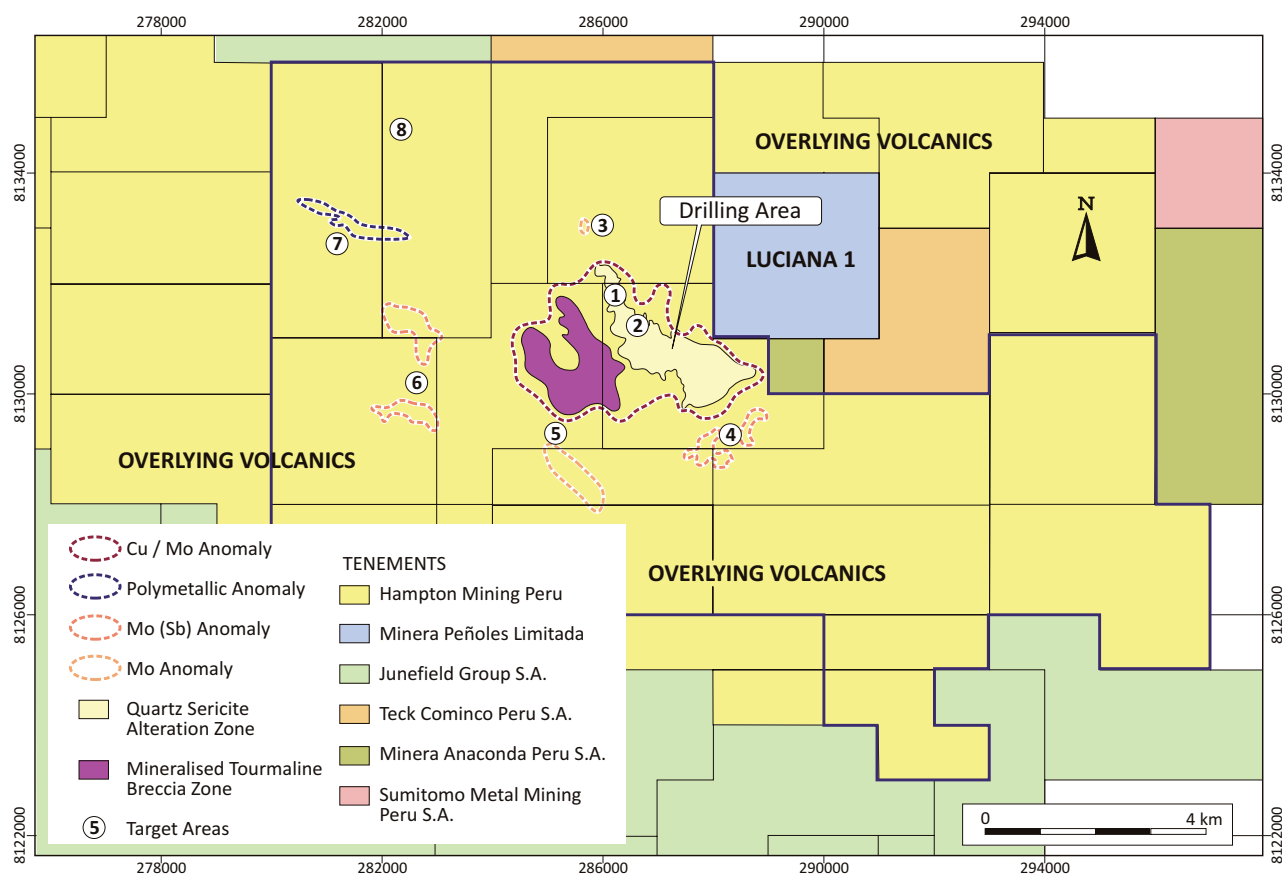


Figure 3: Project area comprising 214km² of tenements and defined exploration targets (1 to 8).

The block model used in the estimation of the Mineral Resource announced in August 2010 included holes drilled to a vertical depth of 1,100 metres and a width of mineralisation of up to 500 metres. However, the Phase 3 drilling program has since demonstrated that copper and molybdenum mineralisation occurs over significant intercepts to vertical depths in excess of 1,700 metres, with widths that vary from 700 metres near surface to approximately 1,000 metres at a depth of 1,500 metres below surface in the central part of the porphyry system. Furthermore, drill holes such as CD-31 have returned significant Cu and Mo grades near surface (at depths of 50 metres below surface) on the northern boundary of the porphyry system, which area has the potential for the establishment a starter pit that would enhance early cash flows arising from a possible future mining operation at Los Calatos (Figure 4).

The Phase 3 drilling program also identified Cu and Mo mineralisation associated with the younger Diatreme Complex to the south-east of the main porphyry system (Figures 2 and 5), which has the impact of extending the mineralised envelope associated with the porphyry complex further to the south-east.

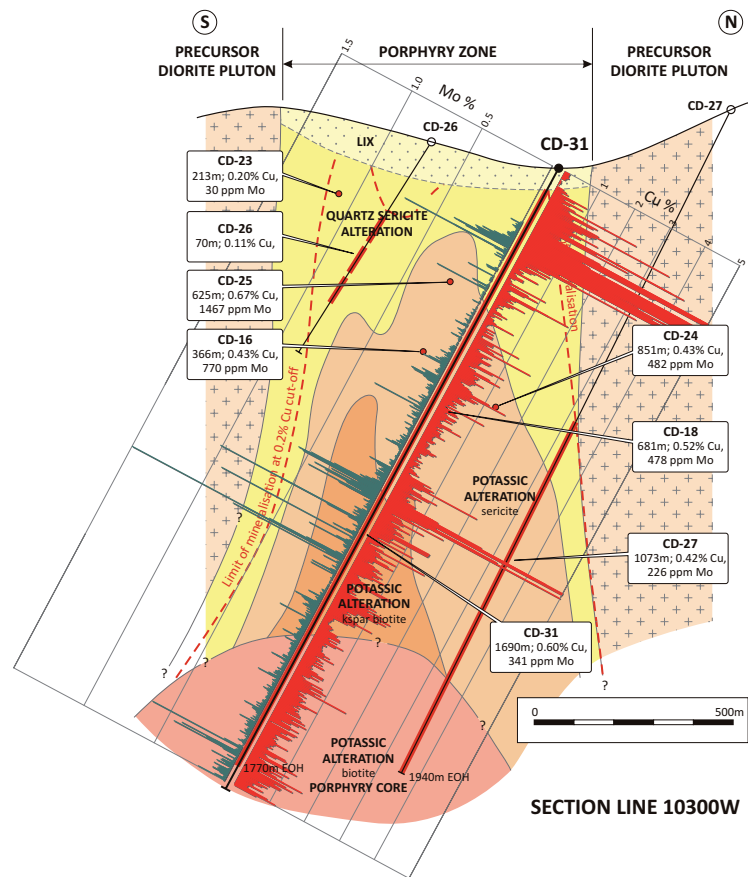


Figure 4: Schematic north-south section through the Los Calatos porphyry system showing the Cu and Mo results for drill hole CD-31.

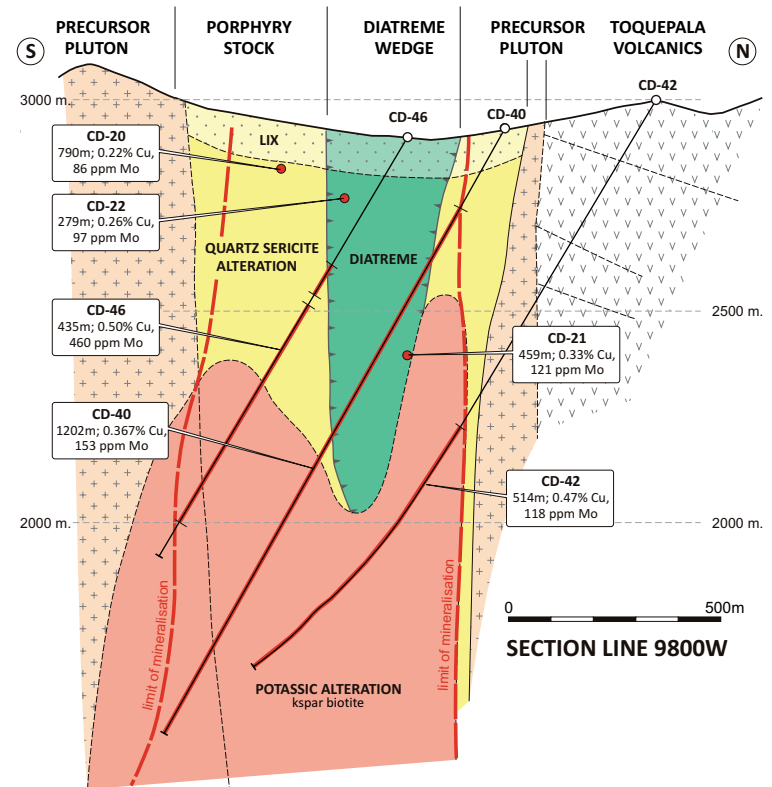


Figure 5: Schematic north-south section through the Los Calatos porphyry system showing the presence of mineralisation within the younger Diatreme Complex.

DIRECTORS' REPORT continued

LOS CALATOS continued

The Phase 3 drill program has also been successful in developing a better understanding of the extent of the mineralised envelope associated with the Los Calatos porphyry system, in both the vertical and horizontal dimensions. Figure 6 demonstrates the areal extent of the mineralised envelope on conclusion of the Phase 3 drilling program, by comparison the extent of the envelope modelled in support of the August 2010 resource estimate.

On completion of the Phase 3 drilling program, Metminco initiated a further phase of drilling (Phase 4), the primary objective of which will be to increase, and upgrade, the existing mineral resource estimate. The Phase 4 drilling program will comprise two sub-phases, totalling 100,000m of drilling, which is planned to be completed in late 2012.

- Phase 4a: $\pm 30,000\text{m}$ of diamond drilling (100m x 200m grid)
- Phase 4b: $\pm 70,000\text{m}$ of diamond drilling (100m x 100m grid)

On completion of Phase 4a during Q2 2012, the Company will complete an interim, JORC-compliant mineral resource estimate, which will incorporate the results of some 64,000 metres of additional drilling by comparison to the August 2010 resource estimate. Phase 4b is aimed at increasing the confidence level of the aforementioned resource estimate to a vertical depth of 1,200 metres by advancing a large percentage of the defined Inferred Resource into an Indicated Resource category. It will also culminate in a revised JORC-compliant resource estimate, which will form the basis of a pre-feasibility study that is to be commissioned in early-2013.

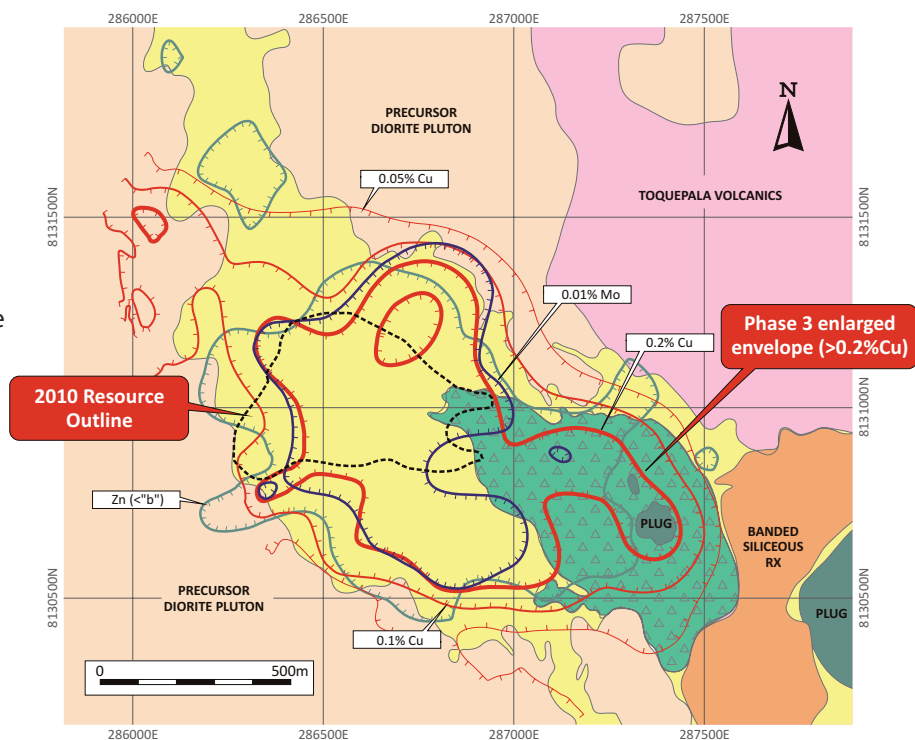


Figure 6: Extent of Phase 3 delineated mineralised envelope (> 0.2% Cu) by comparison the extent of the August 2010 resource estimate.

Eight drill rigs are currently operating on site as part of the Phase 4a program, with a planned drilling rate of some 8,000 metres per month.

Preliminary flotation testwork undertaken in 2009 on composite samples from drill core have been previously reported by the Company. The test results (predicted results from each of the locked cycle tests using 160 micron material) are shown in the following table:

| CONCENTRATE GRADES | | CONCENTRATE RECOVERY | |
|--------------------|-----|----------------------|------|
| CU% | MO% | CU% | MO% |
| 24.0 | 2.5 | 87.5 | 79.1 |

By comparison, the average historical concentrate grade for the nearby Cuajone mine has been $\pm 26\%$ Cu, and for the Toquepala mine just over 27% Cu. Historic copper recoveries at these mines have generally been in the range of 85% to 87%. The molybdenum recoveries achieved for Los Calatos are exceptionally high, as an overall recovery rate of 65 to 68% is normally expected for a commercial grade molybdenum concentrate.

Further metallurgical testwork is required to optimise copper recoveries and copper concentrate grade by conventional flotation, and to test flotation and separation of the molybdenum from the copper / molybdenum concentrate. Gold, silver and rhenium are also likely to contribute as credits to any revenue stream arising from mining operations at Los Calatos. The grades of eight concentrate samples are shown in the table below:

| METAL | UNIT | AVERAGE GRADE | RANGE |
|-------|------|---------------|-------------|
| Ag | g/t | 42 | 12 – 91 |
| Au | g/t | 1.15 | 0.7 – 1.8 |
| Cu | % | 24.93 | 21.4 – 30.5 |
| Mo | % | 3.08 | 0.62 – 5.94 |

Extensive work has been completed on the proposed route for a services corridor to the coast, the position of which has recently been confirmed. The purpose of the services corridor will be for the pumping of sea water to the metallurgical facilities at Los Calatos, and for the pumping of concentrate to a loading facility along the coast. In this regard, additional metallurgical testwork is to be undertaken during 2012 to assess the impact of using sea water as an integral part of the envisaged metallurgical extractive process (flotation circuit).

The regional power grid is presently under review by the Peruvian power net authorities to evaluate the transmission capacity of the grid and the ability thereof to accommodate future power requirements (e.g. Los Calatos). Further, and also from an infrastructural perspective, the Company has completed preliminary investigations for a tailings disposal site and mine waste dumps.

On 11 July 2011 the Company announced that the Los Calatos Project had been declared a “Project of National Interest” by the Peruvian Government. A “Project of National Interest” is an exceptional designation that allows Metminco’s wholly owned subsidiary, Hampton Peru, to acquire surface title to the Los Calatos project tenements, which are located on State-owned barren lands, by direct purchase from the Peruvian government. The general rule is that State-owned property can only be transferred by a public auction. This designation only applies in circumstances where the project’s feasibility and economic benefit for the country can be demonstrated to the Peruvian government.

MOLLACAS

The Mollacas Project, which occurs at an altitude of 1,500 metres above sea level, covers an area of 33 square kilometres and is located in Region IV, Chile, approximately 65 kilometres east of the town of Ovalle, and 160 kilometres by road from the port of La Serena (Figure 7).

Mollacas is located along a north-south trending sequence of volcanics, which has been intruded by younger porphyritic dacites. The copper deposit is associated with an alteration zone that measures 800 metres by 600 metres, where the defined resource is limited to an oxide and supergene "blanket" that occurs above a primary, low grade, porphyry (Figure 8).

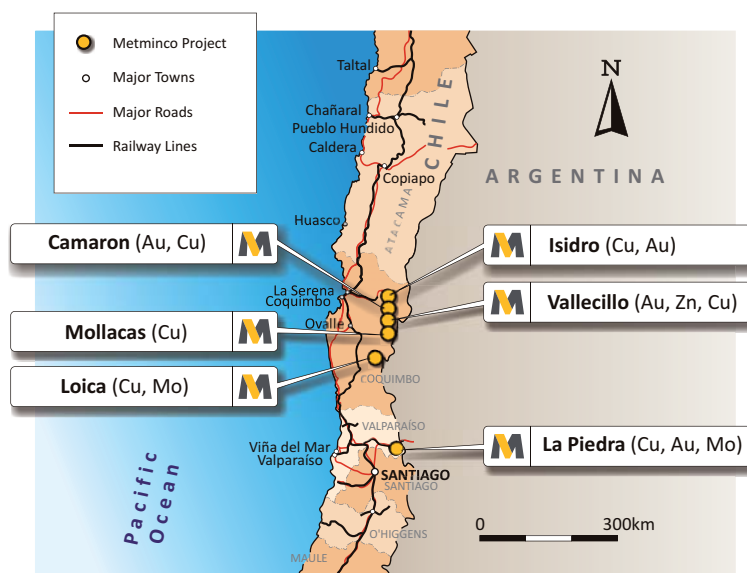


Figure 7: Locality of Chilean Projects.

