

Iberian Gold Plc

(Formerly Harrogate Group Plc)

Directors' report and financial statements

For the year ended 31 December 2010

Registered Number 3977034

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Company information

Directors

M Robins (Executive Chairman)
M Slater (Chief Executive)
R Kyriakides

Registered Office and Business Address

37 Queen Anne Street
London
W1G 9JB

Secretary

R Kyriakides

Registrars

Share Registrars Limited
Suite E, First floor
9 Lion and Lamb Yard
Farnham
Surrey
GU9 7LL

Auditors

Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD

Bankers

Adam & Company Plc
22 King Street
London
SW1Y 6QY

Chairman's statement

Year ended 31 December 2010.

Introduction

This is my first chairman's statement since replacing Stephen Barclay as Chairman at the end of March 2011 and I should like this opportunity to bring all shareholders and loan stock holders up to date with the Company's activities since the Company entered into a conditional agreement to acquire the entire issued share capital of Recursos Metalicos SL ("Recursos") from Cambridge Mineral Resources Plc ("Cambridge") on 21 May 2010.

Recursos owns the mining rights to the Lomero-Poyatos deposit which is an advanced polymetallic (gold, silver, copper, zinc and lead) project located within the Iberian Pyrite Belt in south-west Spain.

Strategy

The new Board intends to continue the original board's strategy of looking to dispose of the Recursos asset but at the same time continuing to develop and progress the asset to achieve best value for shareholders.

Results

Losses before and after taxation for the year were £290,786 (2009 loss £11,395), reflecting the acquisition costs of Recursos, £90,596, and the related management costs.

Recursos Update

Your Board has been actively undertaking the initial programme set out at the time of the acquisition of Recursos Metalicos. The initial programme included completion of legal and environmental due diligence, finalisation of a Mining Plan and updating a Competent Persons Report with a view to achieving a sale of the asset or an early AIM flotation.

The initial programme was completed over the summer of 2010, a Mining Plan, including an Environmental Assessment Programme, was finalised and submitted to the mining authority replacing an earlier and previously unsatisfactory Mining Plan at an additional unbudgeted cost to the Company of some £150,000, the Competent Persons Report was updated and reissued by Wardell Armstrong in November 2010 and legal and environmental due diligence was progressed.

The acquisition of Recursos Metalicos S.L. was finally completed by the Company on 30 September 2010 and the name of the Company subsequently was changed to Iberian Gold Plc. As part of the completion arrangements, Cambridge agreed to advance the company £150,000.

Under the Sale & Purchase Agreement Cambridge were issued a renounceable letter of allotment for 240 million new ordinary shares in the Company with a further 40 million shares to be issued following completion of a warranty period. To date 20,139,584 new ordinary shares have been issued by your Company under the renounceable letter of allotment representing some 46.9 per cent of the current issued share capital of the Company and 219,860,416 shares remain to be issued under the renounceable letter of allotment. By agreement Cambridge and its associates are limited to a 49 per cent interest in the issued share capital of the Company but together with the shares to be issued after the warranty period Cambridge effectively has a 79 per cent potential economic interest in the Company.

The new shares issued under the renounceable letter of allotment have been issued to various parties including some shareholders of Cambridge who paid Cambridge 3p per new ordinary share of the Company. Part of the monies so raised by Cambridge has been loaned to the Company to meet operating costs.

The initial programme undertaken by the original Board of Stephen Barclay and John Shaw, which was joined by Geoffrey Smith as finance director in May 2010, has taken the Company forward in identifying the further work necessary for the development of the Lomero-Poyatos mine and the realisation of value for both shareholders and investors in the convertible loan stock.

Chairman's statement (continued)

Disappointingly the original intention of listing the Company early on AIM has proven unattainable. This delay has been caused as a result of the implementation by Spain of the EU Waste Directive which now precludes the mining authority approving the Mining Plan before completion of the Environmental Authorisation, an exercise which takes at least 12 months. Previously the Board had been advised that approval of the Mining Plan could be achieved by the end of December 2010. The Company has been advised by prospective sponsors that approval of the Mining Plan is required to ensure a successful AIM flotation and consequently the AIM flotation is now anticipated to be completed in the first half of 2012 provided all the required permissions in Spain are received.

In view of the delay the original funding raised by the issue of the convertible loan stock has been expended and the Board estimates it is now necessary to raise some £750,000 to ensure, inter alia, the completion of the Environmental Authorisation which is a pre-requisite for the mining authority to consider the approval of the Mining Plan and facilitate an AIM listing and the further funding required to develop the mine.

To this end, Arturo Gutierrez del Olma – CEO of Golder Associates (international mining consultants) in Spain has agreed to supervise the management of obtaining the necessary approvals. The work required in regard to the Environmental Impact Assessment, Water Treatment and Water Discharge have been subcontracted to Golder Associates. Both they and the management have agreed to supply their services at a discounted level in return for a participation in profits when they are generated.

