

**TOLEDO**



MINING CORPORATION PLC

# **Toledo Mining Corporation Public Limited Company**

*Registered Number 05055833*

**Financial Statements**

**For the year ended 31 March 2006**

## CONTENTS

	<i>Page</i>
Corporate directory	2
Chairman's Statement	3 – 4
Report of the Directors	5 – 8
Statement of Directors' responsibilities	9
Independent Auditors' Report	10 – 11
Profit and loss account	12
Balance sheet	13
Cash flow statement	14
Notes to the financial statements	15 – 30

## CORPORATE DIRECTORY

<b>Directors</b>	Chrisilios Kyriakou ( <i>Chairman</i> ) George Bujtor ( <i>Chief Executive Officer</i> ) Robert Cleary ( <i>Non-Executive Director</i> ) Merfyn Roberts ( <i>Non-Executive Director</i> ) Roger Shakesby ( <i>Non-Executive Director</i> )
<b>Secretary</b>	Jonathan Reynolds
<b>Registered Office</b>	11 Albemarle Street London W1S 4HH
<b>Nominated Adviser</b>	Nabarro Wells & Co Limited Saddlers House Gutter Lane London EC2V 6HS
<b>Broker</b>	W H Ireland Limited 24 Martin Lane London EC4R 0DR
<b>Solicitors</b>	Beshoffs Solicitors 3rd Floor 83 Marylebone High Street London W1V 4QW
<b>Auditors</b>	Sawin & Edwards 15 Southampton Place London WC1A 2AJ
<b>Principal Bankers</b>	Coutts & Co 188 Fleet Street London EC4A 2HT
<b>Registrars</b>	Capita IRG PLC Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU

## CHAIRMAN'S STATEMENT

*for the year ended 31 March 2006*

I am pleased to advise that the Company continues to make good progress toward reaching its current objective of establishing direct shipping operations at the Berong nickel project on the island of Palawan, Philippines.

I am also very pleased to report that during the year the Company was able to secure the appointment of Mr George Bujtor to the position of Chief Executive Officer. George has more than 30 years' experience in the metals mining sector. He has held senior positions with Rio Tinto, including Managing Director Base Metals Development and Managing Director External Affairs, Energy & Environment. He also co-led the A\$1.5 billion Comalco Alumina Refinery project.

With respect to the Berong project, a number of key milestones have now been reached:

On 4 September 2006, the Company announced that it had been granted all the permits necessary to enable an initial trial bulk metallurgical sample to be mined and shipped. This followed the announcement on 30 November 2005 that the Company had been granted a Temporary Exploration Permit by the Philippines Department of Environment and Natural Resources which allowed field work to be carried out on the project prior to the Mineral Production Sharing Agreement (MPSA) being secured.

The directors anticipate the trial shipment will be undertaken in October 2006 using local contractors.

With respect to commencing commercial direct shipping operations, on 29 September 2005 the Company announced that it had received Free and Prior Informed Consent (FPIC) from the Indigenous Peoples; on 13 December 2005 it announced that it had received formal clearance from the Palawan Council for Sustainable Development; and on 22 June 2006, it announced it had received the Environmental Compliance Certificate (ECC) covering the extraction and shipment of saprolite and/or limonite ores of approximately one million metric tonnes per annum. These consents form three essential steps needed for the Company to secure the MPSA allowing commercial production to commence.

Subject to receipt of the MPSA, the directors anticipate commercial operations will commence in November/ December 2006. The Company has set an export target of 80,000 to 90,000 dry metric tons (dmt) of ore for 2006, 620,000 dmt for 2007 and 1 million dmt for 2008 and beyond.

I am confident that the development of the mining operations in an environmentally responsible and sustainable manner will provide an immediate benefit to the local communities at Berong, the nearby city of Quezon, the provincial capital of Puerto Princesa, and the broader Philippine economy. Employment opportunities, education and skills training, livelihood programs and business opportunities will arise and provide a measurable increase in living standards.

Over the year under review the following activities were undertaken and results obtained on the Berong project:

Infill drilling and new pitting has confirmed the continuity of the laterite mineralization and continues to validate the higher nickel and cobalt grades within the 288 ha MPSA area.