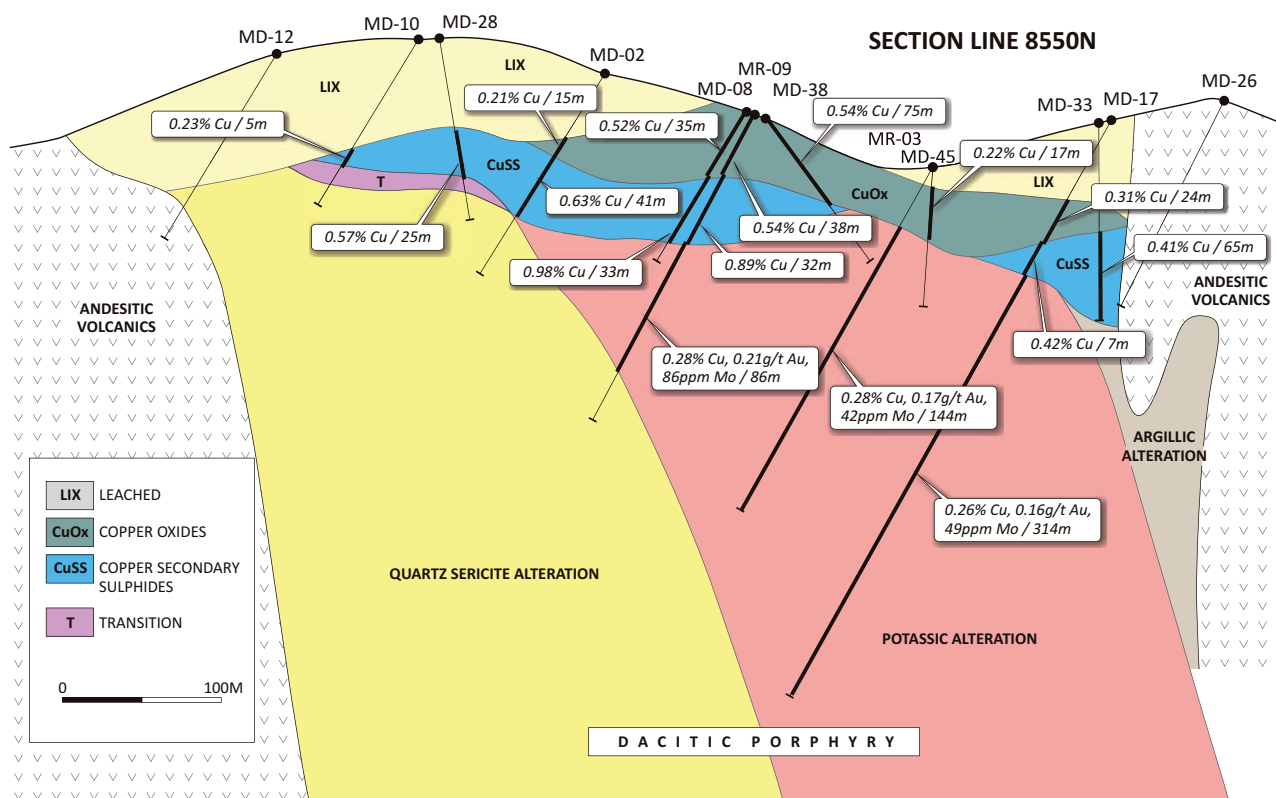


Figure 8: Mollacas resource comprises an enriched copper oxide and supergene cap.



Figure 9: Preliminary infrastructural layout of the Mollacas Cu leach solvent extraction/electrowinning (SX/EW) mining operation.

In November 2007 SRK finalised a mineral resource estimate for the project (Appendix 1), which was followed by a Scoping Study (April 2008), where SRK concluded that the mineral resource could be mined as an open pit operation with a strip ratio of 1.3:1 over a 6 year life of mine, producing 13,500 tonnes of cathode copper per annum at a unit operating cost of US\$0.91 per pound. Further, and at an estimated capital requirement of \$56 million, and a copper price of US\$2.50 per pound, the project returned a Net Present Value of US\$103 million (8% discount rate) and 70% IRR.

In November 2008, Metminco completed a 3,970 metre diamond drilling program, which provided oxide and supergene ore for detailed column leach testwork. The testwork, which was undertaken by CIMM laboratories in Santiago, was completed in late October 2010 and demonstrated recoveries of up to 80% of soluble copper, or up to 72% of total copper.

Metminco completed a drilling program in Q3 2011 comprising 2,250 metres of diamond drilling and 1,154 metres of reverse circulation drilling. The reverse circulation drilling was undertaken for site infrastructure (condemnation drilling) and hydrological purposes, whilst the diamond drilling program was aimed at providing sufficient data to convert all previously

defined mineral resources to Measured and Indicated Resource categories, as well as to provide sufficient material for further tall column leach and permeability testwork. The results of the diamond drilling program are summarized in Appendix 2, Table 2.

The metallurgical testwork will assist in refining current copper recovery estimates, acid consumption, and in the design of the leaching and solvent extraction/electrowinning circuit, which will facilitate more accurate operating and capital cost estimates.

Geotechnical work has been completed in support of the 3-D modeling required for the design of the planned open pit and associated slope angles. Figure 9 provides an indication as to the proposed infrastructural layout at Mollacas.

The Company has completed an environmental base line study for the project, and has completed the purchase of land (freehold) and water rights for its development.

On completion of a new, upgraded, resource estimate, a Feasibility Study will be initiated, which is scheduled for completion during Q4 2012.

VALLECILLO

The Vallecillo Project covers an area of 179 square kilometres, and is located approximately 50 kilometres northeast of Ovalle and some 25 kilometres north of the Mollacas Project (Figure 7).

The project hosts porphyry related base and precious metal mineralisation that occurs in an arcuate polymetallic belt that has been defined on the basis of a soil geochemical sampling program conducted by Metminco during 2009 and 2010 (Figure 10). Four polymetallic targets have been identified (namely targets V1 to V4), of which the V1 target (La Colorada) has been drilled extensively, such that a JORC-compliant resource was estimated in July 2009 (Appendix 1).

The mineralisation at La Colorada is hosted by a porphyry related breccia, which contains gold, silver, zinc, lead and copper mineralisation, which have a distinct vertical zonation, with gold and zinc mineralisation occurring at shallower open pit depths, while the copper mineralisation occurs beneath the polymetallic zone at a depth of 300 metres below surface (Figure 11).

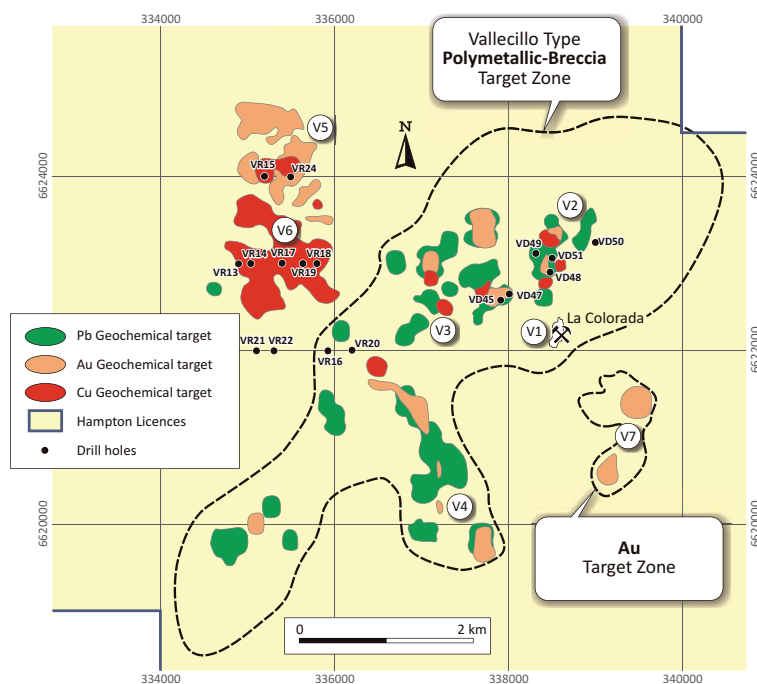


Figure 10: Polymetallic belt defined by soil geochemical sampling.

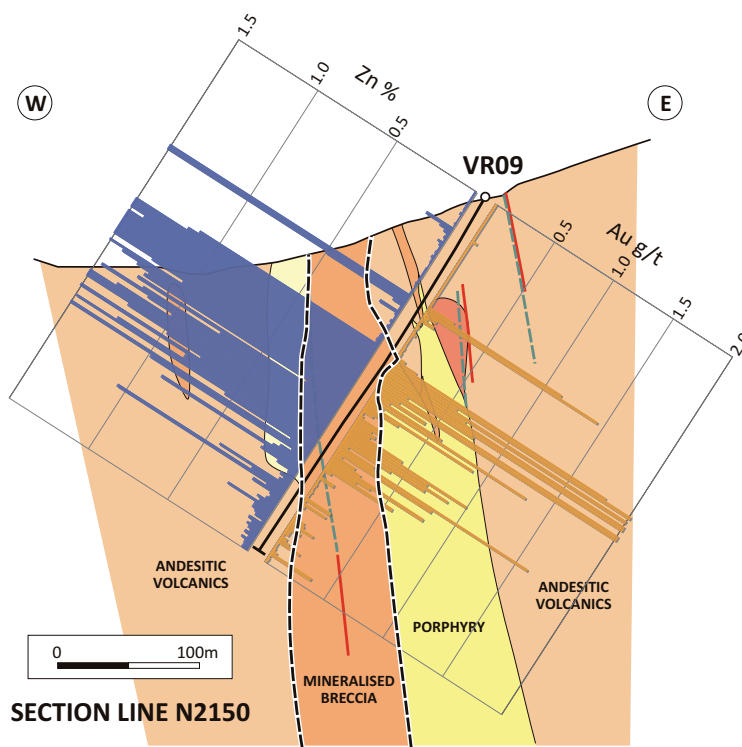


Figure 11: Schematic Section through La Colorada showing distribution of gold and zinc values.

A drilling program comprising 9,155 metres of diamond drilling and 3,768 metres of reverse circulation drilling was completed in Q4 2011. The 12 reverse circulation drill holes targeting the Portezuelo Cu-Au porphyry target to the west of the polymetallic belt returned uneconomic Cu, Mo and Au grades, and confirmed that the geophysical anomaly identified related primarily to the occurrence of pyrite, and an elevated water table. Accordingly, no further exploration work will be scheduled for the area.

The diamond drilling program, which focussed on the La Colorada deposit (28 drill holes) and some of the adjoining polymetallic targets (6 drill holes), was completed during Q4 2011. The drill holes completed at La Colorada formed part of a 25 x 25 metre drilling grid (Figure 12), targeting both an increase in the resource, as well as an upgrade of the resource into predominantly Measured and Indicated Resource categories.

Analytical results have been received for certain of the drill holes completed at La Colorada (Appendix 2, Table 3). On receipt of the final analytical results for the La Colorada drilling program, an updated resource estimate will be completed in advance of a pre-feasibility study, which is to be commissioned in Q2 2012.

Preliminary metallurgical testwork for the La Colorada deposit, completed in early 2010, indicates that the best metallurgical performance is obtained by combining gravity concentration, flotation and cyanidation of the gravity concentrate and bulk concentrate. The metallurgical balance indicates that it is possible to recover 92% of the gold by cyanide leaching of the gravity concentrate and bulk sulphide concentrate. By comparison, the zinc concentrate assays 55% with a recovery of 93%.

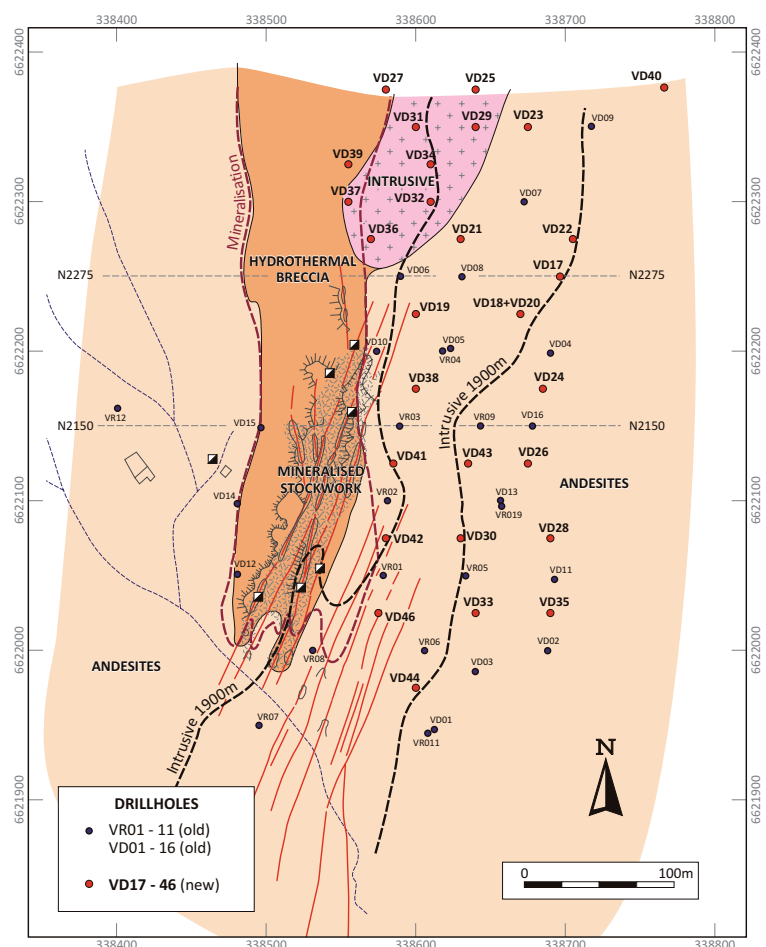


Figure 12: Phase 3 drilling program at La Colorada – targeting a 25 x 25 metre drilling grid.

LA PIEDRA

The Company has secured an option to purchase a 100% interest in the La Piedra Project, located in Region V, Chile, some 75 kilometres to the northeast of Santiago, and 25 kilometres to the north of Codelco's Andina mining operation (Figure 13). The project occurs at an altitude of 2,500 to 3,500 metres above mean sea level.

The La Piedra tenements cover an area of 60.5 square kilometres and include a number of hydrothermal alteration zones, of which alteration Zone 'B' is the most significant at present. This zone extends over a strike extent in excess of 2 kilometres, is up to 1 kilometre wide, and is exposed at surface over a vertical distance of approximately 600 metres. Reconnaissance soil and channel sampling conducted by Metminco during 2011 identified anomalous copper, gold and molybdenum values, with the former returning values of up to 0.80% copper.

Hydrothermal breccias and porphyry intrusives are the dominant rock types associated with the alteration zones.

The Company has successfully completed an access agreement with the landowner covering the La Piedra Project. A detailed geological mapping and surface sampling program has been initiated over the Zone 'B' area, which will be followed by a diamond drilling program.

The drilling, which will take the form of a reconnaissance diamond drilling program comprising 2,500 metres (due to limited road access), will focus on Zone 'B' in an endeavour to test the identified Cu-Au-Mo anomalism at depth. This program is scheduled to be conducted during Q1 of 2012.

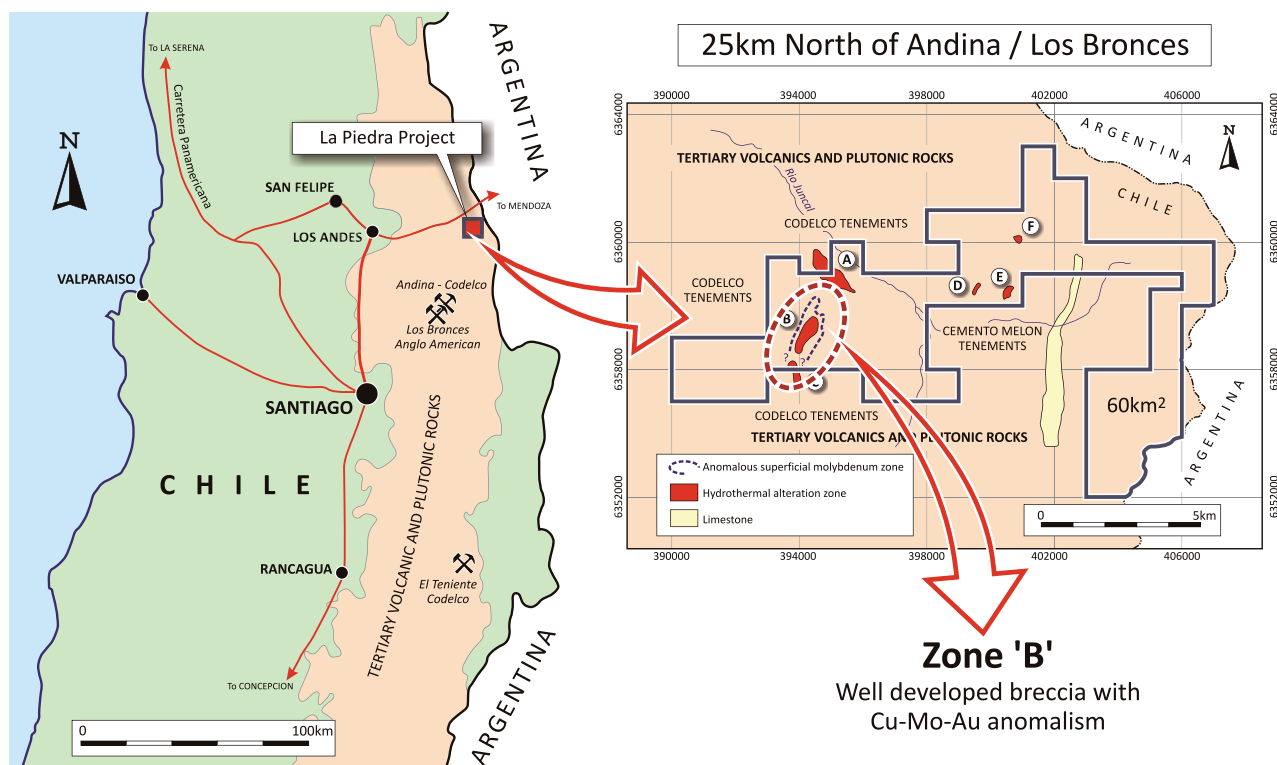


Figure 13: Locality of the La Piedra Project, Chile.

CAMARON

The Camaron Project covers an area of approximately 130 square kilometres, and is located some 40 kilometers to the north of the Vallecillo Project and 60 kilometres to the east of the port of La Serena at an altitude of 1,500 metres above sea level (Figure 7). Metminco holds 100 square kilometres of tenements in its own right, and has an option to purchase 100% of the remaining 30 square kilometres of tenements. The project is located at an elevation of 1,500 metres above mean sea level.

Exploration work conducted to date suggests that the Camaron Project represents a large intensely altered (argillic / chloritic / silicification) porphyry-related system, which has a surface expression that covers an area of approximately 10 kilometres x 6 kilometres with a northwest-southeast strike. Although anomalous gold values have been returned over the full strike extent of the alteration zone, molybdenum anomalies are limited to the southern sector of the project area (Figure 14).

Broad-spaced mapping and soil geochemical sampling completed in late 2009 returned significant copper, gold and molybdenum values, in addition to identifying a number of drill targets.

A limited geophysical program comprising induced polarisation, resistivity and ground magnetics was completed during Q4 2011, which identified potentially mineralized conductors, and hence assisted in refining the planned drill holes.

Whilst a 5,000 metre reverse circulation drilling program was to be undertaken at Camaron in the latter part of 2011, the drilling program was postponed due to a delay in completing an access agreement with the landowner. The Company has made application to the courts in Vicuna, Region IV, Chile, for access rights. Accordingly, it is anticipated that the drilling program will commence during Q2 2012.