This has been partly influenced by the recent surge in base metal prices, in particular copper, which has further increased interest in activity within the Spanish pyrite belt where the Lomero Poyatos mine is located. The increased investment in the area as evidenced by the Ibericos Metalicos Agua Tenidas project (together with continuing increased valuation of metals) gives considerable confidence of a positive outcome in the longer term for the project.

Cambridge indicated that they were in a position to complete a fundraising for the Company to complete the Environmental Authorisation and proposed the issue of a Convertible Gold Linked . A document offering this bond was issued to shareholders on 29 April 2011 and the offer extended to Cambridge shareholders on 31 May 2011. To date the Company has raised £189,000 including the conversion of the existing Loan from Cambridge of £150,000.

The original Board considered the position and decided that in view of the revised longer term requirements of the project and the necessity to raise further funding for the Company it was in the best interest of the Company to make way for a new Board with more experience in the mining industry and representing the interests of Cambridge.

Accordingly myself and Mark Slater were appointed to the Board of the Company on 31 March 2011 and the then Board members resigned on the same day. The former Board will remain consultants to the Company for a short handover period. I also welcome to the Board Robert Kyriakides who was appointed a director on 14 April 2011.

Since appointment the Board has continued the Company's strategy of establishing a prospective purchaser for the Recursos asset and providing continuing funding in the interim.

Future Prospects

The Board remain confident that, in view of the continued uplift in gold and other metal prices, a successful disposal of the Recursos asset can be achieved.

Martin Robins
Non-executive Chairman
29 June 2011

Details of Directors

Martin Robins FCMA

Martin Robins, 61. Trained with the Plessey Group of companies. He qualified as a chartered management accountant in 1970 and was the national prize winner that year. He joined aerospace engineer the Dowty Group in 1973 in a senior finance role and was active in their acquisition programme. He became managing director of Cotswold quarrier Farmington Natural Stone in 1995 and when he retired ten years later had transformed the business into one of the most successful natural stone producers in the UK.

Mark Slater

Mark Slater, 53. Has over 30 years in business management and development across various commercial sectors. He is chief executive of Cambridge Mineral Resources Plc.

Robert Kyriakides

Robert Kyriakides, 62. Graduated from the University of Manchester with an honours law degree in 1970 and was admitted to the roll of solicitors in 1974. In 1978 he established his present law firm, Kyriakides & Braier, which deals mainly with commercial company work and private client work. In 2000 he founded Genersys plc, which is now one of the UK's largest solar thermal panel suppliers with branches and associates in seven countries. He is Chief Executive of Genersys. In 2010 he was invited to join the board of Cambridge Mineral Resources Plc.

Directors' report

The Directors present their report and the financial statements for the year ended 31 December 2010.

Principal activities and review of the business

The principal activity of the Company is to achieve the sale of the Lomero Poyatos subsidiary acquired in May 2010 as soon as practicable. The subsidiary's principal asset is the Lomero Poyatos mine.

Results and dividends

The loss for the year was £290,786 (2009: loss of £11,395). The Directors do not recommend the payment of a dividend. The Directors consider the results for the year to be satisfactory based on the increased activity during the year.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company relate to the development of the asset. Despite the opportunities that arise, there is the risk that the Company may not be able to raise the necessary funding for such a development or, if necessary, for further working capital whilst alternative development opportunities are explored.

Key performance indicators

Given nature of the development programme's dependence on availability of funding, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Non current assets

The Company has purchased no fixed assets during the year.

Donations

During the year the Company made no payments for charitable purposes.

Directors and Directors' interests

The Directors who held office in the period up to the date of approval of these accounts and their beneficial interests in the Company's issued share capital at the year end were:

M Robins (appointed 31 March 2011)
M Slater (appointed 31 March 2011)
R Kyriakides (appointed 14 April 2011)
S J Barclay (resigned 31 March 2011)
J R Shaw (resigned 31 March 2011)
C G G Smith (appointed 21 May 2010 and resigned 31 March 2011)

Directors' responsibilities

The Statement of Directors' Responsibilities is shown on page 5.

Substantial interests

At the date of approval of the financial statements the following interests of three percent or more of the issued Ordinary share capital had been notified to the Company:

Directors' report (continued)

	At 27 June 2011 Number of Ordinary shares	At 31 December 2010 Number of Ordinary shares
P Boggis	3,966,667	-
S J Barclay	2,700,000	2,700,000
B K Chadwick	2,040,000	2,040,000
Nabarro Wells & Co. Limited	2,000,000	2,000,000
J Herbert	1,925,000	1,925,000
C G G Smith	1,750,000	1,750,000
D Rumley	1,500,000	1,500,000
J Lyons	-	1,250,000

Going Concern

The financial statements have not been prepared on a going concern basis. Whilst the Directors are resolved to take responsible steps to ensure that capital and other financing is put in place so as to enable the Company to meet its obligations as they fall due and to execute the strategy of the Company, they recognise that this may not be possible and have prepared the accounts accordingly.