On the mining front, Snowden Mining Industry Consultants has completed the long term (life of mine) and short term (out to three years by quarters) mine plans and schedules. Work in progress includes mine equipment sizing, estimation of operating and capital costs, stockpiling and blending practices, and preparation of the 'mining contract' for tendering to the market.

## CHAIRMAN'S STATEMENT *(continued)*

*for the year ended 31 March 2006*

Detailed engineering design and capital cost estimation of the coastal and mine infrastructure facilities was undertaken. The design and construction of the temporary causeway was completed. Safety fencing has been erected along the main public road linking the mine site to the coastal stockpile area. Shell Philippines has been selected as the preferred fuel and lube supplier, and will erect fuel storage facilities at the mine and foreshore areas. An 11 hectare foreshore area has been leased and cleared and will be used for ore stockpiling and blending purposes. Intertek has been commissioned to provide assay laboratory facilities and services during mining operations. The location of the accommodation village has been selected and some temporary accommodation facilities erected. Leighton Contractors (Phil) Inc has been commissioned to provide engineering services and to manage all site activities associated with the bulk sample extraction and commercial operations.

The key shipping and serviceability parameters for a typical barging/trans-shipment operation were defined and the contract for the manufacture and placement of six navigational buoys along the 50 km approach channel was let. Wave and current data in the offshore anchorage area has been collected.

Discussions have been instigated with potential customers in China, Japan, Europe and Australia. Negotiations are underway with BHP Billiton/QNI on the long term supply of up to 350,000 tpa ore. Similarly, strong interest has been received from three potential Chinese customers each wishing to purchase from 0.5mt to 1mt ore per year. Larco from Greece has also expressed a strong interest in the supply of saprolite ore.

With respect to the Ipilan project, preliminary field operations are under way and progressing satisfactorily following the approval by the Philippines Mines & Geosciences Bureau of the third extension of the Exploration License covering the project area. The re-sampling and evaluation program will ensure that an accurate knowledge of grade, quality and value is obtained. The Company anticipates activity on this project will accelerate over the balance of the 2007 financial year.

The Company anticipates commencing permitting work at its Ulugan properties over the balance of the 2007 financial year.

The Company also anticipates commencing activities to identify and qualify alternative options aimed at increasing returns from the resource through on-site 'value-add' processing.

Together, Berong, Ipilan and Ulugan represent world class projects with a combined resource of some 345 million tonnes at 1.3% nickel and an estimated total nickel content of more than 4.6 million tonnes. The deposits offer the potential to recover both limonite and saprolite ore.

The Philippines has been exporting nickel ore for 25 years, and is well located to supply major world markets. Two thirds of global nickel production is used in the manufacture of stainless steel, demand for which has grown sharply, with the Chinese market accounting for much of the growth.

Chrisilios Kyriakou  
*Chairman*  
21 September, 2006

## **REPORT OF THE DIRECTORS**

*for the year ended 31 March 2006*

The directors present their report together with the audited financial statements for the year ended 31 March 2006.

### **Principal activities and review of the business**

The principal activity of the Company is investment directly and indirectly in, and operation of, mining exploration and developments projects.

During the year the Company's main undertaking was the continuing investment in the Berong nickel project, in which the Company has a 56.1% economic interest, the Ipilan nickel project, in which the Company has a 52% economic interest and the Ulugan nickel project in which the Company has a 58% economic interest. During the year, the Company completed all requirements to earn its interest in the various project companies. In particular, the Company allotted 4,200,000 ordinary shares to the vendors, with an attributed value of £5,340,000. Furthermore, the Company satisfied its commitment to expend US\$2 million in project development expenditure on the Berong project. In respect of the Ipilan project the Company anticipates satisfying the balance of its commitment to expend US\$2 million during the 2007 financial year, in accordance with the Venture Agreement; and in respect of the Ulugan project the Company anticipates satisfying the balance of its commitment to expend US\$1 million over the next two financial years, in accordance with the Venture Agreement.

During the year, the Company's shareholders resolved to consolidate the Company's share capital on the basis of one new ordinary share of £0.05 each for every 50 ordinary shares of £0.001 each previously held.

Further details are set out in the Chairman's Statement.