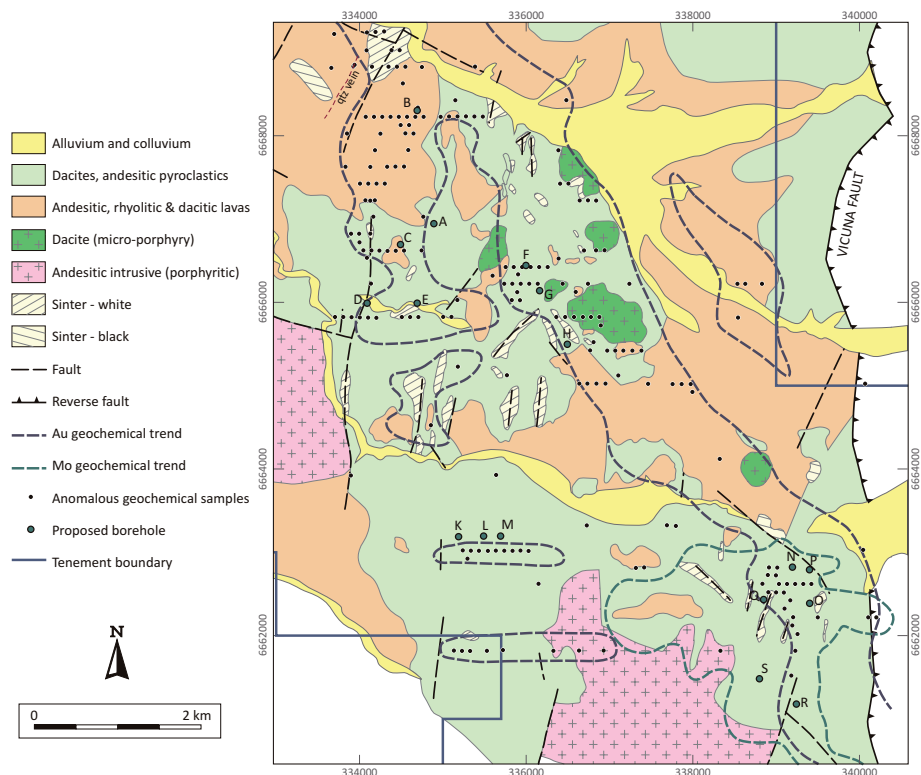


Figure 14: Extent of gold and molybdenum anomalies.

DIRECTORS' REPORT continued

ISIDRO

The Isidro Project, which is located to the north of Vicuna, and hence north of the Camaron Project, covers an area of approximately 250 square kilometres, of which 230 square kilometres are 100% owned by Metminco and 20 square kilometres are held by SCM San Lorenzo (50% owned by Metminco).

Isidro has been interpreted to be a large copper-gold stacked manto system, and has as yet to be drill tested. Surface geochemical sampling by Metminco has identified extensive, well developed, copper-gold anomalism.

Future exploration work will comprise prospect scale mapping and geochemical sampling assisted by satellite imagery to define drill targets and enable drilling by early 2013.

LOICA

The Loica Project covers an area of 35 square kilometres and is located approximately 100 kilometres to the southeast of Ovalle.

Loica comprises a large copper-molybdenum porphyry system, approximately 4 kilometres in strike extent, with a north-south orientation. Metminco drilled the upper part of the Loica porphyry system in 2007, returning significant widths of low grade copper-molybdenum mineralisation.

Future exploration is warranted and will ultimately comprise mapping, geochemical sampling and geophysical surveys of the breccia zones as a prelude to possible further drill testing.

OTHER AREAS

Reconnaissance exploration activities are being planned for areas currently held under application over the Caldera (42 square kilometres) in the Arica area of northern Chile, and Jaspe (14 square kilometres) in the Antofagasta area of northern Chile.

APPENDIX 1: MINERAL RESOURCE ESTIMATES AS AT 31 DECEMBER 2011

| PROJECT | CATEGORY | RESOURCE | GRADE | | CONTAINED | |
|---|-----------|----------------|-------------|-------------|--------------------------------------|----------------|
| | | | COPPER | MOLYBDENUM | COPPER EQUIVALENT METAL ⁴ | |
| | | million tonnes | % | % | million tonnes | million pounds |
| LOS CALATOS ¹ (August 2010) | INDICATED | 111.26 | 0.39 | 0.038 | 0.65 | 1,423 |
| | INFERRED | 814.97 | 0.37 | 0.026 | 4.07 | 8,984 |
| MOLLACAS ² (November 2007) | INDICATED | 7.21 | 0.56 | | 0.04 | 89 |
| | INFERRED | 9.83 | 0.52 | | 0.05 | 113 |
| PROJECT | CATEGORY | RESOURCE | GRADE | | | |
| | | | GOLD | SILVER | ZINC | LEAD |
| | | million tonnes | grams/tonne | grams/tonne | % | % |
| VALLECILLO ³ (July 2009) | INDICATED | 7.89 | 1.14 | 11.39 | 1.32 | 0.29 |
| | INFERRED | 2.21 | 0.78 | 8.16 | 0.58 | 0.26 |

NOTES:

- 1 Reported at a 0.2% copper cutoff
- 2 Reported at a 0.2% copper cutoff
- 3 Reported at a 0.3 grams per tonne gold cutoff
- 4 Copper equivalence assumes the copper/molybdenum price ratio of 5:1

Competency Statements

The estimate of the Resources for the Los Calatos Project as presented in this statement, has been carried out in accordance with the guidelines of the 'Australian Code for Reporting of Mineral Resources and Ore Reserves' committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Mineral Council of Australia, 2004. Information was collated and interpreted by Mr. C Sinclair and resource block modeling undertaken by SRK Consulting, Chile. Mr. Sinclair reviewed and validated the information provided by Metminco and the work undertaken by SRK Consulting, Chile. Mr. Sinclair is a full time employee of Minera Hampton Chile Limitada, a wholly owned subsidiary of Metminco, and estimated the resources based on the block modeling undertaken by SRK Consulting, Chile. Mr. Sinclair has sufficient experience (over 30 years) which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 edition of the Australian Code for Reporting Mineral Resources and Ore Reserves. Mr. Sinclair is a Member of the AusIMM and has over 40 years' experience. Mr. Sinclair is signing off as the competent person for this statement, and consents to the inclusion in a report based on this information in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Mollacas Project is based on information compiled and reviewed by Mr. George G. Even, Principal Geologist of SRK Consulting, Chile (SRK), in Santiago, who is a member of the AusIMM (overseas branch). Mr. Even has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Even consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr. Ernesto Jaramillo, Senior Resource Geologist of SRK Consulting, Chile, performed the updating of the geologic model as well as the estimation and classification of the mineral resources.

The information in this report that relates to Mineral Resources of the Vallecillo gold-zinc deposit is based on information compiled by Mr. Even, Principal Geologist of SRK Consulting in Santiago, Chile. Mr. Even a Qualified Person for JORC compliant statements, reviewed the technical information presented in this document. Mr. Ernesto Jaramillo, Principal Resource Geologist with SRK Santiago, performed the resource estimation. Mr. Even has sufficient experience that is relevant to the style of mineralisation and type of mineral deposit under consideration and to the activity which was undertaken, to make the statements found in this report in the form and context in which they appear.

DIRECTORS' REPORT continued

APPENDIX 2

Table 1: Los Calatos - Summary of Phase 3 drill hole results

| HOLE ID | CUMULATIVE INTERVAL (M) | CU % | MO PPM |
|---------|----------------------------|------|--------|
| CD-24 | 851 | 0.43 | 482 |
| CD-25 | 630 | 0.67 | 1,467 |
| CD-27 | 1,073 | 0.42 | 227 |
| CD-28 | 335 | 0.49 | 76 |
| CD-31 | 1,690 | 0.60 | 353 |
| CD-33 | 373 | 0.38 | 328 |
| CD-34 | 187 | 0.38 | 20 |
| CD-35 | 442 | 0.41 | 103 |
| CD-38 | 1,158 | 0.33 | 165 |
| CD-39 | 1,242 | 0.32 | 269 |
| CD-40 | 1,220 | 0.36 | 153 |
| CD-41 | 268 | 0.19 | 40 |
| CD-42 | 514 | 0.47 | 118 |
| CD-45 | 553 | 0.30 | 174 |
| CD-46 | 534 | 0.45 | 380 |
| CD-47 | 347 | 1.03 | 103 |
| CD-49 | 550 | 0.28 | 208 |

Table 3: Vallecillo (La Colorada) – Drill hole results (as at 31 December 2011)

| HOLE ID | DEPTH | | INTERVAL | Au | Ag | Zn | Pb | Cu |
|---------|-------|-----|----------|------|-------|------|------|------|
| | FROM | TO | | | | | | |
| | m | m | m | g/t | g/t | % | % | % |
| VD-18 | 180 | 218 | 38 | 0.32 | 8.95 | 0.70 | 0.46 | 0.02 |
| | 241 | 265 | 24 | 1.26 | 7.33 | 0.76 | 0.04 | 0.05 |
| VD-20 | 182 | 219 | 37 | 1.66 | 9.89 | 1.27 | 0.66 | 0.02 |
| | 280 | 297 | 17 | 0.45 | 19.12 | 0.69 | 0.05 | 0.45 |
| | 317 | 331 | 14 | 0.08 | 4.93 | 0.57 | 0.02 | 0.08 |
| VD-22 | 254 | 275 | 21 | 0.18 | 7.95 | 0.66 | 0.53 | 0.02 |
| VD-30 | 167 | 215 | 48 | 1.17 | 7.19 | 1.56 | 0.02 | 0.08 |
| | 224 | 234 | 10 | 0.05 | 9.5 | 1.09 | 0.03 | 0.07 |

Table 2: Mollacas – Summary of drill hole results (MD-61 to MD-84)

| HOLE ID | HOLE DEPTH | DEPTH | | INTERVAL | CU | CU ORE TYPE |
|---------|------------|-----------|------------|-----------|-------------|------------------|
| | | FROM | TO | | | |
| | | m | m | m | % | |
| MD-61 | 90 | 0 | 33 | 33 | 0.53 | Oxide |
| | | 34 | 57 | 23 | 0.45 | Supergene |
| MD-62 | 90 | 41 | 50 | 9 | 0.18 | Supergene |
| MD-63 | 75 | 36 | 75 | 39 | 0.32 | Primary |
| MD-64 | 110 | 51 | 103 | 52 | 0.15 | Supergene |
| MD-65 | 120 | 31 | 65 | 34 | 0.15 | Oxide |
| | | 70 | 112 | 42 | 0.37 | Supergene |
| MD-66 | 90 | 41 | 53 | 12 | 0.10 | Supergene |
| MD-67 | 120 | 27 | 37 | 10 | 0.60 | Oxide |
| | | 41 | 53 | 12 | 0.24 | Oxide |
| | | 53 | 110 | 57 | 0.70 | Supergene |
| MD-68 | 60 | 15 | 26 | 11 | 0.50 | Supergene |
| MD-69 | 135 | 71 | 103 | 32 | 0.54 | Supergene |
| MD-70 | 120 | 37 | 75 | 38 | 0.78 | Oxide |
| | | 75 | 102 | 27 | 0.71 | Supergene |
| MD-71 | 63 | 49 | 55 | 6 | 0.32 | Primary |
| MD-72 | 50 | 14 | 37 | 23 | 0.46 | Supergene |
| MD-73 | 80 | 0 | 25 | 25 | 0.42 | Oxide |
| MD-74 | 100 | 42 | 89 | 47 | 0.96 | Supergene |
| MD-75 | 120 | 115 | 118 | 3 | 0.23 | Primary |
| MD-76 | 105 | 20 | 51 | 31 | 0.47 | Oxide |
| | | 52 | 89 | 37 | 0.67 | Supergene |
| MD-77 | 110 | 13 | 37 | 24 | 0.58 | Oxide |
| | | 44 | 79 | 35 | 0.57 | Supergene |
| MD-78 | | | | | | Nil |
| MD-79 | 80 | 35 | 76 | 41 | 0.42 | Supergene |
| | including | 35 | 51 | 16 | 0.77 | Supergene |
| MD-80 | 80 | 0 | 29 | 29 | 0.39 | Oxide |
| | | 44 | 80 | 36 | 0.48 | Supergene |
| MD-81 | 70 | 0 | 9 | 9 | 0.26 | Oxide |
| | | 39 | 51 | 12 | 1.01 | Supergene |
| MD-82 | 110 | 58 | 73 | 15 | 0.34 | Oxide |
| | | 80 | 110 | 30 | 0.26 | Supergene |
| MD-83 | 90 | 42 | 69 | 27 | 0.57 | Supergene |
| MD-84 | 85 | 48 | 56 | 8 | 0.17 | Supergene |

DIRECTORS' REPORT continued

Corporate

A\$30.4 million Capital Raising

On 3 June 2011 the Company completed a capital raising before costs of A\$30.4 million by placement of 80 million new fully paid shares in the Company (Shares) at an issue price of A\$0.38 per Share. This placement, which was primarily to institutional investors in Australia, Asia, Chile and the United Kingdom, further broadened Metminco's shareholder base and introduced a number of new "cornerstone" investors to the Company.

The capital raising was completed in two tranches as follows:

- A\$7.6 million by issue of 20 million Shares at an issue price of A\$0.38 per Share completed 6 May 2011; and,
- A\$22.8 million by issue of 60 million Shares at A\$0.38 per Share, approved by shareholders at the Company's Annual General Meeting on 30 May 2011.

Canaccord BGF acted as the lead manager and underwriter for this placement.

Acquisition of Los Calatos "buy back right" and purchase of remaining 50% of SCM Ovalle

On 28 April 2011 the Company completed the following transactions, which in the opinion of Directors, significantly strengthened the Company's asset base and enhanced long term shareholder value.

- *Acquisition of Barrick's "buy back right" over 51% of the Los Calatos project*

Barrick Gold Corporation (Barrick) surrendered a conditional once off "buy back right" over certain tenements comprising the Los Calatos project in exchange for 75 million Shares.

The risk that Barrick could exercise this "buy back right", and in doing so acquire 51% of the Los Calatos project for significantly lower than a resources based market value, has now been removed.

- *Purchase of 50% of SCM Ovalle*

The Group purchased a 50% interest in SCM Ovalle from EM Dos resulting in SCM Ovalle becoming a wholly owned subsidiary of Metminco. Metminco (through its wholly owned subsidiary Hampton Chile) now owns 100% of the Mollacas copper leach project, the Vallecillo Au-Zn project and the Loica Cu-Mo deposit.

The Group paid EM Dos US\$35 (A\$33.9) million, satisfied by the issue of 70,250,855 Shares and payment of US\$10 million in cash.

Together with the \$30.4 million placement reported above, these transactions removed the complexity and uncertainty surrounding the ownership and the future development timetable of the projects and paves the way for the Group to advance the Los Calatos, Mollacas and Vallecillo projects.

A\$40 million Capital Raising to Institutional Investors

On 25 November 2011 the Company announced the successful completion of a A\$40 (£25.1) million placement before costs to institutional investors in the United Kingdom, Australia, Asia and Chile by the issue of 285,714,286 new fully paid shares in the Company (Shares) at an issue price of A\$0.14 (£0.088) per Share.

This placement was completed in two tranches as follows:

- A\$29.7 million by issue of 211,850,000 Shares settled on 2 December 2011 (Firm Placement); and
- A\$10.3 million by issue of 73,864,286 Shares, approved by shareholders at the Company's Extraordinary General Meeting on 4 January 2012 and settled on 6 January 2012 (Conditional Placing).

Canaccord Genuity, Liberum and Canaccord BGF acted as brokers for this placement.

Early repayment of US\$0.5 million convertible notes

Metminco completed early repayment of convertible notes totalling US\$0.5 million by issue of 4,845,000 Shares in satisfaction of the principal value of the convertible notes. The Company also paid US\$80,000 in early repayment fees. As previously announced on 1 April 2010, these notes were entered into by Metminco as part of the A\$20 million capital raising and admission to the AIM Market of the London Stock Exchange. The majority of funds from this capital raising were applied to acquire Junior Investment Company's 31% shareholding in Hampton in May 2010. Hampton became a wholly owned subsidiary of Metminco in December 2010. There are now no convertible notes outstanding.

Option to acquire La Piedra Project

On 30 June 2011, Hampton Chile entered into an option agreement to purchase a 100% interest in the La Piedra Project (La Piedra Option).

To maintain the La Piedra Option, Hampton Chile is required to make the following option payments:

- US\$350,000 on signing the La Piedra Option (already paid);
- US\$350,000 on or before 30 June 2012;
- US\$350,000 on or before 30 June 2013;
- US\$1,000,000 on or before 30 June 2014.

To exercise the La Piedra Option, Hampton Chile must pay US\$28 million in cash, or US\$14 million in cash and US\$14 million in Metminco shares (at Metminco's election), on or before 30 June 2015.

The La Piedra Option will provide Hampton Chile with sufficient time to evaluate the prospectivity of the La Piedra tenements, and to delineate Mineral Resources, ahead of the option expiry date of 30 June 2015.

Hampton Chile may elect to terminate the La Piedra Option at any time before 30 June 2015.

Option to acquire Genesis Tenements (part of the Camaron Project)

Hampton Chile finalised the purchase of a 33% interest in the Genesis tenements (which form part of the Camaron project) for US\$782,000 (A\$782,000) and entered into an 18 month option agreement to acquire the remaining 67% (Genesis Option Agreement).

On signing the Genesis Option Agreement Hampton Chile paid US\$370,000 (A\$365,000) with 2 further option payments of US\$370,000 (A\$365,000) payable on the six month and twelve month anniversary. If Hampton Chile exercises the option then it must pay US\$1 million on the exercise date and 3 further annual payments each of US\$1 million on the second, third and fourth anniversary of exercise of the option (in total \$US 4 million – A\$ 4 million) as an advance payment against future royalty payments, and pay 1.7% Net Smelter Return on future production from the Genesis tenements.

Hampton Chile may elect to terminate the Option to acquire the remaining 67% at any time prior to August 2012.

S&P/ASX 300

On 18 March 2011 Metminco joined the S&P/ASX 300 index which exposes Metminco to stronger institutional investment support and wider investor recognition for its portfolio of assets in Chile and Peru.

Board Changes

On 16 March 2011, Mr Antonio Vicuna Ortuzar (48), a Chilean national and resident, was appointed to the Board of the Company. Mr Ortuzar, a lawyer by profession, is a highly respected figure in the global resources sector and has extensive experience and networks in the financial markets in both North and South America as well as in London. Mr Ortuzar also assumed the role of Chairman of the Board.

Mr Ortuzar's appointment followed the resignation of Mr John Fillmore (founding chairman of Metminco). Mr Fillmore resigned from the Board and as Chairman of the Company in order to focus on his growing Melbourne legal practice and to develop new mining and exploration ventures. John Fillmore provided Metminco with outstanding service as Chairman of the Board.

DIRECTORS' REPORT continued

Change in Nominated Adviser and Joint Broker on the AIM Market

On 26 July 2011 the Company appointed Canaccord Genuity Limited as its Nominated Adviser and Joint Broker on the AIM market, and Liberum Capital Limited as Joint Broker on the AIM market.

Significant Changes in State of Affairs

There are no significant changes in the state of affairs during the year other than as disclosed in this report.

Dividends paid or recommended

No dividends were paid or declared during the year by the Company. The Directors do not recommend paying a final dividend for the year ended 31 December 2011.

Events subsequent to reporting date

Matters subsequent to the end of the financial period follow:

a) Settlement of Conditional Placing of A\$10.3 million

On 25 November 2011 the Company announced a A\$40 (£25.1) million placement consisting of a Firm Placement (211,850,000 Shares to raise A\$29.7 million) settled on 2 December 2011 and a Conditional Placement (73,864,286 Shares to raise A\$10.3 million). The Conditional Placement was approved by shareholders at the Company's Extraordinary General Meeting on 4 January 2012 and settled on 6 January 2012.

b) Rights Issue

On 24 November 2011, the Company announced a Rights Issue of one new share (New Share) for every twenty Shares held by Australian and New Zealand resident shareholders (Eligible Shareholders) in Metminco on 14 December 2011 at an offer price of A\$0.14 per New Share. The Rights Issue closed on 3 January 2012 with 1,211,141 New Shares (approximately 2% of the Right Issue offer) subscribed for by Eligible Shareholders raising approximately A\$0.2 million. The Rights Issue was undersubscribed by 67,349,599 Shares (Shortfall Shares). The Directors resolved not to place the Shortfall.