Fair Value Estimation

The Directors consider that the carrying amount of the Company's financial assets and liabilities approximate to their realisable value at each balance sheet date and that such value equates to their fair value.

Supplier payment policy

Whilst there is no formal code or standard, it is Company policy to settle terms of payment with creditors when agreeing the terms of each transaction and to abide by the creditors' terms of payment. There are no creditors subject to special arrangements outside of suppliers' terms and conditions. At 31 December 2010 the number of creditor's days in respect of trade creditors was 333 days (2009: 209 days).

Financial risk management objectives and policies

The financial risk management objectives and policies are described in Note 12 to the financial statements.

Research and development activities

The Company has not made any investment in research and development.

Relevant audit information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to reappoint Littlejohn LLP as auditors to the Company will be proposed at the Annual General Meeting.

Approved and authorised for issue by the Board on 29 June 2011, and signed on its behalf by

R Kyriakides
Secretary



37 Queen Anne Street
London
W1G 9JB

Corporate governance statement

Introduction

The Company's system of corporate governance, which is summarised below, has been formulated with the Combined Code in mind. However, not every provision and principle of this code has been dealt with as it is considered by the Directors to be inappropriate due to the current size of the Company. Although not required, the Directors have decided to provide the following corporate governance information.

Committees

Given the size of the Board, there are no separate Committees of the Board.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS's as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' report to the Members

Year ended 31 December 2010

We have audited the Financial Statements of Iberian Gold plc for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the Financial Statements.

Basis for disclaimer of opinion on Financial Statements

We have been unable to obtain sufficient appropriate audit evidence concerning the classification and the accounting treatment in the Company's Financial Statements in respect of the Company's wholly owned subsidiary which was acquired during the year and held for resale at a carrying value of £8,400,000, and which was not consolidated in the Company's Financial Statements as required under IFRS. The audit evidence available to us was limited because we were unable to verify that the Company was actively trying to sell the subsidiary as at 31 December 2010, and we are unable to quantify the affect of the subsidiary not being consolidated because of a lack of evidence available to us regarding the subsidiary's financial performance and state of affairs.

Disclaimer of opinion on Financial Statements

Because of the significance of the matter described above in the Basis for Disclaimer of Opinion on Financial Statements paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the Financial Statements.

Emphasis of Matter

Non-going concern status

We draw attention to the fact that the financial statements have not been prepared on a going concern basis as the Directors recognise that it may not be possible for the Company to meet its obligations as they fall due.

Asset held for resale

We draw attention to the fact that the valuation of the asset held for sale is a directors' valuation rather than one by an independent third party. The details are disclosed as a critical accounting estimate in Note 1 to the Financial Statements. If any of the key assumptions included in the directors' valuation prove to be incorrect, it may result in a material amendment to the carrying value of the asset concerned in the balance sheet and a consequent effect on the profit or loss for the year. It is not possible to quantify the potential effect.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the Financial Statements, in our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

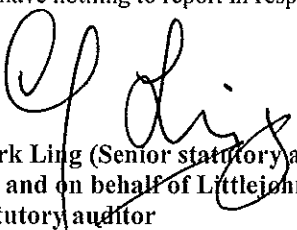
Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

The Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.

We have nothing to report in respect of the above matters.


Mark Ling (Senior statutory auditor)
For and on behalf of Littlejohn LLP
Statutory auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

Date: 29 June 2011.....

Statement of Comprehensive Income

for the year ended 31 December 2010

	<i>Note</i>	Year to 31 December 2010 £	Year to 31 December 2009 £
Investment income		12	7
Administration expenses		(279,831)	(11,402)
Deemed interest on Convertible Loan Notes		(10,967)	
		<hr/>	<hr/>
Loss for the year before taxation	2	(290,786)	(11,395)
Taxation	3	-	-
		<hr/>	<hr/>
Loss for the year from continuing operations		(290,786)	(11,395)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the year Attributable to equity shareholders		(290,786)	(11,395)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
Basic loss (pence per share)	4	(1.20)p	(0.05)p
Diluted loss (pence per share)		(1.20)p	(0.05)p

The Company's turnover and expenses all relate to continuing operations. The Company has no recognised gains or losses other than the loss for the year, which has been calculated on the historical cost basis.

The notes on pages 16 to 30 form part of these financial statements.

Statement of Financial Position

at 31 December 2010

	Note	31 December 2010		31 December 2009	
		£	£	£	£
Assets					
Assets held for sale	6		8,400,000	-	
Current assets					
Trade and other receivables	7	247,408		-	
Cash and cash equivalents	8	2,321		5,950	
Total current assets			<u>249,729</u>	<u>5,950</u>	
Total assets			<u><u>8,649,729</u></u>	<u><u>5,950</u></u>	
Equity and liabilities					
Share capital and reserves					
Issued capital	9		5,040,667		4,940,000
Share premium account			6,204,950		6,003,616
Shares to be issued			8,097,999		-
Retained earnings			(11,260,369)		(10,969,583)
Other Reserves	10		185,897		
Total equity			<u><u>8,269,144</u></u>		<u><u>(25,967)</u></u>
Current liabilities					
Convertible Loan Notes	11	98,063			
Trade and other payables	12	282,522		31,917	
Total current liabilities, and total liabilities			<u><u>380,585</u></u>	<u><u>31,917</u></u>	
Total equity and liabilities			<u><u>8,649,729</u></u>	<u><u>5,950</u></u>	

The notes on pages 16 to 30 form part of these financial statements.