### **Future developments**

The directors anticipate the Company's major future developments will revolve around further investment in and development of the Berong, Ipilan and Ulugan nickel projects. In particular, the Company is planning, subject to receipt of all required permits and approvals to commence commercial direct shipping operations at the Berong nickel project during the 2007 financial year.

### **Results and dividends**

The loss for the year on ordinary activities before tax amounted to £346,274 (2005: £467,090). The directors do not recommend the payment of a dividend.

### **Share capital**

Details of the share capital are given in note 16 to the financial statements.

### **Events since the balance sheet date**

See note 22 to the financial statements.

## REPORT OF THE DIRECTORS *(continued)*

*for the year ended 31 March 2006*

### Directors and their interests

The directors who served during the year and their interests in the Company's Ordinary Shares were as follows:

	<b>Appointed</b>	<b>5p Ordinary Shares 31 March 2006</b>	<b>0.1p Ordinary Shares 31 March 2005</b>
C Kyriakou		*1,000,000	50,000,000
G Bujtor	15 November 2005	–	–
R A Cleary		–	–
J M Roberts		–	–
R Shakesby		–	–

\* As restated following the share capital consolidation of 1:50 which took place on 4 July 2005.

Options granted to directors and existing at 31 March 2006 were as follows:

	<b>Date Granted</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
C Kyriakou	26 March 2004	200,000	£1.00	7 April 2007
J M Roberts	26 March 2004	50,000	£1.00	7 April 2007
R Shakesby	26 March 2004	100,000	£1.00	7 April 2007
C Kyriakou	11 March 2005	200,000	£1.50	10 March 2007
J M Roberts	11 March 2005	50,000	£1.50	10 March 2007
R Shakesby	11 March 2005	100,000	£1.50	10 March 2007
R Cleary	24 March 2005	200,000	£1.50	23 March 2007
G Bujtor	30 November 2005	350,000	£1.50	30 November 2007

### Substantial shareholdings

On 31 March 2006 the following shareholders held 3% or more of the issued share capital of the Company.

	<b>No. of Ordinary Shares</b>	<b>Percentage issued Ordinary Shares</b>
FITEL Nominees Limited	3,079,165	17.13%
Roy Nominees Limited	1,475,000	8.21%
Credit Suisse Client Nominees (UK)	1,301,500	7.24%
Alfredo Ramos	1,300,000	7.23%
HSBC Global Custody Nominee (UK)	1,237,943	6.89%
Chrisilios Kyriakou	1,000,000	5.56%
Martin Buckingham	950,000	5.29%
BBHISL Nominees Limited	793,890	4.42%

## **REPORT OF THE DIRECTORS** *(continued)*

*for the year ended 31 March 2006*

### **Corporate Governance**

As Toledo Mining Corporation Plc is not a fully listed company, it is not required to comply with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance ("the Combined Code"). However, the directors do place a high degree of importance on ensuring that high standards of corporate governance are maintained. As a result, most of the relevant principles set out in the Combined Code have been adopted during the period and these are summarised below.

### **Directors**

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving the Company's policy and strategy. It meets frequently and receives and reviews on a timely basis financial and operating information appropriate to being able to discharge its duties. Directors are free to seek any further information they consider necessary. All directors submit themselves for re-election every three years by rotation in accordance with the Articles of Association. Given the size of the Company it is not considered appropriate that there should be a separate nomination committee. It is the view of the Board that the appointment of new directors should be a matter for consideration by the Board as a whole. All appointments to the Board are subject to confirmation by shareholders at the following AGM.

### **Relations with Shareholders**

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance. The Board is available to discuss current events with its institutional and private shareholders and positively encourages attendance at General Meetings.

### **Audit Committee**

The principal functions of the Audit Committee are to review the interim and annual accounts before they are presented to the Board and to review the effectiveness of the Company's internal control and risk management systems. The Audit Committee comprises the Company's non-executive directors from time to time. Currently it comprises J M Roberts (Chairman), R A Cleary and R Shakesby.