Likely future developments

The Group will continue to focus on exploration activities and further advancement of mineralised deposits in Chile and Peru.

Environmental regulations

The Group's operations are subject to significant environmental regulation under the laws of Australia, Chile and Peru. The Directors are not aware of any breaches of the legislation during the year that are material in nature.

In Chile the Environmental Act provides a framework for environmental policy and in Peru environmental policy is governed by the Environmental Regulation for Mining Exploration Projects (Supreme Decree N 020-200-EM).

Information on Directors

| | |
|--|--|
| Antonio Ortúzar | Non Executive Chairman (<i>appointed 16 March 2011</i>) |
| QUALIFICATIONS EXPERIENCE | <p>University Gabriela Mistral (LLB)</p> <p>Antonio. is a senior partner of Cruzat, Ortúzar & Mackenna Ltda, a member of Baker & McKenzie International, one of the leading law firms in Chile. He is also the joint coordinator of the Latin America Energy, Mining, Chemicals and Infrastructure Group. Antonio's experience includes international joint ventures, project financing, foreign investments, corporate and commercial arrangements, as well as major mining infrastructure projects, mining and telecommunications. He has been involved in the placement of shares in the Chilean stock market, ADRs in the New York Stock Exchange and IPOs in Australia and Canada. Antonio also handles the issuing of bonds, various mining infrastructure issues, and energy and water projects in Chile. He also serves as assistant professor of economic law at Finis Terrae University in Santiago, and is a member of the Chilean Bar Association. He is a former vice president of the Australian-Chilean Chamber of Commerce. Mr Otuzar is a director of Atacama Pacific Corporation, a TSX listed company and Baker & McKenzie LLP.</p> <p>A related party holds 6,400,000 ordinary shares in Metminco Limited and 3,000,000 options to acquire shares.</p> <p>Member of the Environment, Social, Occupational Health and Safety Committee.</p> |
| INTEREST IN SHARES AND OPTIONS SPECIAL RESPONSIBILITIES | |
| William Howe | Managing Director |
| QUALIFICATIONS EXPERIENCE | <p>B.Sc. FAusIMM</p> <p>Appointed as a Director on 17 July 2009 and Managing Director on 8 December 2010. Mr Howe, the founder of Hampton, has over 30 years experience in the mining industry and has worked in Southern and West Africa, Asia, Australia and the USA. He has been instrumental in the development of a number of new mining operations in Australia and Indonesia including the development and management of the first copper heap leach Project in Australia, and an open pit coal mine in South East Kalimantan in Indonesia. He specializes in optimising existing operations and the development of new operations in both underground and open pit mining environments and has extensive experience in mine development, mine management and corporate management. He has worked in many geological and mining environments in several countries around the world and in such commodities as gold, coal, copper, uranium, antimony, chrome and tin. Mr Howe was a founding director of Straits Resources Limited and was Managing Director of Ghana Gold Mines Limited, Hargraves Resources NL, Selwyn Mines Limited and Hampton Mining Limited.</p> |
| INTEREST IN SHARES AND OPTIONS | 48,264,168 ordinary shares in Metminco Limited. |
| Phillip Wing | Non Executive Director |
| QUALIFICATIONS EXPERIENCE | <p>PhD, MEc, BEc, CPA</p> <p>Appointed on 17 July 2009, Dr Wing is the Executive Chairman of a number of special purpose private equity firms. He is currently Chairman or non executive Director of six investee companies ranging from mining to medical devices. Until January 2006, Phillip was for 7 years a partner of Technology Venture Partners (TVP), a specialist Institutional Information Technology and Telecommunications venture capital firm, and was an active non-executive director on many of TVP's portfolio companies in Australia and overseas. Prior to joining TVP, Phillip was a senior executive in IBM's global and Asia Pacific management team. He held responsibility for a major industry business unit in Asia and was also General Manager of the IBM (Australia and New Zealand) consulting business. His last role in IBM was as General Manager (Global Services) responsible for strategy, marketing and business development including acquisitions, alliances and business partners. Prior to his career at IBM, Phillip was a partner at Ernst and Young, KPMG Peat Marwick and Touche Ross, specializing in strategy and IT and corporate advisory consulting. Phillip held managing partner roles responsible for the consulting business units and spent two years on secondment as the Chief Information Officer of NSW Health. Phillip has worked extensively in the USA, Asia, and Europe. He has a Bachelor and Masters of Economics and has completed a PhD in Organisational Change. He is a member of the Institute of Chartered Accountants, and also an adjunct lecturer with the Centre for Applied Finance (Macquarie University).</p> |
| INTEREST IN SHARES AND OPTIONS SPECIAL RESPONSIBILITIES | <p>15,893,336 ordinary shares in Metminco Limited.</p> <p>Member of the Audit and Risk Committee.</p> |

DIRECTORS' REPORT continued

William Etheridge Non Executive Director

| | |
|--------------------------------|---|
| QUALIFICATIONS | B.Eng, MA (Economics, Cantab) |
| EXPERIENCE | Appointed on 17 July 2009. Mr Etheridge has over 35 years experience in the mining and mining finance industry, based mainly in Sydney and London. He worked as a mining engineer with Hamersley Iron, and as an economist / business development executive for mining companies in London (Consolidated Gold Fields) and Sydney (Renison Goldfields Consolidated). He has also since worked within mining companies (including Hargraves Resources and Selwyn Mines Limited) focusing on mining project scoping, analysis and appraisal, valuation of internal and external opportunities, cut-off grade analysis, project administration, preparation of company reports and investor relations. He also worked in stockbroking (including Merrill Lynch, ABS White and HSBC James Capel) as a resource analyst, covering a range of mining companies, and including experience in equity raising. He has consulted on mining investment opportunities in coal, gold and base metals and has undertaken detailed analysis of a number of mineral commodities. |
| INTEREST IN SHARES AND OPTIONS | 61,800,000 ordinary shares in Metminco Limited. |
| SPECIAL RESPONSIBILITIES | Member of the Environment, Social, Occupational Health and Safety Committee. |

Timothy Read Non Executive Director

| | |
|--------------------------------|--|
| QUALIFICATIONS | BA (Economics), Fellow of the Chartered Institute for Securities and Investment |
| EXPERIENCE | Appointed on 1 April 2010, Tim has over forty years experience in the mining and metals sector, first as a mining analyst, then as an investment banker and, most recently, as a corporate executive and director. Between 1995 and 1999, he was Managing Director and Global Co-Head of Mining and Metals Investment Banking for Merrill Lynch Inc. and, accordingly has extensive experience of all aspects of corporate finance, particularly M&A and equity capital markets. Between 1999 and 2006, he was the chief executive of Adastra Minerals Inc (acquired by First Quantum Minerals in 2006) and since then has acted as a non-executive director for several natural resource companies including Cumerio SA (acquired by Norddeutsche Affinerie in 2008), Kopane Diamond Developments (until December 2009), Starfield Resources Inc. and Faroe Petroleum plc. Tim is also a Director of Capital Drilling Limited, a company listed on the London Stock Exchange. |
| INTEREST IN SHARES AND OPTIONS | 650,000 ordinary fully paid shares in Metminco Limited and 6,000,000 options to acquire shares. |
| SPECIAL RESPONSIBILITIES | Chairman of the Audit and Risk and Remuneration and Nomination Committees. |

Francisco Vergara-Irarrazaval Non Executive Director

| | |
|--------------------------------|--|
| QUALIFICATIONS | Law Degree from the Catholic University of Chile, Fulbright Scholar and undertook graduate studies in the Institute of International and Foreign Trade Law of Georgetown University, Washington D.C. and at the Law School of Cornell University, Ithaca, New York. |
| EXPERIENCE | Appointed on 1 April 2010, Francisco has over 30 years experience in the mining industry in Chile and other Latin American countries where he was Vice President of Compañía Minera El Indio and Compañía Minera San José, subsidiaries of St. Joe Minerals Corporation until 1991. In 1991, he established Vergara & Cia, Law Firm, providing legal services to different mining companies and international engineering firms focused in natural resources, energy, shipping, agriculture, and foreign governments through their embassies in Chile and has acted as Director of listed companies and Chairman and Director of a number of unlisted companies. |
| INTEREST IN SHARES AND OPTIONS | 50,140,000 ordinary shares in Metminco Limited. |
| SPECIAL RESPONSIBILITIES | Member of the Audit and Risk, Remuneration and Nomination, and Environment, Social, Occupational Health and Safety Committees. |

Company Secretary

Philip Killen

QUALIFICATIONS

EXPERIENCE

INTEREST IN SHARES AND OPTIONS

Chief Financial Officer/Company Secretary

B.Maths/B.Commerce, CPA

Mr Killen is a finance professional with over 17 years experience in the mining and exploration sector as principal of CPK Consulting and prior to that in various senior executive roles, including Financial Controller of Plutonic Resources Limited and Chief Financial Officer of Otter Gold Mines Limited. Previously he was with the Caltex Group for over 10 years in various senior finance, audit and technology roles located in Australia and overseas. His experience includes financial modeling to support bankable feasibility studies, development of funding strategies, treasury, statutory and ASX compliance reporting, and implementation of commercial systems.

4,149,836 ordinary shares in Metminco Limited and 5,000,000 options to acquire shares.

Meetings of the Board

The Board of Directors held 10 meetings during the period ended 31 December 2011. Attendances of Directors at these meetings are shown in the table below:

| DIRECTOR | MEETINGS ATTENDED | ELIGIBLE TO ATTEND BOARD MEETINGS |
|--|-------------------|-----------------------------------|
| Antonio Ortúzar (<i>appointed 16 March 2011</i>) | 8 | 8 |
| Phillip Wing | 10 | 10 |
| William Howe | 10 | 10 |
| William Etheridge | 10 | 10 |
| Timothy Read | 10 | 10 |
| Francisco Vergara-Irarrazaval | 9 | 10 |
| John Fillmore (<i>resigned 16 March 2011</i>) | 1 | 2 |

Meetings of Board Committees

The number of board committee meetings held and the number of meetings attended by each director (who are members of board committees) during the year ended 31 December 2011 were as follows:

| DIRECTOR | AUDIT AND RISK COMMITTEE | | REMUNERATION AND NOMINATION COMMITTEE | |
|---|--------------------------|-----------------------------|---------------------------------------|-----------------------------|
| | MEETINGS ATTENDED | ELIGIBLE TO ATTEND MEETINGS | MEETINGS ATTENDED | ELIGIBLE TO ATTEND MEETINGS |
| Timothy Read | 3 | 3 | 2 | 2 |
| Francisco Vergara-Irarrazaval | 3 | 3 | 2 | 2 |
| Phillip Wing (<i>appointed 7 September 2011</i>) | 1 | 1 | – | – |

The Board has also resolved to form an environment, social and occupational health and safety committee.

Indemnification of Directors and Officers

Under the provisions of the Constitution of the Company every officer (and former officer) of the Company is indemnified, to the extent permitted by law, against all costs expenses and liabilities incurred as such an officer providing it is in respect of a liability to another person (other than the Company or a related body corporate) where such liability does not arise out of conduct involving a lack of good faith and is in respect of a liability for costs and expenses incurred in defending proceedings in which judgment is given in favour of the officer or in which the officer is acquitted or is granted relief under the Law.

The Company has paid premiums to insure the Directors and Officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in their capacity as officers of the Company other than conduct involving a wilful breach of duty in relation to the Company. The premiums amounted to A\$28,447 for the year ended 31 December 2011 (for the year ended 31 Dec 2010: A\$28,447).

Indemnification of Auditors

No indemnities have been given or insurance premiums paid, during or since the end of the half year, for any person who is or has been an auditor of the Company.

DIRECTORS' REPORT continued

Options

At the date of this report, the unissued ordinary shares of Metminco Limited under option are as follows:

Listed options

| GRANT DATE | DATE OF EXPIRY | EXERCISE PRICE | NUMBER UNDER OPTION |
|-----------------|-----------------|----------------|---------------------|
| 4 December 2009 | 4 December 2012 | \$0.25 | 1,000,000 |
| 4 December 2007 | 4 December 2012 | \$0.25 | 26,217,517 |
| | | | 27,217,517 |

Unlisted options

| GRANT DATE | DATE OF EXPIRY | EXERCISE PRICE | NUMBER UNDER OPTION |
|-------------------|------------------|----------------|---------------------|
| 29 September 2010 | 31 July 2012 | \$0.30 | 4,500,000 |
| 30 December 2010 | 06 December 2013 | \$0.44 | 14,250,000 |
| 30 December 2010 | 06 December 2013 | \$0.525 | 14,250,000 |
| 30 December 2010 | 06 December 2013 | \$0.44 | 2,000,000 |
| 30 December 2010 | 06 December 2013 | \$0.525 | 2,000,000 |
| 05 December 2011 | 05 December 2014 | \$0.215 | 2,500,000 |
| 05 December 2011 | 05 December 2014 | \$0.260 | 2,500,000 |
| | | | 42,000,000 |

Option holders do not have any right to participate in any issues of shares or other interests in the Company or any other entity. There have been no unissued shares or interests under option of any controlled entity within the Group during the reporting period. For details of options issued to directors and executives as remuneration, refer to the [Remuneration Report](#).

Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Grant Thornton for non-audit services provided during the year ended 31 December 2011:

| | |
|--|---------------|
| | \$ |
| Advisory services regarding Employee Share Option Plan | 1,327 |
| Other advisory services | 4,600 |
| Advisory services regarding MNC Chile assets | 5,700 |
| Tax advice | 3,500 |
| | 15,127 |

Auditor's Independence Declaration

The lead auditors' independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 31 December 2011 is set out on page 35.

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

REMUNERATION REPORT (audited)

Remuneration Policy

The remuneration policy of Metminco has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of Metminco believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy is to be developed by the Remuneration and Nomination Committee and approved by the Board with professional advice from independent external consultants.
- The Remuneration and Nomination Committee reviews key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed with each executive. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Committee's recommendations. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key Australian resident management personnel receive a superannuation guarantee contribution required by the Superannuation Guarantee legislation, and do not receive any other retirement benefits.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

Performance-based Remuneration

The Company did not have a performance based remuneration scheme for Non-Executive Directors in 2011. The Company has provided some performance based remuneration to Executive Directors for the period. The Company does provide performance based remuneration to certain key executives of the Group.

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

DIRECTORS' REPORT continued

REMUNERATION REPORT continued

| | POSITION HELD AS AT 31 DECEMBER 2011 AND ANY CHANGE DURING THE YEAR | CONTRACT DETAILS (DURATION AND TERMINATION) | PROPORTIONS OF ELEMENTS OF REMUNERATION RELATED TO PERFORMANCE | | | PROPORTIONS OF ELEMENTS OF REMUNERATION NOT RELATED TO PERFORMANCE | |
|--------------------------------|---|---|---|--------------|----------------|--|-------|
| | | | NON-SALARY CASH-BASED INCENTIVES | SHARES/UNITS | OPTIONS/RIGHTS | FIXED SALARY/ FEES | TOTAL |
| | | | % | % | % | % | % |
| Group Key Management Personnel | | | | | | | |
| Antonio Ortúzar | Chairman <i>(appointed 16 March 2011)</i> | No written contract | — | — | — | 100 | 100 |
| William Howe | Managing Director | Written contract (6 months’ notice) | 33 | — | — | 67 | 100 |
| Philip Wing | Non Executive Director | No written contract | 30 | — | — | 70 | 100 |
| William Etheridge | Non Executive Director | No written contract | 33 | — | — | 67 | 100 |
| Tim Read | Non Executive Director | No written contract | — | — | — | 100 | 100 |
| Francisco Vergara-Irarrazaval | Non Executive Director | No written contract | — | — | — | 100 | 100 |
| Philip Killen | CFO and Company Secretary | Written contract (6 months’ notice) | — | — | 12 | 88 | 100 |
| Colin Sinclair | General Manager Exploration | Written contract (6 months’ notice) | — | — | 12 | 88 | 100 |
| Keith Weston | Exploration Manager Peru <i>(resigned 22 Dec 2011)</i> | (not applicable) | — | — | — | 100 | 100 |
| Stephen Tainton | General Manager Investor Relations <i>(appointed 1 March 2011)</i> | Written contract (6 months’ notice) | — | — | 29 | 71 | 100 |
| Gavin Daneel | General Manager Business Development <i>(appointed 1 Jan 2011)</i> | Written contract (6 months’ notice) | — | — | 12 | 88 | 100 |
| John Fillmore | Chairman <i>(resigned 16 March 2011)</i> | No written contract | — | — | 92 | 8 | 100 |

The employment terms and conditions of key management personnel are usually formalised in contracts of employment.

Terms of employment require that the relevant group entity provide an executive with their contractual entitlements.

A contracted person employed on a permanent basis may terminate their employment in accordance with their contract by giving three month's prior written notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

Non-Executive Directors are not subject to contracts. Termination payments are at the discretion of the Remuneration and Nomination Committee.

Changes in Directors and Executives Subsequent to 31 December 2011

There were no changes in Directors or Executives subsequent to 31 December 2011.