These financial statements were approved and authorised for issue by the board of directors on 29 June 2011 and were signed on its behalf by:



M Slater
 Director

Statement of Changes in Equity

as at 31 December 2010

	Share Capital	Share Premium	Shares to be issued	Retained Earnings	Other Reserves	Total
	£	£	£	£	£	£
Balance at 1 January 2009	4,940,000	6,003,616	-	(10,958,188)	-	(14,572)
Loss for the year	-	-	-	(11,395)	-	(11,395)
Balance at 31 December 2009	4,940,000	6,003,616	-	(10,969,583)	-	(25,967)
Established	-	-	8,400,000	-	-	8,400,000
Issued in year	100,667	201,334	(302,001)	-	-	-
Loss for the year	-	-	-	(290,786)	-	(290,786)
Share based payments	-	-	-	-	65,493	65,493
Convertible loan notes - equity	-	-	-	-	120,404	120,404
Balance at 31 December 2010	5,040,667	6,204,950	8,097,999	(11,260,369)	185,897	(8,269,144)

Cash Flow statement

for year ended 31 December 2010

	Year to 31 December 2010	Year to 31 December 2009
	£	£
Cash flows from operating activities		
Loss for the year	(290,786)	(11,395)
Investment revenue recognised in loss	(12)	(7)
Share based payments	65,493	-
Interest element of convertible loan notes	10,967	-
	<u>(214,338)</u>	<u>(11,402)</u>
Movements in working capital		
Increase in trade and other receivables	(247,408)	-
Increase in trade and other payables	250,605	5,342
	<u>(211,141)</u>	<u>(6,060)</u>
Cash flows from investing activities		
Interest received	12	41
Issue of convertible loan stock	207,500	-
	<u>207,512</u>	<u>41</u>
Net decrease in cash and cash equivalents	<u>(3,629)</u>	<u>(6,019)</u>
Cash and cash equivalents at the beginning of financial year	5,950	11,969
	<u>2,321</u>	<u>5,950</u>

Significant non-cash transaction

As detailed in Note 6, the Company acquired Recursos Metalicos SA on 30 September 2010 for a consideration of 250,000,000 ordinary shares of 1p each at a deemed value of 3p per share. At the balance sheet date, 10,066,667 shares were allotted at a value of 3p per share in line with the renunciable letter of allotment for 250,000,000 shares.

Notes to the Financial Statements

1. Accounting policies

General information

Iberian Gold PLC (formerly the Harrogate Group Plc) is a limited company incorporated in England and Wales under the Companies Act 2006. The address of its registered office and principal place of business are disclosed in the Company Information page of the financial statements.

The principal activities of the Company are described in the Directors' Report.

Adoption of new and amended standards

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for companies' annual reporting periods beginning on or after 1 January 2010.

Basis of preparation of Financial Statements

The Financial Statements have been prepared in accordance with International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board, as approved by the European Union, and parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared using the historical cost convention. The financial statements are presented in UK pounds sterling rounded to the nearest pound.

The preparation of Financial Statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The preparation of Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information, including the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The Company has elected not to apply IFRS 3, Business Combinations to acquisitions and mergers which took place before transition date.

The Company has also elected not to apply IFRS 3, Business Combinations to the conditional acquisition of Recursos Metalicos SA in May 2010, conditions completed at 30 September as the Company intends to sell this subsidiary as soon as practicable and has therefore accounted for the subsidiary as an Asset held for sale.

Changes in accounting policy and disclosure

(i) New and amended standards adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business Combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28 'Investments in associates', and IAS 31 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. All acquisition costs are expensed.

The Directors have assessed the impact of this revised standard and have chosen not to consolidate because the subsidiary acquired is held for resale as soon as practicable. The expenses of the acquisition have been expensed in accordance with the standard.

Notes to the Financial Statements *(continued)*

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010, but are not relevant to the Company.

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" addressed concerns that retrospectively determining the cost of an investment in separate financial statements and applying the cost method in accordance with IAS 27 on first-time adoption of IFRSs cannot, in some circumstances, be achieved without undue cost or effort. These amendments were effective for periods beginning on or after 1 July 2009.

Further amendments to IFRS 1 addressed the retrospective application of IFRSs to particular situations (oil and gas assets and leasing contracts), and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. These amendments were effective for periods beginning on or after 1 January 2010.

Amendments to IFRS 2 "Share-based Payment" clarified the accounting for Company cash-settled share-based payment transactions. These amendments were effective for periods beginning on or after 1 January 2010.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" provided additional guidance on what can be designated as a hedged item. These amendments were effective for periods beginning on or after 1 July 2009.