### **Internal Financial Control and Risk Management**

The directors are responsible for the Company's system of internal financial control and also for identifying the major business risks faced by the Company. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial control. The directors have established procedures for planning, budgeting and for monitoring, on a regular basis, the performance of the Company and for determining the appropriate course of action to manage any major business risks. The board has considered the need for an internal audit function but has decided the size of the Company does not justify it at present. This decision will be reviewed annually.

### **Supplier Payment Policy**

It is the Company's policy to agree terms of payment with all suppliers at the time of the transaction and to pay suppliers as and when they fall due for payment or alternatively to agree revised terms of payment. No distinction is made between different classes of suppliers. At the year-end trade creditors amounted to 32 days (2005: 17 days).

### **Political and Charitable Donations**

There were no political or charitable donations made during the year.

### **Risk Management**

See note 25 to the financial statements.

## **REPORT OF THE DIRECTORS** *(continued)*

*for the year ended 31 March 2006*

### **Auditors**

Sawin & Edwards have indicated their willingness to continue in office. A resolution to reappoint Sawin & Edwards for the ensuing year will be proposed at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

By order of the Board

J Reynolds  
*Company Secretary*

21 September, 2006

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

*for the year ended 31 March 2006*

The directors are responsible for keeping proper accounting records which 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 1985. The directors 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

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for the period then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on page 15 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 ensuring that the directors' report and other information included in the report and accounts is prepared in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TOLEDO MINING CORPORATION PLC

*for the year ended 31 March 2006*

We have audited the financial statements of Toledo Mining Corporation PLC for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective Responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of Opinion**

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

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

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

## TOLEDO MINING CORPORATION PLC *(continued)*

*for the year ended 31 March 2006*

### **Opinion**

#### **In our opinion**

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006, and of its loss for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

#### **Sawin & Edwards**

Chartered Accountants &  
Registered Auditors

15 Southampton Place  
London  
WC1A 2AJ

25 September 2006

## PROFIT AND LOSS ACCOUNT

*for the year ended 31 March 2006*

	Note	<b>Year ended 31 March 2006</b>	Period 25 February 2004 to 31 March 2005
		£	£
<b>Turnover</b>	2	<b>187,345</b>	18,402
<b>Gross profit</b>		<b>187,345</b>	18,402
Administrative costs		<b>(1,150,436)</b>	(1,219,986)
Exceptional item	3	–	(262,442)
Other operating income		<b>132,022</b>	20,000
Realised gains on current asset investments		<b>349,654</b>	932,170
<b>Operating Loss</b>	4	<b>(481,415)</b>	(511,856)
Interest receivable		<b>135,141</b>	44,766
<b>Loss on Ordinary Activities Before Taxation</b>		<b>(346,274)</b>	(467,090)
Tax on loss on ordinary activities	7	–	–
<b>Loss on Ordinary Activities After Taxation</b>	18	<b>(346,274)</b>	(467,090)
<b>Loss per share (pence)</b>	8	<b>2.29p</b>	4.3p
<b>Diluted loss per share (pence)</b>	8	<b>1.91p</b>	2.3p

The Company has no recognised gains or losses other than the results of the period as set out above.

## BALANCE SHEET

31 March 2006

	Note	2006 £	2005 £
<b>Fixed Assets</b>			
Intangible Assets	9	50,048	2,870,445
Tangible Assets	10	58,784	20,532
Investments	11	10,466,250	271,944
		<b>10,575,082</b>	<b>3,162,921</b>
<b>Debtors – falling due after more than one year</b>	12	<b>38,450</b>	–
<b>Current Assets</b>			
Debtors	13	139,531	424,308
Investments	14	524,923	120,750
Cash held in trust bank account		174,514	–
Cash at bank and hand		2,673,235	4,029,039
		<b>3,512,203</b>	<b>4,574,097</b>
<b>Creditors: Amounts falling due within one year</b>	15	<b>(1,516,599)</b>	<b>(121,608)</b>
<b>Net Current Assets</b>		<b>1,995,604</b>	<b>4,452,489</b>
<b>Total Assets less current liabilities</b>		<b>12,609,136</b>	<b>7,615,410</b>
<b>Capital and Reserves</b>			
Called-up equity share capital	16	898,667	688,667
Share premium account	17	12,523,833	7,393,833
Profit and loss account	18	(813,364)	(467,090)
<b>Equity Shareholders' Funds</b>	19	<b>12,609,136</b>	<b>7,615,410</b>