Remuneration Details for the year ended 31 December 2011

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Consolidated Group:

| | | SHORT-TERM BENEFITS | | | | POST-EMPLOYMENT BENEFITS | | LONG-TERM BENEFITS | | EQUITY-SETTLED SHARE-BASED PAYMENTS | | CASH-SETTLED SHARE-BASED PAYMENTS | TERMINATION BENEFITS | TOTAL |
|--------------------------------|----------|------------------------|--------------------------|--------------|-------|-----------------------------|-------|--------------------|-----|-------------------------------------|-----------------|-----------------------------------|----------------------|-----------|
| | | SALARY, FEES AND LEAVE | PROFIT SHARE AND BONUSES | NON-MONETARY | OTHER | PENSION AND SUPER-ANNUATION | OTHER | INCENTIVE PLANS | LSL | SHARES/ UNITS | OPTIONS/ RIGHTS | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Group Key Management Personnel | | | | | | | | | | | | | | |
| Antonio Ortúzar | Dec 2011 | 97,917 | — | — | — | — | — | — | — | — | — | — | — | 97,917 |
| | Dec 2010 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| William Howe | Dec 2011 | 450,000 | 225,000 | — | — | — | — | — | — | — | — | — | — | 675,000 |
| | Dec 2010 | 200,000 | — | — | — | — | — | — | — | — | — | — | — | 200,000 |
| Phillip Wing | Dec 2011 | 256,376 | 107,500 | — | — | — | — | — | — | — | — | — | — | 363,876 |
| | Dec 2010 | 121,250 | — | — | — | — | — | — | — | — | — | — | — | 121,250 |
| William Etheridge | Dec 2011 | 208,624 | 107,500 | — | — | 8,876 | — | — | — | — | — | — | — | 325,000 |
| | Dec 2010 | 103,593 | — | — | — | 9,323 | — | — | — | — | — | — | — | 112,916 |
| Tim Read | Dec 2011 | 123,103 | — | — | — | — | — | — | — | — | — | — | — | 123,103 |
| | Dec 2010 | 40,773 | — | — | — | — | — | — | — | — | 505,554 | — | — | 546,327 |
| Francisco Vergara-Irarrazaval | Dec 2011 | 75,000 | — | — | — | — | — | — | — | — | — | — | — | 75,000 |
| | Dec 2010 | 31,251 | — | — | — | — | — | — | — | — | — | — | — | 31,251 |
| Philip Killen | Dec 2011 | 275,000 | — | — | — | 12,385 | — | — | — | — | 40,717 | — | — | 328,102 |
| | Dec 2010 | 116,250 | — | — | — | — | — | — | — | — | 337,036 | — | — | 453,286 |
| Colin Sinclair | Dec 2011 | 300,000 | — | — | — | — | — | — | — | — | 40,717 | — | — | 340,717 |
| | Dec 2010 | 132,500 | — | — | — | — | — | — | — | — | 421,295 | — | — | 553,795 |
| Keith Weston | Dec 2011 | 175,000 | — | — | — | — | — | — | — | — | — | — | — | 175,000 |
| | Dec 2010 | 87,500 | — | — | — | — | — | — | — | — | 252,777 | — | — | 340,277 |
| Stephen Tainton | Dec 2011 | 200,000 | — | — | — | — | — | — | — | — | 81,434 | — | — | 281,434 |
| | Dec 2010 | — | — | — | — | — | — | — | — | — | — | — | — | 69,892 |
| Gavin Daneel | Dec 2011 | 300,000 | — | — | — | — | — | — | — | — | 40,717 | — | — | 340,717 |
| | Dec 2010 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| John Fillmore | Dec 2011 | 25,000 | — | — | — | — | — | — | — | — | — | — | 75,000 | 100,000 |
| | Dec 2010 | 43,000 | — | — | — | — | — | — | — | — | 505,554 | — | — | 548,554 |
| Total Key Management Personnel | Dec 2011 | 2,486,020 | 440,000 | — | — | 21,261 | — | — | — | — | 203,585 | — | 75,000 | 3,225,866 |
| | Dec 2010 | 876,117 | 14,000 | — | — | 9,323 | — | — | — | — | 2,022,216 | — | — | 2,907,656 |

Securities received that are not performance-related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Cash bonuses, performance-related bonuses and share-based payments

The Company issued options to directors and key management personnel under terms and conditions set out in the Employee Share Option Plan as follows:

DIRECTORS' REPORT continued

REMUNERATION REPORT continued

Stephen Tainton:

- 1,000,000 options exercisable at A\$0.215 per share no later than 5 December 2014 in accordance with the rules of the Company's Employee Option Plan.
- 1,000,000 options exercisable at A\$0.260 per share no later than 5 December 2014 in accordance with the rules of the Company's Employee Option Plan.

Gavin Daneel:

- 500,000 options exercisable at A\$0.215 per share no later than 5 December 2014 in accordance with the rules of the Company's Employee Option Plan.
- 500,000 options exercisable at A\$0.260 per share no later than 5 December 2014 in accordance with the rules of the Company's Employee Option Plan.

Colin Sinclair:

- 500,000 options exercisable at A\$0.215 per share no later than 5 December 2014 in accordance with the rules of the Company's Employee Option Plan.
- 500,000 options exercisable at A\$0.260 per share no later than 5 December 2014 in accordance with the rules of the Company's Employee Option Plan.

Philip Killen:

- 500,000 options exercisable at A\$0.215 per share no later than 5 December 2014 in accordance with the rules of the Company's Employee Option Plan.
- 500,000 options exercisable at A\$0.260 per share no later than 5 December 2014 in accordance with the rules of the Company's Employee Option Plan.

The options have been included in employee and director's benefits expense in the statement of comprehensive income. The options have been valued using the Binomial method, a share price of \$0.1716 (based on the Company's 30 Day Weighted Average Price as at 3 December 2011), interest rate of 4.25%, 70% volatility, the terms of the options and an estimated option life to 31 March 2013 based on the Company's best estimate of the expected exercise patterns, which may not eventuate. The options are not transferrable, the expiry date is contingent on a number of terms and conditions set out in the Employee Share Option Plan and the holder will only realise a benefit through exercise of the options.

There were no other options or rights issued or granted to directors and employees, or exercised by directors and employees during the year.

Options

Option holders do not have any rights to participate in any issues of shares or other interests in the Company. For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



William S Etheridge
Director

20 March 2012
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

to the Directors of Metminco Limited



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In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Metminco Limited for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink, appearing to be "A G Rigele".

A G Rigele
Director – Audit & Assurance

Sydney, 20 March 2012

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Liability limited by a scheme approved under Professional Standards Legislation

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

| | NOTE | CONSOLIDATED GROUP | |
|--|------|-------------------------------------|------------------------------------|
| | | 12 MONTHS ENDED 31 DECEMBER 2011 | 6 MONTHS ENDED 31 DECEMBER 2010 |
| | | \$ | \$ |
| Revenue | | | |
| Other income | 2 | 350,909 | 67,695 |
| Fair value loss on convertible notes | | (66,649) | (5,882,403) |
| Fair value adjustment on equity swap | | (1,029,297) | 2,210,160 |
| Realised gain on equity swap | | – | 327,868 |
| Finance costs | | (560,005) | (1,290,843) |
| Foreign exchange gain/(loss) | | 317,596 | (334,224) |
| Administration expenses | | (4,599,382) | (3,760,239) |
| Corporate expenses | | (2,675,082) | (2,571,390) |
| Occupancy expense | | (462,248) | (89,966) |
| Exploration and evaluation expenditure impaired | | (53,148) | (9,875) |
| Share of net loss of associates and joint ventures | | – | (7,181) |
| Loss before income tax | 3 | (8,777,306) | (11,340,398) |
| Income tax expense | 4 | – | – |
| Loss for the year | | (8,777,306) | (11,340,398) |
| Other comprehensive income | | | |
| Exchange differences on translating foreign controlled entities (net of tax) | | (928,552) | (3,612,522) |
| Total comprehensive loss for the year | | (9,705,858) | (14,952,920) |
| Loss for the year attributable to: | | | |
| Members of the parent entity | | (8,777,306) | (11,140,906) |
| Non controlling interests | | – | (199,492) |
| | | (8,777,306) | (11,340,398) |
| Total comprehensive loss attributable to: | | | |
| Members of the parent entity | | (9,705,858) | (13,767,291) |
| Non controlling interests | | – | (1,185,629) |
| | | (9,705,858) | (14,952,920) |
| Loss per share | | | |
| From continuing operations: | | | |
| Basic loss per share (cents) | 7 | (0.63) | (1.25) |
| Diluted loss per share | 7 | (0.63) | (1.25) |

The financial statements should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

| | NOTE | CONSOLIDATED GROUP | |
|---|------|--------------------|--------------------|
| | | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 44,030,949 | 23,189,432 |
| Trade and other receivables | 9 | 2,402,416 | 1,999,828 |
| Derivative financial instrument | 9 | 109,613 | 1,648,388 |
| Other assets | 10 | 14,495 | 196,571 |
| Total current assets | | 46,557,473 | 27,034,219 |
| Non-current assets | | | |
| Trade and other receivables | 9 | 3,515,405 | 3,340,018 |
| Derivative financial instrument | 9 | – | 465,147 |
| Investments accounted for using equity method | 11 | 2,947,726 | 4,160,154 |
| Property, plant and equipment | 14 | 3,589,445 | 669,378 |
| Exploration and evaluation expenditure | 15 | 183,840,162 | 102,297,461 |
| Total non-current assets | | 193,892,738 | 110,932,158 |
| TOTAL ASSETS | | 240,450,211 | 137,966,377 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 4,167,824 | 2,021,494 |
| Short term provisions | 18 | 216,805 | 73,382 |
| Total current liabilities | | 4,384,629 | 2,094,876 |
| Non-current liabilities | | | |
| Borrowings | 17 | – | 1,701,892 |
| Total non-current liabilities | | – | 1,701,892 |
| TOTAL LIABILITIES | | 4,384,629 | 3,796,768 |
| NET ASSETS | | 236,065,582 | 134,169,609 |
| EQUITY | | | |
| Issued capital | 19 | 307,900,070 | 196,501,824 |
| Reserves | 28 | (40,715,410) | (39,990,443) |
| Accumulated losses | | (31,119,078) | (22,341,772) |
| TOTAL EQUITY | | 236,065,582 | 134,169,609 |

The financial statements should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

| | ISSUED CAPITAL \$ | ACCUMULATED LOSSES \$ | OPTION RESERVE \$ | FOREIGN CURRENCY TRANSLATION RESERVE \$ | ACQUISITION RESERVE | NON- CONTROLLING INTERESTS \$ | TOTAL \$ |
|---|----------------------|-----------------------------|-------------------------|---|------------------------|--|--------------------|
| Consolidated Group | | | | | | | |
| Total equity as at 1 July 2010 | 106,133,934 | (11,200,866) | 302,628 | 1,109,948 | – | 9,592,651 | 105,938,295 |
| Loss attributable to members of the parent entity | – | (11,140,906) | – | – | – | – | (11,140,906) |
| Loss attributable to non-controlling interests | – | – | – | – | – | (199,492) | (199,492) |
| Other comprehensive income | – | – | – | (2,626,385) | – | (986,137) | (3,612,522) |
| Total comprehensive loss | – | (11,140,906) | – | (2,626,385) | – | (1,185,629) | (14,952,920) |
| Acquisition of minority interest | – | – | – | – | (41,506,662) | (8,407,022) | (49,913,684) |
| Options issued to directors and employees and service providers | – | – | 2,730,028 | – | – | – | 2,730,028 |
| Shares issued during the period | 92,232,755 | – | – | – | – | – | 92,232,755 |
| Transaction costs | (1,864,865) | – | – | – | – | – | (1,864,865) |
| Balance as at 31 December 2010 | 196,501,824 | (22,341,772) | 3,032,656 | (1,516,437) | (41,506,662) | – | 134,169,609 |
| Total equity as at 1 January 2011 | 196,501,824 | (22,341,772) | 3,032,656 | (1,516,437) | (41,506,662) | – | 134,169,609 |
| Loss attributable to members of the parent entity | – | (8,777,306) | – | – | – | – | (8,777,306) |
| Other comprehensive income | – | – | – | (928,552) | – | – | (928,552) |
| Total comprehensive loss | – | (8,777,306) | – | (928,552) | – | – | (9,705,858) |
| Options issued to directors and employees and service providers | – | – | 203,585 | – | – | – | 203,585 |
| Shares issued during the period | 115,342,535 | – | – | – | – | – | 115,342,535 |
| Transaction costs | (3,944,289) | – | – | – | – | – | (3,944,289) |
| Balance as at 31 December 2011 | 307,900,070 | (31,119,078) | 3,236,241 | (2,444,989) | (41,506,662) | – | 236,065,582 |

The financial statements should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

| | NOTE | CONSOLIDATED GROUP | |
|---|-------|-------------------------------------|------------------------------------|
| | | 12 MONTHS ENDED 31 DECEMBER 2011 | 6 MONTHS ENDED 31 DECEMBER 2010 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (6,554,301) | (3,623,291) |
| Interest received | | 412,312 | 67,695 |
| Finance costs paid | | (92,500) | (560,486) |
| Net cash used in operating activities | 24(b) | (6,234,489) | (4,116,082) |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | | (704,748) | (11,160) |
| Purchase of land | | (2,364,254) | – |
| Payments for exploration expenditure | | (18,902,274) | (3,388,351) |
| Payment for subsidiaries net of cash acquired | 24(c) | (10,144,361) | (5,010,762) |
| Net cash used in investing activities | | (32,115,637) | (8,410,273) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 60,058,905 | 35,003,160 |
| Payments in respect to capital raisings | | (3,944,289) | (1,864,865) |
| Proceeds from equity swap | | 2,854,740 | 1,026,086 |
| Proceeds from issue of shares to non-controlling interest | | – | 29,068 |
| Net cash provided by financing activities | | 58,969,356 | 34,193,449 |
| Net increase in cash and cash equivalents held | | 20,619,230 | 21,667,094 |
| Cash and cash equivalents at beginning of the year/period | | 23,189,432 | 2,159,428 |
| Effect of exchange rates on cash holdings in foreign currencies | | 222,287 | (637,090) |
| Cash and cash equivalents at the end of the year/period | 24(a) | 44,030,949 | 23,189,432 |

The financial statements should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Metminco Limited and controlled entities ("Consolidated Group" or "Group") for the full year ended 31 December 2011.

Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Pursuant to subsections 323D(3) of the Corporation Act 2001 (Cth), Metminco changed its financial year from 30 June to 31 December effective 31 December 2010 to synchronise with its consolidated entities. Therefore comparatives for income and expense items represent 6 months as opposed to 12 months.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue by the directors on 20 March 2012.

a. Going concern basis of accounting

The Consolidated Group has made a loss for the year. Metminco Limited is an exploration Company currently without an operating cash flow and the net cash position of the Group will continue to decrease until such time as the Group has an operating cashflow.

The Group will need to raise additional capital to maintain and advance its current portfolio of exploration projects and meet ongoing working capital requirements. The directors are satisfied that the Company and Group have sufficient cash reserves to maintain its current portfolio and meet its debts as and when they fall due. Therefore these financial statements have been prepared on a going concern basis.

b. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Metminco Limited at the end of the reporting period. A controlled entity is any entity over which Metminco Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 13 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Consolidated Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

c. Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition

date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the profit and loss. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss. Acquisitions of non-controlling interests in a subsidiary that does not result in a loss of control are accounted for as an equity transaction. The carrying amount of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

d. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit and loss, except where they relate to items that are recognised in the other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

e. Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of 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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of property and plant constructed within the consolidated 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 statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated 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 lives of the improvements.

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

| CLASS OF FIXED ASSET | DEPRECIATION RATE |
|----------------------|-------------------|
| Land | Nil |
| Plant and equipment | 20% to 33% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit and loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

f. Exploration and Development Expenditure

Exploration, evaluation and development 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 profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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.

g. Leases

Leases of assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the period of the lease. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

h. Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

h. Financial Instruments continued

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

i. Derivative financial instruments

The Consolidated Group uses derivative financial instruments. In relation to the convertible note (Note 17), changes in the fair value of this derivative are included in the profit and loss, together with any changes in the fair value of the liabilities that the derivatives are attributable to.

Equity swap agreement

The equity swap arrangement embedded in the long-term receivable (Note 9) has been designated as a fair value hedge.

Convertible note option

The conversion option embedded in the convertible notes (Note 17) has been treated as an embedded derivative and fair valued through the statement of comprehensive income.

On conversion of a convertible instrument at maturity, the entity derecognises the liability component and recognises it as equity. The original equity component remains as equity (although it may be transferred from one line item within equity to another). There is no gain or loss on conversion at maturity.

When an entity extinguishes a convertible instrument before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the entity allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued.

j. Impairment of Non-Financial Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

k. Investments in Associates

Associate companies are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at

cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

When the reporting dates of the Group and the associate are different, the associate prepares, for the Group's use, financial statements as of the same date as the financial statements of the Group with adjustments being made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

l. Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of jointly controlled assets have been included in the appropriate line items of the consolidated financial statements. Details of the consolidated group's interests are shown at Note 12.

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting (refer to Note 1(k) for details) in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account at cost.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group however will recognise the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

m. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

n. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

o. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

p. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of one month or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

q. Revenue and Other Income

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

r. Equity Settled Compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Binomial pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where equity is used to pay service providers the Group measures the goods or services received and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

s. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

t. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

u. Key estimates

i. Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. These assumptions are disclosed in each of the notes to the financial report where applicable.

ii. Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$183,840,162.

iii. Fair value of derivative financial instruments

The fair value of derivative financial instruments are determined using various key assumptions. These assumptions are disclosed in each of the notes to the financial report where applicable.

iv. Valuation methodology used in calculation of share options

The Binomial method has been used to value shares options in respect of the optionality underlying the convertible notes, share options issued in lieu of consulting fees and share options issued to directors and employees. The Company has used a 70% volatility (based on historical volatility), the share price on the applicable date (being either the date of issue or the balance date) and an option life based on the Company's best estimate of the expected exercise patterns which may not eventuate in the future.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

v. Significant Management Judgment in Applying Accounting Policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements. This Standard is not expected to impact the Company.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

w. Changes in Accounting Policies

Adoption of improvements to AASBs 2010 – AASB 2010-4 and 2010-5

The IASB has issued Improvements to IFRSs 2010 which was issued in Australia as AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-5 *Amendments to Australian Accounting Standards*, and made several minor amendments to a number of AASBs. The only amendment relevant to the Group relates to AASB 101 *Presentation of Financial Statements*. The Group previously presented the reconciliations of each component of other comprehensive income in the statement of changes in equity. The Group now presents these reconciliations in the notes to the financial statements, as permitted by the amendment (see note 20.2). This reduces duplicated disclosures and presents more clearly the overall changes in equity. Prior period comparatives have been restated accordingly.

x. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements..

AASB 9 Financial Instruments (effective from 1 January 2013)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

AASB 12 Disclosure of Interests in Other Entities (AASB 12)

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 and AASB 128 Investments in Associates and Joint Ventures (AASB 128)

AASB 127 now only deals with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

Amendments to AASB 101 Presentation of Financial Statements (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

NOTES TO THE FINANCIAL STATEMENTS continued

| | CONSOLIDATED | |
|--|---|--|
| | 12 MONTHS ENDED 31 DECEMBER 2011 \$ | 6 MONTHS ENDED 31 DECEMBER 2010 \$ |
| NOTE 2: OTHER INCOME | | |
| Interest received – other persons | 350,909 | 67,695 |
| NOTE 3: LOSS FOR THE YEAR | | |
| Expenses from continuing operations: | | |
| Administration expenses | (420,569) | (382,141) |
| Employee and directors' benefits expense | (4,029,878) | (3,299,090) |
| Depreciation and amortisation expense | (148,935) | (79,008) |
| NOTE 4: INCOME TAX EXPENSE | | |
| The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows: | | |
| Loss before tax | 8,777,306 | 11,340,398 |
| Total income tax benefit calculated at 30% (2010: 30%) | (2,633,192) | (3,402,119) |
| Tax effect of: | | |
| Foreign exchange losses/(gains) | (95,279) | 100,267 |
| Fair value losses/(gains) on equity swap derivative | 308,789 | (761,408) |
| Fair value loss on convertible notes | 158,560 | 1,764,721 |
| Options issued | 61,075 | 819,008 |
| Impairment of capitalised exploration and evaluation expenditure | 15,944 | 2,963 |
| Exploration expenditure capitalised | (5,202,893) | (1,016,506) |
| Share of associates' loss | – | 2,154 |
| | (7,386,996) | (2,490,920) |
| Deferred tax asset not brought to account | 7,386,996 | 2,490,920 |
| Income tax expense | – | – |
| Applicable weighted average effective tax rate | 0% | 0% |
| Deferred tax asset not taken to account | | |
| Tax losses carried forward: | | |
| – Revenue losses and temporary differences carried forward | 26,885,979 | 19,498,983 |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not yet considered probable that future taxable income will be available to utilise them. The Group does not have any capital losses.