IFRIC 17 "Distributions of Non-cash Assets to Owners" standardised practice in the measurement of distributions of non-cash assets to owners. This interpretation was effective for periods beginning on or after 1 July 2009.

IFRIC 18 "Transfers of Assets from Customers" clarified the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation was effective for periods beginning on or after 1 July 2009.

(iii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted

The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 "Financial Instruments" specifies how an entity should classify and measure financial instruments, including some hybrid contracts, with the aim of improving and simplifying the approach to classification and measurement compared with IAS 39. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Company's financial statements.

Notes to the Financial Statements *(continued)*

A revised version of IAS 24 "Related Party Disclosures" simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This revision is effective for periods beginning on or after 1 January 2011 and is not expected to have an impact on the Company's financial statements.

An amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by "Improving Disclosures about Financial Instruments" (Amendments to IFRS 7). This amendment is effective for periods beginning on or after 1 July 2010 and is not expected to have an impact on the Company's financial statements.

Further amendments to IFRS 1 replace references to a fixed date of 1 January 2004 with "the date of transition to IFRSs", thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs, and provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. This amendment is effective for periods beginning on or after 1 July 2011, subject to EU endorsement, and is not expected to have an impact on the Company's financial statements.

Amendments to IFRS 7 "Financial Instruments: Disclosures" are designed to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. These amendments are effective for periods beginning on or after 1 January 2011, subject to EU endorsement. The Directors are assessing the possible impact of these amendments on the Company's financial statements.

Amendments to IAS 12 "Income Taxes" introduce a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 "Investment Property" will normally be through sale. These amendments are effective for periods beginning on or after 1 January 2012, subject to EU endorsement, and are not expected to have an impact on the Company's financial statements.

Amendments to IAS 32 "Financial Instruments: Presentation" address the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. These amendments are effective for periods beginning on or after 1 February 2010, and are not expected to have an impact on the Company's financial statements.

"Improvements to IFRSs" are collections of amendments to IFRSs resulting from the annual improvements project, a method of making necessary, but non-urgent, amendments to IFRSs that will not be included as part of another major project. These improvements have various implementation dates; for May 2010 improvements, the earliest is effective for periods beginning on or after 1 July 2010 subject to EU endorsement. The Directors are assessing the possible impact of these improvements on the Company's financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" clarifies the treatment required when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. This interpretation is effective for periods beginning on or after 1 July 2010. The Directors are assessing the possible impact of this interpretation on the Company's financial statements.

Notes to the Financial Statements *(continued)*

An amendment to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This amendment is effective for periods beginning on or after 1 January 2011, and is not expected to have an impact on the Company's financial statements.

Going Concern

United Kingdom company law requires the Directors to consider whether it is appropriate to prepare the financial statements on the basis that the Company is a going concern. In considering this matter the Directors have evaluated the expected outturn for 2011. This included consideration of the cash flow and access to additional capital. The Directors are resolved to take responsible steps to ensure that capital and other financing is put in place so as to enable the Company to meet its obligations as they fall due and to execute the strategy of the Company. Whilst the Directors anticipate that the Company will continue in operational existence for the foreseeable future, they recognise that this may not be possible and accordingly they have not adopted the going concern basis in preparing the financial statements.

Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and current and deposit balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the cash flow statement.

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability on equity component. At the date of issue the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The difference between the proceeds of issue of the convertible loan note is the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the company is included in equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between the amount of the interest paid is added to the carrying amount of the convertible loan notes.

Critical Accounting Estimates and Judgments

Estimates and judgments are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Notes to the Financial Statements *(continued)*

- (i) The Company's investment in its subsidiary, Recursos Metalicos SA, has a carrying value at 31 December 2010 of £8,400,000 (2009 £ NIL). Management have tested whether the carrying value of the subsidiary has future economic value in accordance with the accounting policies. The review calculates the Gold Equivalents Valuation based on the resources of the Lomero Poyatos mine as extract from the Wardell Armstrong Competent Persons Report dated 2007. The review takes into account the movement in the commodity prices for gold, and other minerals in the mine including silver, copper, lead and zinc. That value is then discounted to reflect the progress in obtaining a Mining Permit from the Spanish Mining Authorities to develop the resource. The directors have reviewed the Resources Valuation and its discount level and concluded that no impairment charge is required.

If within the Resources Valuation the gold price and other minerals in the mine had reduced by 20% and the discount factor by 20%; then the Company would have recognised an impairment of £2,500,000.

The Company has also considered the recoverability of the intercompany balance due from the subsidiary. The directors have discussions with the management of the subsidiary, reviewed the subsidiary's financial records and concluded that it is recoverable. Should the balance prove to be irrecoverable, the effect on the loss for the period would be £247,808.

- (ii) Share based payment transactions

The Company has issued warrants during the year.

The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in Note 9.