These financial statements were approved by the board of directors on 21 September 2006 and are signed on their behalf by:

C Kyriakou  
Director

## CASH FLOW STATEMENT

*for the year ended 31 March 2006*

	Year ended 31 March 2006	25 February 2004 to 31 March 2005
	£	£
<b>Reconciliation of operating loss to net cash (Outflow) from operating activities</b>		
Operating loss	(481,415)	(511,856)
Decrease/(increase) in debtors	273,844	(424,308)
Increase in creditors	171,191	121,608
Depreciation	27,874	1,918
Impairment to intangible fixed assets	–	262,442
Increase in current asset investments	(404,173)	(120,750)
<hr/>		
Net cash outflow from operating activities	(412,679)	(670,946)
 <b>CASH FLOW STATEMENT</b>		
<b>Net cash outflow from operating activities</b>	(412,679)	(670,946)
 <b>Return on investments and servicing of finance</b>		
Interest received	107,623	44,766
 <b>Capital expenditure and financial investments</b>		
Intangible fixed asset expenditure	(50,048)	(3,132,887)
Fixed asset expenditure	(66,126)	(22,450)
Loan investments repaid/(made)	270,000	(270,000)
Investments and Associate Companies	(6,370,060)	(1,944)
<hr/>		
<b>Net cash (outflow) for capital expenditure and financial investment</b>	(6,216,234)	(3,427,281)
<hr/>		
Cash (outflow) before financing	(6,521,290)	(4,053,461)
 <b>Financing:</b>		
Issue of Share Capital	5,340,000	8,082,500
<hr/>		
<b>(Decrease)/increase in Cash</b>	(1,181,290)	4,029,039
<hr/>		
<b>Reconciliation of net cash flow to movement in net funds</b>		
<b>(Decrease)/increase in cash in the year/period</b>	(1,181,290)	4,029,039
 Net funds brought forward	4,029,039	–
<hr/>		
<b>Net funds carried forward</b>	2,847,749	4,029,039
<hr/>		
<b>Analysis of changes in net funds</b>		
	<b>At 31 March 2006</b>	<b>Cashflows</b>
Cash at bank and in hand	£2,847,749	(£1,181,290)
		At 31 March 2005
		4,029,039

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

## 1. Accounting policies

### Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

### Turnover

Turnover shown in the profit and loss account represents management services sold in the period.

### Foreign Currencies

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

### Deferred tax asset

No recognition has been made of the deferred tax asset in respect of current losses as the directors are of the opinion that this may not be realisable in the foreseeable future.

### Investments

Fixed asset investments are carried at cost less provisions for any permanent diminution in value. Current asset investments are carried at the lower of cost or net realisable value.

### Depreciation

Depreciation is provided on fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its useful economic life, as follows:

Office furniture and fittings	33% – 50% straight line.
Computer and office equipment	33% – 100% straight line.

### Intangible Assets – Exploration Expenditure

Costs relating to the acquisition, exploration and development of mining projects are capitalised under intangible assets. When the Company has satisfied its requirements under the relevant joint venture agreement to earn its equity interests, then those costs relating to the relevant equity interest are transferred from intangibles to fixed asset investments. The fixed asset investments are subject to a regular impairment review. Expenditure in excess of the required amounts to earn an equity interest is treated as expenditure on intangible assets and is also subject to regular impairment review.

### Pension Costs

The Company makes defined contributions to the independent personal pension schemes of one of its employees.

### Operating Leases

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease. Where an incentive to sign the lease has been taken, the incentive is spread on a straight line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2005*

### 2. Turnover

The turnover and loss before tax are attributable to the principal activities of the company.

Segmental information on a geographical basis is set out below.

	UK Philippines		Total	UK	Philippines	Total
	£	£	£	£	£	£
	2006	2006	2006	2005	2005	2005
Turnover	187,345	–	187,345	18,402	–	18,402
Loss for the period	346,274	–	346,274	204,648	262,442	467,290
Net Assets	2,092,838	10,516,298	12,609,136	474,965	2,870,445	7,615,410

### 3. Exceptional Item

	Year ended 31 March 2006	Period 25 February 2004 to 31 March 2005
	£	£
Exploration expenditure impairment charge	–	(262,442)

The impairment charge relates to the legal, consulting and other fees and expenses incurred in connection with the discontinued investment in the Carmen copper mine project.