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 December 2011.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

| | CONSOLIDATED | |
|------------------------------|-------------------------------------|------------------------------------|
| | 12 MONTHS ENDED 31 DECEMBER 2011 | 6 MONTHS ENDED 31 DECEMBER 2010 |
| | \$ | \$ |
| Short term employee benefits | 2,926,020 | 876,117 |
| Post-employment benefits | 21,261 | 9,323 |
| Other long term benefits | – | – |
| Termination benefits | 75,000 | – |
| Share based payments | 203,585 | 2,022,216 |
| | 3,225,866 | 2,907,656 |

KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the Group during the period is as follows:

| | BALANCE AT THE BEGINNING OF THE YEAR | GRANTED AS REMUNER- ATION DURING THE PERIOD | EXERCISED DURING THE PERIOD | OTHER CHANGES DURING THE PERIOD | BALANCE AT END OF YEAR | VESTED DURING THE PERIOD | VESTED AND EXERCISABLE |
|---|--|--|-----------------------------------|---------------------------------------|---------------------------|-----------------------------|---------------------------|
| 31 December 2011 | | | | | | | |
| Antonio Ortúzar ¹ | 3,000,000 | – | – | – | 3,000,000 | – | 3,000,000 |
| William Howe | – | – | – | – | – | – | – |
| Philip Wing | – | – | – | – | – | – | – |
| William Etheridge | – | – | – | – | – | – | – |
| Tim Read | 6,000,000 | – | – | – | 6,000,000 | – | 6,000,000 |
| Francisco Vergara-Irarrazaval | – | – | – | – | – | – | – |
| Philip Killen | 4,000,000 | – | – | – | 4,000,000 | – | 4,000,000 |
| <i>Unlisted option @ \$0.215 Dec 2014</i> | – | 500,000 | – | – | 500,000 | 500,000 | 500,000 |
| <i>Unlisted option @ \$0.260 Dec 2014</i> | – | 500,000 | – | – | 500,000 | 500,000 | 500,000 |
| Stephen Tainton | – | – | – | – | – | – | – |
| <i>Unlisted option @ \$0.215 Dec 2014</i> | – | 1,000,000 | – | – | 1,000,000 | 1,000,000 | 1,000,000 |
| <i>Unlisted option @ \$0.260 Dec 2014</i> | – | 1,000,000 | – | – | 1,000,000 | 1,000,000 | 1,000,000 |
| Gavin Daneel ² | 750,000 | – | – | – | 750,000 | – | 750,000 |
| <i>Unlisted option @ \$0.215 Dec 2014</i> | – | 500,000 | – | – | 500,000 | 500,000 | 500,000 |
| <i>Unlisted option @ \$0.260 Dec 2014</i> | – | 500,000 | – | – | 500,000 | 500,000 | 500,000 |
| Colin Sinclair | 5,000,000 | – | – | – | 5,000,000 | – | 5,000,000 |
| <i>Unlisted option @ \$0.215 Dec 2014</i> | – | 500,000 | – | – | 500,000 | 500,000 | 500,000 |
| <i>Unlisted option @ \$0.260 Dec 2014</i> | – | 500,000 | – | – | 500,000 | 500,000 | 500,000 |
| Keith Weston | 3,274,999 | – | – | – | 3,274,999 | – | 3,274,999 |
| John Fillmore ³ | 7,099,999 | – | – | – | 7,099,999 | – | 7,099,999 |
| | 29,124,998 | 5,000,000 | – | – | 34,124,998 | 5,000,000 | 34,124,998 |

¹ Antonio Ortúzar was appointed a Director on 16 March 2011 (options held at time of appointment).

² Gavin Daneel was appointed as General Manager, Business Development on 1 January 2011 (options held at time of appointment).

³ John Fillmore resigned as a Director on 16 March 2011

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) continued

| | BALANCE AT THE BEGINNING OF THE PERIOD | GRANTED AS REMUNER- ATION DURING THE PERIOD | EXERCISED DURING THE PERIOD | OTHER CHANGES DURING THE PERIOD | BALANCE AT END OF PERIOD | VESTED DURING THE PERIOD | VESTED AND EXERCISABLE |
|---|--|--|-----------------------------------|---------------------------------------|-----------------------------|-----------------------------|---------------------------|
| 31 December 2010 | | | | | | | |
| John Fillmore | | | | | | | |
| <i>Listed option @ \$0.25 Dec 2012</i> | 1,099,999 | – | – | – | 1,099,999 | – | 1,099,999 |
| <i>Unlisted option @ \$0.44 Dec 2013</i> | – | 3,000,000 | – | – | 3,000,000 | 3,000,000 | 3,000,000 |
| <i>Unlisted option @ \$0.525 Dec 2013</i> | – | 3,000,000 | – | – | 3,000,000 | 3,000,000 | 3,000,000 |
| William Howe | – | – | – | – | – | – | – |
| Philip Wing | – | – | – | – | – | – | – |
| William Etheridge | – | – | – | – | – | – | – |
| Tim Read | – | – | – | – | – | – | – |
| <i>Unlisted option @ \$0.44 Dec 2013</i> | – | 3,000,000 | – | – | 3,000,000 | 3,000,000 | 3,000,000 |
| <i>Unlisted option @ \$0.525 Dec 2013</i> | – | 3,000,000 | – | – | 3,000,000 | 3,000,000 | 3,000,000 |
| Francisco Vergara-Irarrazaval | – | – | – | – | – | – | – |
| Philip Killen | – | – | – | – | – | – | – |
| <i>Unlisted option @ \$0.44 Dec 2013</i> | – | 2,000,000 | – | – | 2,000,000 | 2,000,000 | 2,000,000 |
| <i>Unlisted option @ \$0.525 Dec 2013</i> | – | 2,000,000 | – | – | 2,000,000 | 2,000,000 | 2,000,000 |
| Colin Sinclair | – | – | – | – | – | – | – |
| <i>Unlisted option @ \$0.44 Dec 2013</i> | – | 2,500,000 | – | – | 2,500,000 | 2,500,000 | 2,500,000 |
| <i>Unlisted option @ \$0.525 Dec 2013</i> | – | 2,500,000 | – | – | 2,500,000 | 2,500,000 | 2,500,000 |
| Keith Weston | | | | | | | |
| <i>Listed option @ \$0.25 Dec 2012</i> | 274,999 | – | – | – | 274,999 | – | 274,999 |
| <i>Unlisted option @ \$0.44 Dec 2013</i> | – | 1,500,000 | – | – | 1,500,000 | 1,500,000 | 1,500,000 |
| <i>Unlisted option @ \$0.525 Dec 2013</i> | – | 1,500,000 | – | – | 1,500,000 | 1,500,000 | 1,500,000 |
| | 1,374,998 | 24,000,000 | – | – | 25,374,998 | 24,000,000 | 25,374,998 |

KMP Shareholdings

The number of ordinary shares in Metminco Limited held by each KMP of the Group during the period is as follows:

| | BALANCE AT 31 DECEMBER 2010 | GRANTED AS REMUNERATION DURING THE PERIOD | ISSUED ON EXERCISE OF OPTIONS DURING THE PERIOD | OTHER CHANGES DURING THE PERIOD | BALANCE AT 31 DECEMBER 2011 |
|---------------------------------|--------------------------------|---|---|------------------------------------|--------------------------------|
| 31 December 2011 | | | | | |
| Antonio Ortúzar ¹ | – | – | – | 6,400,000 | 6,400,000 |
| William Howe | 48,264,168 | – | – | – | 48,264,168 |
| Philip Wing | 15,893,336 | – | – | – | 15,893,336 |
| William Etheridge | 62,400,000 | – | – | (600,000) | 61,800,000 |
| Tim Read | 250,000 | – | – | 400,000 | 650,000 |
| Francisco Vergara - Irarrazaval | 50,140,000 | – | – | – | 50,140,000 |
| Philip Killen | 3,949,836 | – | – | 200,000 | 4,149,836 |
| Colin Sinclair | 5,766,353 | – | – | – | 5,766,353 |
| Keith Weston | 550,000 | – | – | (25,000) | 525,000 |
| John Fillmore ² | 2,220,000 | – | – | – | 2,220,000 |
| | 189,433,693 | – | – | 6,375,000 | 195,808,693 |

1 Antonio Ortúzar was appointed as a Director on 16 March 2011

2 John Fillmore resigned as a Director on 16 March 2011

| | BALANCE AT 30 JUNE 2010 | GRANTED AS REMUNERATION DURING THE PERIOD | ISSUED ON EXERCISE OF OPTIONS DURING THE PERIOD | OTHER CHANGES DURING THE PERIOD | BALANCE AT 31 DECEMBER 2010 |
|---------------------------------|----------------------------|---|---|------------------------------------|--------------------------------|
| 31 December 2010 | | | | | |
| John Fillmore | 2,220,000 | – | – | – | 2,220,000 |
| William Howe | 48,264,168 | – | – | – | 48,264,168 |
| Philip Wing | 15,893,336 | – | – | – | 15,893,336 |
| William Etheridge | 62,400,000 | – | – | – | 62,400,000 |
| Tim Read | 250,000 | – | – | – | 250,000 |
| Francisco Vergara - Irarrazaval | 50,140,000 | – | – | – | 50,140,000 |
| Philip Killen | 3,949,836 | – | – | – | 3,949,836 |
| Colin Sinclair | 5,766,353 | – | – | – | 5,766,353 |
| Keith Weston | 550,000 | – | – | – | 550,000 |
| Shane Turner | 40,000 | – | – | – | 40,000 |
| | 189,473,693 | – | – | – | 189,473,693 |

Other KMP Transactions

There have been no other KMP transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP refer to Note 26 Related Party Transactions.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 6: AUDITORS' REMUNERATION

Audit services provided by Grant Thornton:

Parent

Subsidiaries

– Minera Hampton Chile Limitada and Minera Hampton Peru SAC

Professional services Australia

| CONSOLIDATED | |
|-------------------------------------|------------------------------------|
| 12 MONTHS ENDED 31 DECEMBER 2011 | 6 MONTHS ENDED 31 DECEMBER 2010 |
| \$ | \$ |
| 89,541 | 70,566 |
| 36,349 | 26,493 |
| 125,890 | 97,059 |
| 15,127 | 14,256 |
| 141,017 | 111,315 |

NOTE 7: LOSS PER SHARE

a. Reconciliation of earnings to loss

Loss

Loss attributable to minority equity interest

Loss used in the calculation of basic and dilutive EPS

| CONSOLIDATED | |
|-------------------------------------|------------------------------------|
| 12 MONTHS ENDED 31 DECEMBER 2011 | 6 MONTHS ENDED 31 DECEMBER 2010 |
| \$ | \$ |
| (8,777,306) | (11,340,398) |
| – | 199,492 |
| (8,777,306) | (11,140,906) |

b. Weighted average number of ordinary shares outstanding during the full year used in calculating basic EPS

Weighted average number of dilutive options outstanding

c. Anti-dilutive options on issue not used in dilutive EPS calculation

| NO. | NO. |
|-------------|-------------|
| 892,478,975 | 443,794,287 |
| – | – |
| 69,217,517 | 64,217,517 |

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank

Short-term bank deposits

| CONSOLIDATED | |
|-------------------|-------------------|
| 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| \$ | \$ |
| 44,030,949 | 23,189,432 |
| – | – |
| 44,030,949 | 23,189,432 |

NOTE 9: RECEIVABLES AND DERIVATIVE FINANCIAL INSTRUMENT

Current

Other receivables

Receivable from equity swap – secured

VAT receivables

Total current trade and other receivables

Equity swap derivative at fair value

| | |
|------------------|------------------|
| 397,953 | 287,500 |
| 854,473 | 1,712,328 |
| 1,149,990 | – |
| 2,402,416 | 1,999,828 |
| 109,613 | 1,648,388 |

| | CONSOLIDATED | |
|--|------------------|------------------|
| | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| | \$ | \$ |
| Non-current | | |
| VAT receivables | 3,515,405 | 2,295,511 |
| Long term receivables | – | 93,215 |
| Receivable from equity swap – secured | – | 951,292 |
| Total non-current trade and other receivables | 3,515,405 | 3,340,018 |
| Equity swap derivative at fair value | – | 465,147 |

The Company entered into a subscription agreement, an equity swap agreement, an interest rate swap agreement and a credit support agreement on 1 April 2010. Pursuant to these agreements the Company issued 25,000,000 shares at 9p per share for an aggregate subscription amount of £2,250,000. As security for the proceeds of these shares the recipient of the shares placed £2,250,000 in government bonds with an escrow agent as security for the proceeds receivable.

Over a 24 month period the Company will exchange £93,750 worth of government bonds per month for a cash payment the amount of which is determined against a benchmark price of 12p per ordinary share. If the volume weighted average price of an ordinary share in Metminco for the five dealing days prior to settlement exceeds the benchmark price then the Company will receive more than 100% of the monthly payment due. If the price is less than the benchmark price, the Company will receive less than 100% of the monthly payment due. There is no higher or lower limit on the amount of the payments due to the Company under these arrangements but the total number of shares issued is fixed. The secured equity swap receivable is measured at amortised cost.

Fair value of equity swap

The derivative from the equity swap is assessed on recoverability according to the terms of the equity swap agreement. A fair value gain/(loss) has been taken to the Statement of Comprehensive Income and amounts to the unrealised loss of \$1,029,297 (2010: 2,210,160 unrealised gain). The fair value of the equity swap is based on the future discounted cash flow assuming the 180 day VWAP of shares, GBP/AUD exchange rate and applicable United Kingdom interest rate as at 31 December 2011 (31 December 2010: 90 days VWAP).

Movement in the fair value of equity swap derivative is as follows:

| | OPENING BALANCE 1 JULY 2010 | | CASH RECEIVED ON EQUITY SWAP | FAIR VALUE ADJUSTMENT | CLOSING BALANCE 31 DECEMBER 2010 |
|---|-----------------------------------|------------------------|---------------------------------|--------------------------|-------------------------------------|
| Consolidated Group | | | | | |
| Current receivable from equity swap | – | – | – | – | – |
| Non-current receivable from equity swap | (96,625) | – | – | 561,772 | 465,147 |
| | OPENING BALANCE 1 JANUARY 2011 | TRANSFER TO CURRENT | CASH RECEIVED ON EQUITY SWAP | FAIR VALUE ADJUSTMENT | CLOSING BALANCE 31 DECEMBER 2011 |
| Consolidated Group | | | | | |
| Current receivable from equity swap | 1,648,388 | 465,147 | (974,625) | (1,029,297) | 109,613 |
| Non-current receivable from equity swap | 465,147 | (465,147) | – | – | – |

Realised gain on Equity SWAP in 2010 of \$327,868 was recognized as income.

Trade receivables are neither past due nor impaired and considered to be of high credit quality.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 10: OTHER ASSETS

CURRENT

Prepayments

Total current other assets

| NOTE | CONSOLIDATED | |
|------|------------------|------------------|
| | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| | \$ | \$ |
| | | |
| | 14,495 | 196,571 |
| | 14,495 | 196,571 |

NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Equity accounted investments in joint venture entities

| | | |
|----|------------------|------------------|
| | 2,947,726 | 4,160,154 |
| 12 | 2,947,726 | 4,160,154 |

NOTE 12: INTEREST IN JOINT VENTURES

Interests are held in the following:

| NAME | PRINCIPAL ACTIVITIES | COUNTRY OF INCORPORATION | SHARES | OWNERSHIP INTEREST | | CARRYING AMOUNT OF INVESTMENT | |
|-----------------|-------------------------|-----------------------------|----------|--------------------|------------------|-------------------------------|------------------|
| | | | | 31 DECEMBER 2011 | 31 DECEMBER 2010 | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| Unlisted: | | | | | | | |
| SCM Ovalle | Exploration | Chile | Ordinary | 100% | 50% | – | 1,209,237 |
| SCM San Lorenzo | Exploration | Chile | Ordinary | 50% | 50% | 2,947,726 | 2,950,917 |
| | | | | | | 2,947,726 | 4,160,154 |

In April 2011 the Metminco Group acquired the remaining 50% of SCM Ovalle not already owned by the Group. The merger of SCM Ovalle into Hampton Chile was completed mid December 2011.

In January 2009, in accordance with an agreement dated 19 May 2008 between Golden Amazonas (Amazonas) and Hampton Chile, SCM San Lorenzo was incorporated. The shareholders of SCM San Lorenzo are Hampton Chile, with 50% of the shares, and five minor shareholders with the remaining 50%. For the transfer of title of the San Lorenzo Properties to SCM San Lorenzo, Hampton Chile paid Amazonas US\$3 million. Hampton Chile does not control SCM San Lorenzo as the joint venture was formed for the sole purpose of holding ownership of the mining tenements.

| | CONSOLIDATED | |
|---|------------------|------------------|
| | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| | \$ | \$ |
| a. Movements during the year in equity accounted investment in joint venture entities: | | |
| Balance as at the beginning of the period | 4,160,154 | 5,053,371 |
| Less acquisition of 100% of SCM Ovalle – now consolidated | (1,209,237) | – |
| Share of joint venture company's loss after tax | – | (7,181) |
| Impact of foreign exchange movement on balance at beginning of period | (3,191) | (886,036) |
| Balance as at the end of the year | 2,947,726 | 4,160,154 |

| | | CONSOLIDATED | |
|-----------|--|------------------|------------------|
| | | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| | | \$ | \$ |
| b. | Equity accounted losses of joint venture companies are broken down as follows: | | |
| | Share of joint venture companies' loss before income tax | – | (7,181) |
| | Share of joint venture companies' income tax expense | – | – |
| | Share of joint venture companies' loss after income tax | – | (7,181) |
| c. | Summarised presentation of aggregate assets, liabilities and performance of joint venture | | |
| | Current assets | – | 6,608 |
| | Non-current assets | 5,895,452 | 8,410,752 |
| | Total assets | 5,895,452 | 8,417,360 |
| | Current liabilities | – | 97,053 |
| | Total liabilities | – | 97,053 |
| | Net assets | 5,895,452 | 8,320,307 |
| | Loss after income tax | – | (14,362) |

NOTE 13. CONTROLLED ENTITIES

a. Controlled entities consolidated

Subsidiaries of Metminco Limited:

| COUNTRY OF INCORPORATION | PERCENTAGE OWNED | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
|-------------------------------|------------------------|------------------|------------------|
| | | % | % |
| Hampton Mining Limited | Australia | 100 | 69.4 |
| Minera MNC SAC ⁵ | Chile | – | 100 |
| North Hill Holdings Group Inc | British Virgin Islands | 100 | 100 |

Wholly owned subsidiaries of Hampton:

| | | | |
|--|-------|---|-----|
| Hampton Mining Peru SAC ² | Peru | – | 100 |
| Minera Hampton Chile Limitada ³ | Chile | – | 100 |
| SCM Ovalle ⁴ | Chile | – | 50 |

Wholly owned subsidiaries of North Hill Holdings Group Inc.:

| | | | |
|--|------------------------|-----|-----|
| Cerro Norte Mining Inc | British Virgin Islands | 100 | 100 |
| North Hill Ovalle Inc ¹ | British Virgin Islands | 100 | – |
| North Hill Peru Inc ¹ | British Virgin Islands | 100 | – |
| North Hill Colombia Inc ¹ | British Virgin Islands | 100 | – |
| Minera Cerro Norte SA ² | Peru | – | 100 |
| Minera Hampton Peru SAC ² (formerly Minera CN SAC) | Peru | 100 | 100 |
| Minera Hampton Chile Limitada ³ | Chile | 100 | – |

1 Entities incorporated during the period

2 Entities were merged to form one company – Minera Hampton Peru SAC. Hampton Mining Limited sold 100% of Hampton Peru SAC to Cerro Norte Mining Inc during the year.