Other estimates include but are not limited to the allowance for doubtful accounts; employee benefit liabilities; future cash flows associated with assets; useful lives for depreciation, depletion and amortisation; workers' compensation claims; income taxes; and fair value of financial instruments. Due to the subjective nature of these estimates, actual results could differ from those estimates.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual agreement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Deferred taxation

The Company has adopted IAS 12, Deferred Taxation. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Financial Statements *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial assets and financial liabilities

The financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Borrowings

Interest-bearing loans and overdrafts are recorded initially at the proceeds received. Finance charges are accounted for on an accrual basis to the income statement using the effective interest method.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

ShareBased Payments

The Company operates a number of equity-settled, share-based schemes, under which the entity receives services from employees or third party suppliers as consideration for equity instruments (options and warrants) of the Company. The Company may also issue warrants to share subscribers as part of a share placing. The fair value of the equity-settled share based payments is recognised as an expense in the income statement or charged to equity depending on the nature of the service provided or instrument issued. The total amount to be expensed or charged is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

In the case of warrants the amount charged to the share premium account is determined by reference to the fair value of the services received if available. If the fair value of the services received is not determinable the warrants are valued by reference to the fair value of the warrants granted as described previously.

Non-market vesting conditions are included in assumptions about the number of options or warrants that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

Notes to the Financial Statements *(continued)*

2. Loss for the year

Loss for the year is shown after charging:

	Year to 31 December 2010 £	Year to 31 December 2009 £
Audit fees	5,000	2,000
Other administrative expenses	28,742	9,402
Acquisition costs	90,596	-
Directors' remuneration	90,000	-
Share based payments	65,493	-

3. Taxation

Tax charge for the year

No taxation arises on the result for the year because of the trading losses brought forward.

Factors affecting the tax charge for the year

The total charge for the year can be reconciled to the accounting (loss)/profit as follows:

	Year to 31 December 2010 £	Year to 31 December 2009 £
Loss for the year from continuing operations	(290,786)	(11,395)
	=====	=====
Corporation tax expense calculated at 21% (2009: 21%)	(61,065)	(2,393)
Expenses not deductible for tax	35,082	-
Tax losses for the year not relieved and carried forward	25,983	2,393
	=====	=====
	-	-
	=====	=====

Factors affecting the tax charge of future years

Tax losses available to be carried forward by the Company at 31 December 2010 against future profits are estimated to comprise trading losses of £406,005 and capital losses of £858,915.

A deferred tax asset amounting to £265,633 (December 2009: £239,678) has not been recognised in respect of accumulated losses, as there is insufficient evidence that the asset will be recovered. There were no factors that may affect future tax charges.

Notes to the Financial Statements *(continued)*

4. Earnings per Share

The calculation of basic profit per share is based on the profit attributable to ordinary shareholders divided by the weighted average of ordinary shares in issue being 24,187,553 (December 2009: 22,760,000) during the year, and shares on a fully diluted basis. As the Company has incurred a loss for the year, no option or warrant is potentially dilutive, and hence basic and diluted loss per share are the same.

5. Directors

The average monthly number of persons (including directors) employed by the Company was:

	Year to 31 December 2010 No.	Year to 31 December 2009 No.
Directors	3	2

	Year to 31 December Fees Accrued £	Year to 31 December 2009 £
S J Barclay (resigned 31 March 2011)	30,000	-
J R Shaw (resigned 31 March 2011)	20,000	-
C G G Smith (resigned 31 March 2011)	40,000	-
	90,000	-

In addition to the fees accrued above, Mr S J Barclay and Mr J R Shaw were paid £30,000 each in compensation for loss of office at 31 March 2011. The compensation was settled by the issue on 6 April 2011 of £30,000 Convertible Loan stock to each former director. Separately, at 31 March 2011 the Company agreed to retain Cinderhall Limited, a company where Mr C G G Smith is a shareholder and director, to provide Mr Smith's services as a consultant for the three months to 30 June 2011 at a monthly fee of £5,000.

Notes to the Financial Statements *(continued)*

Directors were also granted warrants over:

Ordinary shares of 1p exercisable at 1p were granted on 20 August 2010 as follows:

S J Barclay	6,500,000
J R Shaw	5,500,000
C G G Smith	5,500,000

6. Assets held for sale

	31 December 2010	31 December 2009
Subsidiary Recursos Metalicos SA	8,400,000	-

The acquisition of the subsidiary Recursos Metalicos SA was completed on 30 September 2010 and, in accordance with the Company's strategy to dispose of the asset, is shown as an asset held for sale. The subsidiary was acquired for consideration of 280,000,000 ordinary shares of 1p each at a deemed value of 3p per share. This is in accordance with a renunciable letter of allotment dated 24 September 2010. The terms of the allotment letter state that they will be issued on the listing of the shares of the company on a public market. Accordingly, such shares that remain unallotted are disclosed as shares to be issued.