### 4. Operating loss

Operating loss is stated after charging:

	Year ended 31 March 2006	Period 25 February 2004 to 31 March 2005
	£	£
Depreciation of owned fixed assets	27,874	1,918
Auditors' remuneration		
– as auditors	41,900	24,000
– as accountants and advisors	2,990	19,739
Directors' emoluments	149,995	161,250
Operating leases – office rent	65,982	–

### 5. Particulars of employees

The average number of staff employed by the Company during the financial period amounted to:

	Year ended 31 March 2006	Period 25 February 2004 to 31 March 2005
	No.	No.
Administrative staff	3	1
The aggregate costs of the above were:	£	£
Wages and salaries	154,354	30,593
Social security costs	17,375	3,512
Pension costs – defined contribution	3,700	2,700
	175,429	36,805

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2006*

### 6. Directors' emoluments

The Company also employed five (2005: three) directors during the year with aggregate emoluments in respect of qualifying services as follows:

	<b>Year ended 31 March 2006</b>	Period 25 February 2004 to 31 March 2005
	£	£
Directors' fees	15,000	15,625
Amounts paid to third parties for the provision of directors' services	134,995	145,625
	149,995	161,250

### 7. Taxation

	<b>Year ended 31 March 2006</b>	Period 25 February 2004 to 31 March 2005
	£	£
<b>Analysis of tax charge in period</b>		
Corporation tax	–	–

#### Factors affecting tax charge for the period

Loss on ordinary activities before tax	(346,274)	(467,090)
Loss on ordinary activities before exceptional items multiplied by standard rate of UK corporation tax 30%	(103,882)	(140,127)
Effects of:		
Expenses not deductible for tax purposes	18,522	6,973
Non taxable income/tax allowable expenses	(51,202)	(422)
Increase in UK losses	136,562	133,576
	–	–

UK tax losses carried forward multiplied by standard rate of UK corporation tax 30% (2005: 30%) £221,589 (2005: £133,576).

### 8. Loss per share

	<b>Year ended 31 March 2006</b>	Period 25 February 2004 to 31 March 2005
Loss per ordinary share (pence)	2.29	4.3
Diluted loss per ordinary share (pence)	1.91	2.3

The loss per share has been calculated on the net basis on the loss for the period, after taxation, of £346,274 (2005: £467,090) using the weighted average number of ordinary shares in issue of 15,096,621 (2005: 10,842,963 post consolidation).

Fully diluted earnings per share have been calculated using the ordinary shares in issue at 31 March 2006, diluted for the effect of share options in existence at that date of 3,075,000 giving a total number of shares of 18,171,621.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2006*

### 9. Intangible Assets

	<b>Total £</b>
<b>Exploration expenditure</b>	
<b>Cost</b>	
<b>As at 1 April 2005</b>	<b>3,132,887</b>
Additions	7,643,909
Transferred to fixed asset investments	(10,464,306)
Disposal	(262,442)
<hr/>	
<b>At 31 March 2006</b>	<b>50,048</b>
<hr/>	
<b>Impairment</b>	
<b>As at 1 April 2005</b>	<b>262,442</b>
Disposal	(262,442)
<hr/>	
<b>At 31 March 2006</b>	<b>–</b>
<hr/>	
<b>Net book value</b>	
<b>At 31 March 2006</b>	<b>50,048</b>
<b>At 31 March 2005</b>	<b>2,870,445</b>

The exploration expenditure relates to the Company's development costs and qualifying expenditure under the Company's Venture Agreements relating to the Berong, Celestial/Ipilan and Ulugan nickel projects. During the year ended 31 March 2006, the Company's interests in these projects vested and the total cost of these investments at that date was transferred to fixed asset investments (refer Note 11). The amount which the Company is required to expend on the projects in excess of that amount is carried as intangible asset – exploration expenditure.