3 Hampton Mining Limited sold 100% of Minera Hampton Chile Limitada to North Hill Ovalle Inc

4 On acquisition of 100%, SCM Ovalle was merged into Minera Hampton Chile Limitada.

5 In December 2011 Minera MNC SAC was merged into Minera Hampton Chile Limitada

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 13. CONTROLLED ENTITIES continued

b. Acquisition with respect to controlled entities

On 28 April 2011, North Hill Ovalle Inc acquired a 50% ownership interest in SCM Ovalle. The acquisition resulted in Metminco having ownership of 100% and control of SCM Ovalle. As at 31 December 2011 this acquisition has been allocated to specific areas of interest (Mollacas, Vallecillo and Loica).

On 28 April 2011, Barrick Gold Corporation (Barrick) surrendered a potential right to purchase 51% of the issued capital of Minera CN SAC for 200% of expenditure incurred on the Los Calatos Project in exchange for 75 million Metminco shares.

| | FAIR VALUE \$ |
|--|-------------------|
| Acquisition of SCM Ovalle | |
| Purchase consideration: | |
| Initial investment | 1,349,229 |
| Cash | 9,414,800 |
| Ordinary shares | 24,510,523 |
| | 35,274,552 |
| Identifiable assets acquired and liabilities assumed: | |
| Receivables | 9,354 |
| Property, plant and equipment | 6,457 |
| Exploration expenditure | 35,258,741 |
| | 35,274,552 |
| Acquisition of Barrick's potential "buy back right" of 51% of Minera CN SAC | |
| Purchase consideration: | |
| Metminco Shares | 28,500,000 |
| Identifiable assets acquired | 28,500,000 |

- (i) A 50% interest in SCM Ovalle was held by non controlling interests at 31 December 2010. The Consolidated Group held 100% of issued capital of Minera CN SAC.
- (ii) The Directors believe the receivables are fully recoverable and no provision for impairment is required.
- (iii) Included within corporate costs in the statement of comprehensive income are acquisition related costs totaling \$50,000. The costs include advisory, legal, accounting and other professional fees.
- (iv) The financial statements of SCM Ovalle and Minera CN SAC are prepared for the year ended 31 December. This reporting period aligns with the reporting periods of the Consolidated Group.
- (v) The consolidated loss of SCM Ovalle included in the Consolidated Group loss since the acquisition date is nil. If the consolidated results of SCM Ovalle had been consolidated from 1 January 2011, the loss of the consolidated Group would have been \$5,374,844.
- (vi) The consolidated loss of Minera CN SAC is included on a 100% basis in the Consolidated Group loss for the period.
- (vii) The fair value of the Company's shares was derived from their trading price on the ASX at the date of acquisition.
- (viii) The number of share issued for the acquisition of SCM Ovalle was 70,250,855 and the number of shares issued for the surrender of Barrick Gold Corporation's potential right to purchase a 51% interest in SCM Ovalle was 75,000,000.

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

Land

At cost
Total land

Plant and equipment

At cost
Accumulated depreciation
Total plant and equipment
Total property, plant and equipment

Reconciliations

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

Land

Carrying amount at beginning of year
Additions through acquisition of entity
Impact of foreign exchange movement on balance at beginning of year
Carrying amount of land at end of year

Plant and equipment

Carrying amount at beginning of year
Additions
Impact of foreign exchange movement on balance at beginning of year
Depreciation
Carrying amount of plant and equipment at end of year
Carrying amount at end of year

| CONSOLIDATED | |
|------------------|------------------|
| 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| \$ | \$ |
| | |
| 2,678,365 | 314,111 |
| 2,678,365 | 314,111 |
| | |
| 1,234,199 | 548,017 |
| (323,119) | (192,750) |
| 911,080 | 355,267 |
| 3,589,445 | 669,378 |
| | |
| 314,111 | 372,629 |
| 2,364,254 | – |
| – | (58,518) |
| 2,678,365 | 314,111 |
| | |
| 355,267 | 447,832 |
| 704,748 | 11,160 |
| – | (24,717) |
| (148,935) | (79,008) |
| 911,080 | 355,267 |
| 3,589,445 | 669,378 |

No assets are held as security for any liabilities.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 15: EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in:

- exploration and evaluation phases at the end of year

Reconciliations

Carrying amount at the beginning of year

Expenditure incurred during current year

Additions through acquisition of entity and conditional Barrick buy back

Impact of foreign exchange movement during the year

Exploration written off

Carrying amount at the end of year

| CONSOLIDATED | |
|--------------------|--------------------|
| 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| \$ | \$ |
| 183,840,162 | 102,297,461 |
| 102,297,461 | 101,608,247 |
| 18,902,274 | 3,388,601 |
| 63,758,741 | – |
| (1,065,166) | (2,689,512) |
| (53,148) | (9,875) |
| 183,840,162 | 102,297,461 |

Recoverability of the carrying amount of exploration assets is dependent upon the successful recovery of mineral reserves.

Capitalised costs amounting to \$18,902,274 (for the period ended 31 December 2010: \$3,388,601) have been included in cash flows from investing activities.

NOTE 16: TRADE AND OTHER PAYABLES

Trade payables

Other payables and accrued expenses

| | |
|------------------|------------------|
| 2,440,901 | 700,434 |
| 1,726,923 | 1,321,060 |
| 4,167,824 | 2,021,494 |
| – | 491,981 |
| – | 1,209,911 |
| – | 1,701,892 |
| – | 1,701,892 |

NOTE 17: BORROWINGS

NON CURRENT

Unsecured liabilities

Convertible notes

Fair value loss

Total non-current borrowings

Total borrowings

Convertible loan facility

During the year ended 31 December 2011, Metminco completed early repayment of convertible notes totalling \$US0.5 million by issue of 4,845,000 Shares in satisfaction of principal. The Company also paid US\$80,000 in early repayment fees. As previously announced on 1 April 2010, these notes were entered into by Metminco as part of the A\$20 million capital raising and admission to the AIM Market of the London Stock Exchange. The majority of funds from this capital raising were applied to acquire Junior Investment Company's 31% stake in Hampton in May 2010 and with it a controlling interest in Hampton, which in turn lead to Hampton becoming a wholly owned subsidiary of Metminco in December 2010.

On 19 April 2011 the Company issued 1,200,000 shares in settlement of claims with respect to convertible notes repaid in 2010. There are now no convertible note/loans outstanding.

NOTE 18: PROVISIONS

Consolidated Group

| |
|---|
| Opening balance at January 2011 |
| Additional provisions |
| Balance at 31 December 2011 - Employee benefits |

| SHORT-TERM EMPLOYEE BENEFITS | TOTAL |
|------------------------------|---------------|
| \$ | \$ |
| 73,382 | 68,519 |
| 143,423 | 4,863 |
| 216,805 | 73,382 |

NOTE 19: CONTRIBUTED EQUITY

1,674,466,146 (31 December 2010: 1,231,107,839) fully paid ordinary shares

a. Movements in ordinary share capital

Balance at beginning of the reporting period

Shares issued

- 1 July 2010
- 1 July 2010
- 19 July 2010
- 28 July 2010
- 1 October 2010
- 29 November 2010
- 3 December 2010
- 3 December 2010
- 3 December 2010
- 17 December 2010
- 24 December 2010
- 31 December 2010
- 31 March 2011
- 19 April 2011
- 28 April 2011
- 28 April 2011
- 3 May 2011
- 26 May 2011
- 6 June 2011
- 5 December 2011

At the end of the reporting period

| 307,900,070 | 196,501,824 |
|----------------------|----------------------|
| NO. OF SHARES | NO. OF SHARES |
| 1,231,107,839 | 778,862,608 |
| - | 1,556,360 |
| - | 9,999,999 |
| - | 23,333,334 |
| - | 21,506,248 |
| - | 1,374,430 |
| - | 150,000,000 |
| - | 212,834,076 |
| - | 1,350,000 |
| - | 12,500 |
| - | 100 |
| - | 30,114,160 |
| - | 164,024 |
| 161,671 | - |
| 1,200,000 | - |
| 70,250,855 | - |
| 75,000,000 | - |
| 20,000,000 | - |
| 4,895,781 | - |
| 60,000,000 | - |
| 211,850,000 | - |
| 1,674,466,146 | 1,231,107,839 |

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 19: CONTRIBUTED EQUITY continued

b. Movements in ordinary share capital

Balance at beginning of the reporting period

Shares issued

– 1 July 2010

– 1 July 2010

– 19 July 2010

– 28 July 2010

– 1 October 2010

– 29 November 2010

– 3 December 2010

– 3 December 2010

– 3 December 2010

– 17 December 2010

– 31 December 2010

– 31 March 2011

– 19 April 2011

– 28 April 2011

– 28 April 2011

– 3 May 2011

– 26 May 2011

– 6 June 2011

– 5 December 2011

Costs of capital raising

At the end of the reporting period

| CONSOLIDATED | |
|--------------------|--------------------|
| 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| \$ | \$ |
| 196,501,824 | 106,133,934 |
| | |
| – | 1,425,000 |
| – | 3,251,665 |
| – | 3,225,937 |
| – | 274,886 |
| – | 29,500,000 |
| – | 41,525,286 |
| – | 405,000 |
| – | 3,125 |
| – | 35 |
| – | 10,690,526 |
| – | 66,430 |
| 60,627 | – |
| 450,000 | – |
| 24,510,523 | – |
| 28,500,000 | – |
| 7,600,000 | – |
| 1,762,481 | – |
| 22,800,000 | – |
| 29,658,904 | – |
| (3,944,289) | – |
| 307,900,070 | 196,501,824 |

On 31 March 2011 the Company issued 161,671 shares in settlement of interest for the quarter ended 31 March 2011 in respect of a \$US 500,000 convertible note facility.

On 19 April 2011 the Company issued 1,200,000 shares in settlement of claims with respect to convertible notes repaid in 2010.

On 28 April 2011 the Company issued 70,250,855 shares to Inversiones EM Dos Limitada forming part of the consideration for 50% of Sociedad Contractual Minera Ovalle.

On 28 April 2011 the Company issued 75,000,000 shares to Barrick Gold Corporation as consideration for Barrick surrendering its buy back right in connection with the Los Calatos Project.

On 03 May 2011 the Company issued 20,000,000 shares to selected professional and institutional investors to raise A\$7,600,000 before costs.

On 26 May 2011 the Company issued 4,895,781 shares on exercise of conversion rights by convertible note holders in settlement of US\$500,000 in loans and accrued interest to date of early repayment.

On 06 June 2011 the Company issued 60,000,000 shares to selected professional and institutional investors to raise A\$22,800,000 before costs.

On 05 December 2011 the company issued 211,850,000 new ordinary shares by way of private placement to sophisticated and professional investors at a subscription price of A\$0.14 per share to raise equity of up to approximately A\$29.7 million.

All the shares rank for dividends immediately. Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

c. Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains below 10%. The gearing ratios for the full year ended 31 December 2011 are as follows:

| | | CONSOLIDATED | |
|---|------|------------------------|------------------------|
| | NOTE | 31 DECEMBER 2011 \$ | 31 DECEMBER 2010 \$ |
| Face value of convertible notes | | – | 491,981 |
| Loss on fair value | | – | 1,209,911 |
| Total borrowings | 17 | – | 1,701,892 |
| The loss on fair value will only be incurred if the borrowings are repaid by the issue of shares. | | | |
| Borrowings repayable by cash | | – | 491,981 |
| Less cash and cash equivalents | 8 | (44,030,949) | (23,189,432) |
| Net debt | | (44,030,949) | (22,697,451) |
| Total equity | | 236,065,582 | 134,169,609 |
| Gearing ratio | | – | – |

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 20: OPTIONS

| EXPIRY DATE | EXERCISE PRICE \$ | OUTSTANDING AT 31 DECEMBER 2010 | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR | LAPSED DURING THE YEAR | OUTSTANDING AT 31 DECEMBER 2011 |
|------------------------------|----------------------|------------------------------------|----------------------------|------------------------------|---------------------------|------------------------------------|
| Listed | | | | | | |
| 31 December 2011 | | | | | | |
| 4 December 2012 | \$0.25 | 27,217,517 | – | – | – | 27,217,517 |
| Unlisted | | | | | | |
| 31 July 2012 | \$0.30 | 4,500,000 | – | – | – | 4,500,000 |
| 6 December 2013 | \$0.44 | 14,250,000 | – | – | – | 14,250,000 |
| 6 December 2013 | \$0.525 | 14,250,000 | – | – | – | 14,250,000 |
| 6 December 2013 | \$0.44 | 2,000,000 | – | – | – | 2,000,000 |
| 6 December 2013 | \$0.525 | 2,000,000 | – | – | – | 2,000,000 |
| 5 December 2014 ¹ | \$0.215 | – | 2,500,000 | – | – | 2,500,000 |
| 5 December 2014 ² | \$0.260 | – | 2,500,000 | – | – | 2,500,000 |

| EXPIRY DATE | EXERCISE PRICE \$ | OUTSTANDING AT 30 JUNE 2010 | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR | LAPSED DURING THE YEAR | OUTSTANDING AT 31 DECEMBER 2010 |
|---------------------------|----------------------|--------------------------------|----------------------------|------------------------------|---------------------------|------------------------------------|
| 31 December 2010 | | | | | | |
| 4 December 2012 | \$0.25 | 27,230,017 | – | 12,500 | – | 27,217,517 |
| Unlisted | | | | | | |
| 31 December 2010 | | | | | | |
| 31 July 2012 ¹ | \$0.30 | – | 4,500,000 | – | – | 4,500,000 |
| 6 December 2013 | \$0.44 | – | 14,250,000 | – | – | 14,250,000 |
| 6 December 2013 | \$0.525 | – | 14,250,000 | – | – | 14,250,000 |
| 6 December 2013 | \$0.44 | – | 2,000,000 | – | – | 2,000,000 |
| 6 December 2013 | \$0.525 | – | 2,000,000 | – | – | 2,000,000 |

Notes:

1 On 5 December 2011 the Company issued 2,500,000 Employee Options @ \$0.215 cents expiring 5 December 2014.

2 On 5 December 2011 the Company issued 2,500,000 Employee Options @ \$0.260 cents expiring 5 December 2014.

The options have been included in employee and director's benefits expense in the statement of comprehensive income. The options have been valued using the Binomial method, a share price of \$0.1716 (based on the Company's 30 Day Weighted Average Price as at 3 December 2011), interest rate of 4.25%, 70% volatility, the terms of the options and an estimated option life to 31 March 2013 based on the Company's best estimate of the expected exercise patterns, which may not eventuate. The options are not transferrable, the expiry date is contingent on a number of terms and conditions set out in the Employee Share Option Plan and the holder will only realise a benefit through exercise of the options.

Included under employee and directors' benefit expense in Note 3 is \$203,585 (Dec 2010: \$2,401,382). The exercise prices of options range from \$0.215 to \$0.260 and the weighted average life assuming maximum life is 881 days.

NOTE 21: CAPITAL AND LEASING COMMITMENTS

a. Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable (minimum lease payments)

– not later than 12 months

– between 12 months and 5 years

– greater than 5 years

| CONSOLIDATED | |
|------------------|------------------|
| 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| \$ | \$ |
| | |
| 240,165 | 261,514 |
| 229,155 | 656,955 |
| – | – |
| 469,320 | 918,469 |

The Group has non-cancellable leases over seven premises in Australia, Chile and Peru with terms ranging from 1 to 36 months. Rent is payable monthly in advance.

b. Exploration Tenement Licence Commitments

Mining and exploration licence fees for tenements held by the Group but not yet capitalised in the financial statements

Payable (minimum licence payments)

– not later than 12 months

| | |
|----------------|----------------|
| | |
| 426,422 | 415,096 |

NOTE 22: COMMITMENTS AND CONTINGENT LIABILITIES

a. The holder of the surface titles in respect of the Mollacas Project, Agrícola Bauzá Ltda has filed various actions against Hampton Chile in respect of claims relating to access and environmental accusations. All claims determined by the Chilean judiciary to date have been successfully defended.

b. In January 2011 wholly owned subsidiary Hampton Chile finalised the purchase of a 33% interest in the Genesis tenements (which form part of the Camaron project) for US\$782,000 (A\$782,000) and entered into an 18 month option agreement to acquire the remaining 67% (Genesis Option Agreement).

On signing the Genesis Option Agreement Hampton Chile paid US\$370,000 (A\$365,000) with 2 further option payments of US\$370,000 (A\$365,000) payable on the six month and twelve anniversary. If Hampton Chile exercises the option then it must pay US\$1 million on the exercise date and 3 further annual payments each of US\$1 million on the second, third and fourth anniversary of exercise of the option (in total \$US 4 million – A\$ 4 million) as an advance payment against future royalty payments, and pay 1.7% Net Smelter Return on future production from the Genesis tenements.

Hampton Chile may elect to terminate the Option to acquire the remaining 67% at any time prior to August 2012.

c. On 30 June 2011, Hampton Chile entered into an option agreement to purchase a 100% interest in the La Piedra Project (La Piedra Option Agreement).

To exercise the La Piedra Option Agreement, Hampton Chile is required to make the following payments:

- US\$350,000 on signing the La Piedra Option Agreement (already paid);
- US\$350,000 on or before 30 June 2012;
- US\$350,000 on or before 30 June 2013;
- US\$1,000,000 on or before 30 June 2014; and
- US\$28 million in cash, or US\$14 million in cash and US\$14 million in Metminco shares (at Metminco's election), on or before 30 June 2015, should Hampton Chile elect to purchase 100% of the La Piedra tenements.

The Option Agreement will provide Hampton Chile with sufficient time to evaluate the prospectivity of the La Piedra tenements, and to delineate Mineral Resources, ahead of the option expiry date of 30 June 2015

Hampton Chile may elect to terminate the La Piedra Option at any time before 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 23: REPORTING SEGMENTS

The Company's primary activity is mineral exploration in the geographic area of South America. This focus is consistent with the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily for the sole purpose of mineral exploration.