The Company's investment in its subsidiary, Recursos Metalicos SA, therefore has a carrying value at 31 December 2010 of £8,400,000 (2009 £ NIL). Management have tested whether the carrying value of the subsidiary has future economic value in accordance with the accounting policies. The review calculates the Gold Equivalents Valuation based on the resources of the Lomero Poyatos mine as extract from the Wardell Armstrong Competent Persons Report dated 2007. The review takes into account the movement in the commodity prices for gold, and other minerals in the mine including silver, copper, lead and zinc. That value is then discounted to reflect the progress in obtaining a Mining Permit from the Spanish Mining Authorities to develop the resource. The directors have reviewed the Resources Valuation and its discount level and concluded that no impairment charge is required.

7. Trade and other receivables

	31 December 2010 £	31 December 2009 £
Due from subsidiary undertaking	247,808	
Trade receivables	-	-
Accrued income	-	-
Current	247,808	-

The fair value of all current receivables is as stated above.

Notes to the Financial Statements *(continued)*

8. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks.

9. Called Up Share capital

	No.	£
<i>Authorised</i>		
Ordinary shares of 1p each	528,760,000	5,287,600
Deferred shares of 0.99p each	476,000,000	4,712,400
		10,000,000

There has been no movement in the authorised share capital during the year.

Total Allotted, Issued and Fully Paid

	Number of shares	Ordinary Shares of 1p each £	Number	Deferred Shares of .99p each £	Total £
At 1 January 2009	22,760,000	227,600	476,000,000	4,712,400	494,000
Issued in year	-	-	-	-	-
At 31 December 2009	22,760,000	227,600	476,000,000	4,712,400	4,940,000
Issued in year	10,066,667	100,667	-	-	100,667
At 31 December 2010	32,826,667	328,267	476,000,000	4,712,400	5,040,667

Shares to be Issued

Allocated but not allotted

	Number	Ordinary Shares of 1p each £	Share Premium £	Total £
At 1 January 2010	-	-	-	-
Allocated in year	280,000,000	2,800,000	5,600,000	8,400,000
Allotted in year	(10,066,667)	(100,667)	(201,334)	(302,001)
At 31 December 2010	269,933,333	2,699,333	5,398,666	8,097,999

Notes to the Financial Statements *(continued)*

Share Premium

	£
At 1 January 2009	6,003,616
Shares Issued in year	-
At 31 December 2009	6,003,616
Shares issued in year	201,334
At 31 December 2010	6,204,950

On 26 April 2006 each Ordinary share of 1p each was subdivided and redesignated into one Ordinary share of 0.01p each and one deferred share of 0.99p each and subsequently every 100 Ordinary shares of 0.01p each were consolidated into one Ordinary share of 1p each.

On 2 May 2006 18,000,000 Ordinary shares of 1p each were issued at par. In connection with that placing, warrants over 20,600,000 Ordinary shares of 1p exercisable at 1p were issued. At 31 December 2009 none of these warrants had been exercised, nor had they at the date of this report.

On 30 September 2010 the Company issued to Cambridge Mineral Resources Plc a renunciable letter of allotment for 280,000,000 shares. The terms of the allotment included that Cambridge Mineral resources Plc and those connected with them could not exceed 49% of the issued share capital of the Company. In determining the value of shares to be allotted the Directors have estimated that the fair value of the shares to be issued was 3p per share.

Under that letter of allotment the company has issued the following shares at fair market value as determined by the directors of 3p per share.

On 31 October 2010 the Company allotted 2,000,000 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renunciable letter allotment dated 24 September 2010.

On 5 November 2010 the Company allotted 5,516,667 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renunciable letter allotment dated 24 September 2010.

On 22 November 2010 the Company allotted 1,950,000 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renunciable letter allotment dated 24 September 2010.

On 21 December 2010 the Company allotted 600,000 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renunciable letter allotment dated 24 September 2010.

On 4 January 2011 the Company allotted 500,000 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renunciable letter allotment dated 24 September 2010.

On 3 March 2011 the Company allotted 4,472,917 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renunciable letter allotment dated 24 September 2010.

Notes to the Financial Statements *(continued)*

Significant shareholders are as disclosed in the Directors' report.

Warrants

On 21 May 2010 the Company created a further warrant instrument to issue warrants over 25,000,000 Ordinary shares of 1p exercisable at 1p. On 20 August 2010 warrants over 23,500,000 Ordinary shares were issued and on 30 September 2010 warrants over 1,500,000 Ordinary shares were issued.

On 30 September 2010 the Company created a further warrant instrument to issue warrants over 5,000,000 Ordinary shares of 1p exercisable at 1p and on the same date warrants over 3,475,000 Ordinary shares were issued.

The warrants issued in the year ended 31 December 2010 have been treated as share based payments in, in accordance with the Company's accounting policy, the fair value of the equity settled share based payments is recognised as an expense in the income statement. The fair value of the warrants was determined using the Black Scholes model. The parameters are detailed below.

	31 December 2010 20 August 2010	31 December 2010 30 September 2010
Warrants issued		
Option Life (years)	3	3
Exercise price	1p	1p
Warrants granted	23,500,000	4,975,000
Risk free rate	1.76%	1.76%
Expected volatility	30%	30%
Total fair value of options	<u>£54,050</u>	<u>£11,443</u>

The expected volatility is based on the historical volatility of similar small quoted companies over a three year period. The risk free return is based on zero yield government bonds for a term consistent with the period of the warrants.

A reconciliation of warrants deemed share based payments over the year to 31 December 2010 is shown below.

	Number	Warrant Price
Outstanding as at 1 January 2010	-	-
Granted	28,475,000	1p
Cancelled	-	-
Exercised	-	-
Outstanding at 31 December 2010	<u>28,475,000</u>	<u>1p</u>

The total fair value has resulted in a charge to the income statement for the year ended 31 December 2010 of £9,817 (2009: £ NIL).

The Deferred shares are non-voting and are not entitled to any participation in the profits or the assets of the Company. It is intended that a Court application be made to cancel the deferred shares in due course.

Notes to the Financial Statements *(continued)*

10. Other Reserves

	Share Warrant Reserve	Borrowing Reserve	Total
	£	£	£
At 1 January 2010	-	-	-
Share based payments	65,493	-	65,493
Convertible Loan Notes – equity component	-	120,404	120,404
At 31 December 2010	65,493	120,404	185,897

11. Convertible Loan Stock

On 10 May 2010 the Company authorised a Convertible Loan Note instrument and during the year the Company issued £207,500 Convertible Loan Notes. The Loan Notes may be converted at the holder's option into new ordinary shares of the Company at par, at any time from 10 May 2011 until the date of maturity of 10 May 2014. The values of the liability component and equity conversion component were determined at the date of the issue of the Loan Notes.

The Loan Notes are non-interest bearing. The fair value of the liability component was calculated using an interest rate at which the Company would be able to obtain a similar loan without the option to convert. The residual amount, representing the fair value of the equity conversion option is included in shareholders' equity in Other Reserves (Note 10), net of taxes.

The balance of the convertible Loan Notes in the balance sheet is calculated as follows:

	31 December 2010 £	31 December 2009 £
Principal amount of Loan Notes	207,500	-
Re-allocation of deemed equity component	(120,404)	-
Liability component on initial recognition	87,096	-
Charged in year	10,967	-
Liability component at 31 December 2010	98,063	-
Being:		
Current Liability	98,063	-
Non-current Liabilities	-	-
	98,063	-

The carrying value of the convertible instrument is presumed to be the fair value at the Balance Sheet date.

Notes to the Financial Statements *(continued)*

12. Trade and other payables

	31 December 2010 £	31 December 2009 £
Current		
Loan from associated company	92,515	-
Trade payables	85,885	6,350
Accruals	104,122	25,567
	282,522	31,917

The £92,515 loan from associated company is the amount advanced at 31 December 2010 from Cambridge Mineral Resources Plc in accord with the agreement to purchase Recursos Metalicos SA.

Capital commitments

There were no capital commitments authorised by the Directors or contracted for at 31 December 2010 (31 December 2009 £nil).

13. Related party transactions

The Company was contracted with Chatsford Corporate Finance Limited for the provision of administrative support. Given the Company's circumstances, fees have accrued but not been billed or paid during the year. The contract with Chatsford Corporate Finance Limited was terminated on 31 May 2010. John Shaw is a director of, and shareholder in, Chatsford Corporate Finance Limited. Stephen Barclay was formerly a shareholder in Chatsford Corporate Finance Limited.

14. Treasury policy and financial instruments

The Company operates informal treasury policies which include ongoing assessments of interest rate management and borrowing policy. The board approves all decision on treasury policy.

The Company has financed its activities by the raising of funds through the placing of shares together with warrants. There are no material differences between the book value and fair value of the financial assets.

The risks arising from the Company's financial instruments are liquidity and interest rate risk. The Directors review and agree policies for managing these risks and they are summarised below:

Liquidity and interest rate risk

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. This is achieved by the close control of the Directors of Iberian Gold Plc in the day to day management of liquid resources. Cash is invested in deposit accounts which provide a modest return on the Company's resources whilst ensuring there is limited risk of loss to the Company. The deposit accounts are held at Adam and Company Plc and the Company earns interest at rates that depend on the amount of money deposited at any one time.

There is no difference between the book values and fair values of the financial instruments in the current year or prior year.

Notes to the Financial Statements *(continued)*

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

Fair Value Estimation

The carrying value less impairment provision of current receivables and payables is assumed to be their fair value.

15. Post Balance Sheet Events

As set out in the Chairman's statement, the Directors' Report and in note 5, Directors Remuneration, the directors in office at 31 December 2010 resigned on 31 March 2011 and directors representing Cambridge Mineral Resources Plc were appointed.

In addition, as set out in Note 9 there have been since 31 December 2010 further shares issued.

16. Controlling Party

Until 31 March 2011 there was no overall controlling party. Following the appointment of the new directors on 31 March 2011, the directors believe that the controlling party is Cambridge Mineral Resources Plc.