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual and half yearly financial statements of the Group.

b. Inter-segment transactions

There are no inter segment transactions.

c. Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Derivatives
- Net gains on disposal of available-for-sale investments
- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Other financial liabilities
- Intangible assets
- Discontinuing operations
- Retirement benefit obligations.

| | MINERAL EXPLORATION | | UNALLOCATED | | TOTAL | |
|--|---|--|---|--|---|--|
| | 12 MONTHS ENDED 31 DECEMBER 2011 \$ | 6 MONTHS ENDED 31 DECEMBER 2010 \$ | 12 MONTHS ENDED 31 DECEMBER 2011 \$ | 6 MONTHS ENDED 31 DECEMBER 2010 \$ | 12 MONTHS ENDED 31 DECEMBER 2011 \$ | 6 MONTHS ENDED 31 DECEMBER 2010 \$ |
| <i>i. Segment performance</i> | | | | | | |
| Other income | 785 | 1,354 | 350,124 | 66,341 | 350,909 | 67,695 |
| Total segment revenue | 785 | 1,354 | 350,124 | 66,341 | 350,909 | 67,695 |
| Total group revenue | 785 | 1,354 | 350,124 | 66,341 | 350,909 | 67,695 |
| Segment loss before tax | 2,257,250 | 980,744 | 6,520,056 | 10,359,654 | 8,777,306 | 11,340,398 |
| Loss before tax from continuing operations | 2,257,250 | 980,744 | 6,520,056 | 10,359,654 | 8,777,306 | 11,340,398 |
| Depreciation and amortisation expense included in segment result | 112,670 | 77,050 | 36,265 | 1,958 | 148,935 | 79,008 |

| | MINERAL EXPLORATION | | UNALLOCATED | | TOTAL | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 31 DECEMBER 2011 \$ | 31 DECEMBER 2010 \$ | 31 DECEMBER 2011 \$ | 31 DECEMBER 2010 \$ | 31 DECEMBER 2011 \$ | 31 DECEMBER 2010 \$ |
| <i>ii. Segment assets</i> | | | | | | |
| Segment assets | 196,083,034 | 111,319,144 | 44,367,177 | 26,647,233 | 240,450,211 | 137,966,377 |
| Segment asset increases for the period | | | | | | |
| – capital expenditure | 21,951,379 | 3,394,353 | 19,897 | 5,158 | 21,971,276 | 3,399,511 |
| – acquisitions | 80,512,559 | – | – | 21,755,171 | 80,512,559 | 21,755,171 |
| | 102,463,938 | 3,394,353 | 19,897 | 21,760,329 | 102,483,835 | 25,154,682 |
| Included in segment assets are: | | | | | | |
| – Equity accounted associates and joint ventures | 2,947,726 | 4,160,154 | – | – | 2,947,726 | 4,160,154 |
| <i>iii. Segment liabilities</i> | | | | | | |
| Segment liabilities | 3,374,730 | 842,819 | 1,009,899 | 2,953,949 | 4,384,629 | 3,796,768 |
| Reconciliation of segment liabilities to group liabilities | | | | | | |
| Total group liabilities | 3,374,730 | 842,819 | 1,009,899 | 2,953,949 | 4,384,629 | 3,796,768 |

iv. Other income by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

| | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
|---------------|------------------|------------------|
| Australia | 350,124 | 66,341 |
| South America | 785 | 1,354 |
| Total revenue | 350,909 | 67,695 |

v. Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

| | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
|---------------|--------------------|--------------------|
| Australia | 44,367,177 | 26,647,233 |
| South America | 196,083,034 | 111,319,143 |
| Total assets | 240,450,211 | 137,966,376 |

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 24: NOTES TO THE STATEMENT OF CASH FLOWS

a. Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents

CONSOLIDATED

| 12 MONTHS ENDED 31 DECEMBER 2011 | 6 MONTHS ENDED 31 DECEMBER 2010 |
|-------------------------------------|------------------------------------|
| \$ | \$ |

| | |
|-------------------|-------------------|
| 44,030,949 | 23,189,432 |
| 44,030,949 | 23,189,432 |

b. Reconciliation of loss from ordinary activities after Income Tax to net cash used in operating activities

Loss from ordinary activities after income tax

Add/(less) non-cash items:

Depreciation and amortisation

Fair value loss on convertible notes

Share of net loss of associates

Exchange loss/(gains)

Fair value of receivables loss/(gain)

Impairment of exploration properties

Expense on grant of options

Shares issued in lieu of payment for services

Finance costs

Changes in assets and liabilities, net of the effects of purchase and disposal of controlled entities during the financial year:

Increase in receivables

Decrease in prepayments

Increase/(decrease) in payables

Increase in provisions

Net cash used in operating activities

| | |
|--------------------|--------------------|
| (8,777,306) | (11,340,398) |
| 148,935 | 79,008 |
| 66,649 | 5,882,403 |
| – | 7,181 |
| (317,596) | 334,224 |
| 1,029,297 | (2,208,666) |
| 53,148 | 9,875 |
| 203,585 | 2,730,028 |
| – | 405,000 |
| 528,908 | 730,357 |
| (110,453) | (227,111) |
| 182,076 | 19,123 |
| 614,845 | (541,969) |
| 143,423 | 4,863 |
| (6,234,489) | (4,116,082) |

c. Acquisition of Entities

During the year ended 31 December 2011 the Company increased its interest in SCM Ovalle from 50% to 100% ownership and paid stamp duty with respect to the purchase of Hampton Mining Limited completed in 2010. Details of this transaction are:

Purchase consideration for SCM Ovalle

Consisting of:

- Cash consideration
- Ordinary shares

Total consideration

Purchase consideration for Hampton Mining Limited

Consisting of:

- Cash consideration
- Ordinary shares

Total consideration

Cash consideration

Cash outflow ¹

Assets and liabilities held at acquisition date:

Exploration

Acquisition reserve

| CONSOLIDATED | |
|------------------|------------------|
| 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| \$ | \$ |
| | |
| 9,414,800 | – |
| 24,510,523 | – |
| 33,925,323 | – |
| | |
| 729,561 | 4,150,000 |
| – | 45,792,752 |
| 729,561 | 49,942,752 |
| 10,144,361 | 4,150,000 |
| 9,414,800 | 4,150,000 |
| | |
| 33,925,323 | – |
| – | (41,506,662) |
| – | 8,436,090 |

d. Non-cash Financing and Investing Activities

Share issue

During the full year ended 31 December 2011, 145,250,855 ordinary fully paid shares were issued at an average price of \$0.37 per share as part of the consideration for the purchase of a further 50% ownership interest in SCM Ovalle and as consideration for the surrender by Barrick Corporation of its potential buy back right with respect to the Los Calatos project. The share issue was based on the fair value of these acquisitions prior to the purchase.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

Matters that have arisen in the interval between the end of the year and the date of this report of a material or unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years are as follows:

a. **Settlement of Conditional Placing of A\$10.3 million**

On 25 November 2011 the Company announced a A\$40 (£25.1) million placement consisting of a Firm Placement (211,850,000 Shares to raise A\$29.7 million) settled on 2 December 2011 and a Conditional Placement (73,864,286 Shares to raise A\$10.3 million).

The Conditional Placement was approved by shareholders at the Company's Extraordinary General Meeting on 4 January 2012 and settled on 6 January 2012.

b) **Rights Issue**

On 24 November 2011, the Company announced a Rights Issue of one new share (New Share) for every twenty Shares held by Australian and New Zealand resident shareholders (Eligible Shareholders) in Metminco on 14 December 2011 at an offer price of A\$0.14 per New Share. The Rights Issue closed on 3 January 2012 with 1,211,141 New Shares (approximately 2% of the Right Issue offer) subscribed for by Eligible Shareholders raising approximately A\$0.2 million. The Rights Issue was undersubscribed by 67,349,599 Shares (Shortfall Shares). The Directors resolved not to place the Shortfall.

Other than the matters noted above, no other matters have arisen in the interval between the end of the full year and the date of this report of a material or unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 26: RELATED PARTIES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Directors

The names of each person holding the position of Director of Metminco Limited during the full year are:

John Fillmore (*resigned 16 March 2011*), Antonio Ortúzar (*appointed 16 March 2011*), Phillip Wing, William J Howe, William S Etheridge, Tim Read and Francisco Vergara-Irarrazaval.

Details of Key Management Personnel remuneration are set out in Note 5.

Transactions with related parties:

a. Directors

Apart from the details disclosed in this Note, no Directors entered into a material contract with the Company or the Consolidated Group since the end of the previous financial year and, there were no material contracts involving Directors' interests existing at year end.

Directors' and Executive Officer's holdings of shares and options

The aggregate interests of Directors and the Executive Officers of the reporting entity and their Director-related entities in shares and share options of entities within the Consolidated Group at year end are set out in the Directors' Report and at Note 5.

b. Associated joint venture companies

Advances by Hampton Chile to SCM San Lorenzo are in USD and are non interest bearing with no fixed repayment terms. Total advances to the associated companies as at 31 December 2011 was nil (31 Dec 2010: nil). Refer Notes 12 and 13.

c. Subsidiaries

Advances by Metminco are in AUD and are non interest bearing with no fixed repayment terms. Total advances to the subsidiary companies as at 31 December 2011 was \$25,756,719 (6 months to 31 Dec 2010: 2,657,274).

NOTE 27: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, trade and other receivables, trade and other payables and convertible notes.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | | CONSOLIDATED | |
|---|------|------------------------|------------------------|
| | NOTE | 31 DECEMBER 2011 \$ | 31 DECEMBER 2010 \$ |
| Financial Assets | | | |
| Cash and cash equivalents | 8 | 44,030,949 | 23,189,432 |
| Trade and other receivables | 9 | 5,917,821 | 5,339,846 |
| Fair value of equity swap derivative | 9 | 109,613 | 2,113,535 |
| Total Financial Assets | | 50,058,383 | 30,642,813 |
| Financial Liabilities | | | |
| Financial liabilities at amortised cost | | | |
| – Trade and other payables | 16 | 4,167,824 | 2,021,494 |
| – Borrowings | 17 | – | 1,701,892 |
| Total Financial Liabilities | | 4,167,824 | 3,723,386 |

Financial Risk Management Policies

The Board of Directors is responsible for, amongst other issues, monitoring and managing financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk, currency risk, financing risk and interest rate risk.

The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the regular monitoring of exposures and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise cleared as being financially sound.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at reporting date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 27: FINANCIAL RISK MANAGEMENT continued

a. Credit risk continued

With the exception of the receivable from the equity swap which is secured (Note 9), the Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the Group has significant credit risk exposures to South America given the substantial operations in those regions.

Trade and other receivables are neither past due nor impaired and are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 9. No impairment has been applied to trade and other receivables. Derivative instruments are held at fair value and not considered impaired.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Financial Liability and Financial Asset Maturity Analysis

| | WITHIN 1 YEAR | | 1 TO 5 YEARS | | OVER 5 YEARS | | TOTAL | |
|--|---------------|-------------|--------------|-------------|--------------|-------------|-------------|-------------|
| | 31 DEC 2011 | 31 DEC 2010 | 31 DEC 2011 | 31 DEC 2010 | 31 DEC 2011 | 31 DEC 2010 | 31 DEC 2011 | 31 DEC 2010 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Consolidated Group | | | | | | | | |
| Financial liabilities due for payment | | | | | | | | |
| Convertible notes | – | – | – | 1,701,892 | – | – | – | 1,701,892 |
| Trade and other payables (excluding est. annual leave) | 4,167,824 | 2,021,494 | – | – | – | – | 4,167,824 | 2,021,494 |
| Total contractual outflows | 4,167,824 | 2,021,494 | – | 1,701,892 | – | – | 4,167,824 | 3,723,386 |
| Total expected outflows | 4,167,824 | 2,021,494 | – | 1,701,892 | – | – | 4,167,824 | 3,723,386 |
| Financial assets – cash flows realisable | | | | | | | | |
| Cash and cash equivalents | 44,030,949 | 23,189,432 | – | – | – | – | 44,030,949 | 23,189,432 |
| Trade, term and loans receivables | 2,512,029 | 3,648,216 | 3,515,405 | 3,805,165 | – | – | 6,027,434 | 7,453,381 |
| Total anticipated inflows | 46,542,978 | 26,837,648 | 3,515,405 | 3,805,165 | – | – | 50,058,383 | 30,642,813 |
| Net (outflow)/inflow on financial instruments | 42,375,154 | 24,816,154 | 3,515,405 | 2,103,273 | – | – | 45,890,559 | 26,919,427 |

c. Market Risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

ii. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The Consolidated Group is exposed to interest rate and foreign exchange risk through cash assets held and financial liabilities owed as at the reporting date.

| | CONSOLIDATED | |
|---|-------------------|-------------------|
| | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| | \$ | \$ |
| Cash assets held in Australian dollars and subject to floating interest rate | 6,464,772 | 9,418,236 |
| Australian currency equivalent of cash assets held in US dollars and subject to floating interest rate | 37,167,874 | 12,867,164 |
| Australian currency equivalent of cash assets held in US dollars and subject to floating interest rate | 124,097 | 904,032 |
| Australian currency equivalent of cash assets held in Chilean pesos and subject to floating interest rate | 274,206 | – |
| Total cash assets | 44,030,949 | 23,189,432 |
| Financial liabilities repayable in US dollars | | |
| Convertible notes | – | 491,981 |

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Interest Rate Sensitivity Analysis

At 31 December 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | | |
|---------------------------------|-----------|-----------|
| Change in profit | | |
| Increase in interest rate by 2% | 880,619 | 188,365 |
| Decrease in interest rate by 2% | (880,619) | (188,365) |
| Change in equity | | |
| Increase in interest rate by 2% | 880,619 | 188,365 |
| Decrease in interest rate by 2% | (880,619) | (188,365) |

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 27: FINANCIAL RISK MANAGEMENT continued

Foreign Currency Risk Sensitivity Analysis

At 31 December 2011, the effect on profit and equity as a result of changes in the value of the Australian dollar (AUD) compared to the US dollar (USD), the UK pound (GBP) and the Chilean peso (CLP), with all other variables remaining constant, would be as follows:

| | CONSOLIDATED | |
|---------------------------------|------------------|------------------|
| | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| | \$ | \$ |
| Change in profit | | |
| Improvement in AUD to USD by 5% | (1,858,394) | (612,722) |
| Decline in AUD to USD by 5% | 1,858,394 | 612,722 |
| Change in equity | | |
| Improvement in AUD to USD by 5% | (1,858,394) | (612,722) |
| Decline in AUD to USD by 5% | 1,858,394 | 612,722 |
| Change in profit | | |
| Improvement in AUD to GBP by 5% | (6,205) | (43,049) |
| Decline in AUD to GBP by 5% | 6,205 | 43,049 |
| Change in equity | | |
| Improvement in AUD to GBP by 5% | (6,205) | (43,049) |
| Decline in AUD to GBP by 5% | 6,205 | 43,049 |
| Change in profit | | |
| Improvement in AUD to CLP by 5% | (13,710) | – |
| Decline in AUD to CLP by 5% | 13,710 | – |
| Change in equity | | |
| Improvement in AUD to CLP by 5% | (13,710) | – |
| Decline in AUD to CLP by 5% | 13,710 | – |

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

| | FOOTNOTE | 31 DECEMBER 2011 | | 31 DECEMBER 2010 | |
|---|----------|--------------------|-------------------|--------------------|-------------------|
| | | NET CARRYING VALUE | NET FAIR VALUE | NET CARRYING VALUE | NET FAIR VALUE |
| | | \$ | \$ | \$ | \$ |
| Consolidated Group | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | (i) | 44,030,949 | 44,030,949 | 23,189,432 | 23,189,432 |
| Loans and receivables | (i) | 2,512,029 | 2,512,029 | 3,648,216 | 3,648,216 |
| Financial assets at fair value | (ii) | 3,515,405 | 3,515,405 | 3,805,165 | 3,805,165 |
| Total financial assets | | 50,058,383 | 50,058,383 | 30,642,813 | 30,642,813 |
| Financial liabilities | | | | | |
| Financial liabilities at amortised cost | (i) | 4,167,824 | 4,167,824 | 2,021,494 | 2,021,494 |
| Financial liabilities at fair value | (iii) | – | – | 1,701,892 | 1,701,892 |
| Total financial liabilities | | 4,167,824 | 4,167,824 | 3,723,386 | 3,723,386 |

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.
- (ii) The fair value of term receivables generally approximates carrying value.
- (iii) The convertible notes are valued at face value plus an adjustment to reflect the value of the option to convert to fully paid ordinary shares using the Company's prevailing price quoted on the ASX.

d. Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Company only has level 3 categories and the basis for valuation is set out in the notes to the accounts.

NOTE 28: RESERVES

a. Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

b. Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

c. Acquisition Reserve

The acquisition reserve records items recognised on the subsequent acquisition of the Hampton minority interest.

NOTES TO THE FINANCIAL STATEMENTS continued

NOTE 29: PARENT ENTITY INFORMATION

| | CONSOLIDATED | |
|--|--------------------|--------------------|
| | 31 DECEMBER 2011 | 31 DECEMBER 2010 |
| | \$ | \$ |
| Statement of Financial Position | | |
| Current assets | 44,059,385 | 25,230,792 |
| Total assets | 284,876,896 | 181,738,675 |
| Current liabilities | 1,009,897 | 2,779,256 |
| Total liabilities | 1,009,897 | 2,953,949 |
| Issued capital | 307,900,070 | 196,501,824 |
| Retained earnings | (27,269,812) | (20,749,754) |
| Reserves | 3,236,241 | 3,032,656 |
| | 283,866,499 | 178,784,726 |
| Statement of Comprehensive Income | | |
| Loss for the year | 6,520,058 | 10,359,655 |
| Total comprehensive loss | 6,520,058 | 10,359,655 |

The parent entity has lease commitments of A\$208,494. The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

NOTE 30: COMPANY DETAILS

Metminco Limited is a company domiciled in Australia and its registered office is located at:

Level 6
122 Walker Street
North Sydney NSW 2060
Australia

The Company's principal office is located at:

Isidora Goyenechea 3162
Oficina 201
Las Condes
Chile.

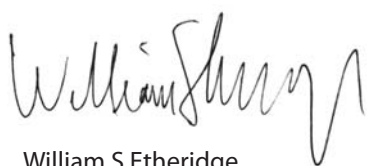
The Group's principal activities are exploration and development of mineral prospects primarily located in Chile and Peru, South America.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 36 to 76, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards;
 - b. give a true and fair view of the financial position as at 31 December 2011 and of the performance for the full year ended on that date of the Consolidated Group; and
 - c. comply with International Financial Reporting Standards as discussed in Note 1.
2. the Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 31 December 2011
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



William S Etheridge

Director

Dated this 20th day of March 2012

INDEPENDENT AUDITOR'S REPORT to the Members of Metminco Limited



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W www.grantthornton.com.au

Report on the financial report

We have audited the accompanying financial report of Metminco Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

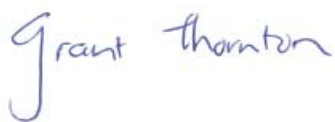
- a the financial report of Metminco Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 31 to 34 of the directors' report for the year ended 31 December 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Metminco Limited for the year ended 31 December 2011, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A G Rigele
Director – Audit & Assurance

Sydney, 20 March 2012