### 10. Tangible Fixed Assets

	<b>Computer and office equipment £</b>	<b>Furniture, fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>			
<b>At 1 April 2005</b>	17,450	5,000	<b>22,450</b>
Additions	34,941	31,185	<b>66,126</b>
<hr/>			
<b>At 31 March 2006</b>	<b>52,391</b>	<b>36,185</b>	<b>88,576</b>
<hr/>			
<b>Depreciation</b>			
<b>At 1 April 2005</b>	1,778	140	<b>1,918</b>
Charge for period	16,869	11,005	<b>27,874</b>
<hr/>			
<b>At 31 March 2006</b>	<b>18,647</b>	<b>11,145</b>	<b>29,792</b>
<hr/>			
<b>Net book value</b>			
<b>At 31 March 2006</b>	<b>33,744</b>	<b>25,040</b>	<b>58,784</b>
<b>At 31 March 2005</b>	<b>15,672</b>	<b>4,860</b>	<b>20,532</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2006*

### 11. Fixed Asset Investments (Unlisted)

Company	Loan Investments £	Associated undertakings £	Total £
<b>Cost</b>			
At 1 April 2005	270,000	1,944	<b>271,944</b>
Disposals	(270,000)	–	<b>(270,000)</b>
Transferred from intangibles	–	10,464,306	<b>10,464,306</b>
<hr/>			
<b>At 31 March 2006</b>	–	10,466,250	<b>10,466,250</b>
<hr/>			
<b>Net book value</b>			
At 31st March 2006	–	10,466,250	<b>10,466,250</b>
At 31 March 2005	270,000	1,944	<b>271,944</b>

At 31 March 2006 the Company had acquired equity holdings in the following companies:

	TMM Management Inc	Ulugan Resources Holdings Inc	Ulugan Nickel Corporation	Nickeline Resources Holdings Inc	Berong Nickel Corporation	Nickel Laterite Resources Inc	Ipilan Nickel Corporation
Direct	40%	30%	40%	40%	21.3%	20%	40%
Indirect	–	–	18%	18%	34.8%	–	12%
<hr/>							
Total	40%	30%	58%	58%	56.1%	20%	52%

### 12. Debtors amounts falling due after more than one year

	2006 £	2005 £
Rent deposit	<b>38,450</b>	–

The deposit is in relation to a five year lease on the Company's office which was signed on 17 May 2005.

### 13. Debtors

	2006 £	2005 £
Trade debtors	<b>23,576</b>	1,817
Other debtors	<b>2,298</b>	390,640
Prepayments and accrued income	<b>113,657</b>	31,851
<hr/>		
	<b>139,531</b>	424,308

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2006*

### 14. Current asset investments

	2006	2005
	£	£
Listed investment – cost	524,923	120,750
Market value	897,000	507,149

### 15. Creditors: Amounts falling due within one year

	2006	2005
	£	£
Trade creditors	100,906	69,407
Accruals	175,525	49,931
Taxation and social security	16,368	2,270
Other creditors	1,223,800	–
	1,516,599	121,608

Other creditors relate to the Company's remaining expenditure commitments at 31 March 2006 which have been capitalised as part of the cost of acquiring the equity interests in the fixed asset investments as follows:

	£
Celestial/Ipilan nickel project	672,800
Ulugan nickel project	551,000
	1,223,800

### 16. Share capital

#### Authorised share capital:

<b>2006</b>	£
40,000,000 ordinary shares of 5p each	2,000,000
<b>2005</b>	
2,000,000,000 ordinary shares of 0.1p each	2,000,000

#### Allotted, called up and fully paid:

	No.	Nominal Value	No.	Nominal Value
	2006	2006	2005	2005
		£		£
Ordinary shares of 5p each (2005: 0.1p each)	17,973,333	898,667	688,666,667	688,667

On 4 July 2005 the Company's issued and unissued share capital was consolidated and divided into 40,000,000 ordinary shares of 5p each on the basis of one ordinary 5p share for every 50 0.1p ordinary share.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2006*

### 16. Share capital *(continued)*

During the year the Company issued the following Ordinary shares as consideration under the Venture Agreements in relation to the Berong, Celestial/Ipilan and Ulugan nickel projects:

Date	Number	Price per Share	Total Proceeds £	Nominal Value £	Share Premium £
Pre-consolidation					
29 June 2005	10,000,000	2.2p	220,000	10,000	210,000
Post-consolidation					
15 December 2005	4,000,000	£1.28	5,120,000	200,000	4,920,000

Share options in existence at 31 March 2006 (post-consolidation) were as follows:

No.	Description	Exercise Price	Expiry Date
550,000	Ordinary Shares	£1.50 per share	10 March 2007
200,000	Ordinary Shares	£1.50 per share	23 March 2007
400,000	Ordinary Shares	£1.00 per share	7 April 2007
1,500,000	Ordinary Shares*	£1.25 per share	18 January 2007
425,000	Ordinary Shares	£1.50 per share	30 November 2007

\*These options were granted under the Celestial Venture Agreement and vest upon the earliest of either the approval of the Mineral Production Sharing Agreement or the issue of a Temporary Exploration Permit.

### 17. Share Premium account

	Year ended 31 March 2006 £	25 February 2004 to 31 March 2005 £
Balance brought forward	7,393,833	–
Premium on issue of Ordinary shares	5,130,000	7,393,833
<b>Balance carried forward</b>	<b>12,523,833</b>	<b>7,393,833</b>

### 18. Profit and loss account

	Year ended 31 March 2006 £	25 February 2004 to 31 March 2005 £
Balance brought forward	(467,090)	–
Loss for the year/period	(346,274)	(467,090)
<b>Balance carried forward</b>	<b>(813,364)</b>	<b>(467,090)</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2006*

### 19. Reconciliation of movements in shareholders' funds

	<b>Year ended 31 March 2006</b>	25 February 2004 to 31 March 2005
	£	£
Loss for the financial period	(346,274)	(467,090)
Issue of ordinary shares – nominal value	210,000	688,667
– premium	5,130,000	7,393,833
<hr/>		
Net addition to funds	4,993,726	7,615,410
<b>Opening equity shareholders' funds</b>	<b>7,615,410</b>	<b>–</b>
<hr/>		
<b>Closing equity shareholders' funds</b>	<b>12,609,136</b>	<b>7,615,410</b>

### 20. Controlling Party

There is no controlling party of the company.

### 21. Related Party Transactions

C Kryiakou and R Shakesby are directors of Tarquin Resources Plc.

During the year Tarquin Resources Plc was a shareholder in Toledo Mining Corporation Plc.

During the year the Company provided and recharged to Tarquin Resources Plc, office, support staff and expenses of £67,055 (2005: £26,146).

During the year Tarquin Resources Plc provided support and consultancy services to the Company for £2,758 (2005: £4,282).

At the year end Tarquin Resources Plc owed the Company £8,225 (2005: £1,816) and which is shown in trade debtors.

C Kyriakou and R A Cleary are directors of Investika Limited, an Australian investment company.

During the year Investika Limited provided and recharged to the Company support staff and expenses of £80,776 (2005: £65,765) and £3,745 (2005: nil) for the provision of the director services of R A Cleary.

At the year end the Company owed £29,506 to Investika Limited and which is shown in trade creditors.

During the year the Company was charged £90,000 (2005: £130,000) by Capma Pty Ltd for the provision of the services of C Kyriakou as Director of the Company. Capma Pty Ltd paid expenses on behalf of the Company of £198,369 (2005: nil) which was re-charged to the Company.

During the year the Company was charged £15,000 (2005: nil) by Resource Capital Partners Inc. for the provision of services of C Kyriakou as Director of the Company.

During the year the Company was charged £26,078 (2005: nil) by Accomplishment Pty Ltd for the provision of services of R A Cleary; £11,250 for services as Director of the Company and £14,828 for services as a consultant to the Company.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2006*

### 21. Related Party Transactions *(continued)*

During the year the Company was charged £15,000 (2005: £15,625) by Match Number Limited for the provision of J M Roberts as Director of the Company.

During the year the Company was charged £15,000 (2005: £15,000) by R Shakesby for the provision of director services and £nil (2005: £65,431) as consultant.

During the year the Company was charged £70,312 (2005: nil) by G Bujtor as consultant and which are included in accruals.

During the year C Kyriakou was a director of Max Petroleum Plc. During the year the Company was a shareholder in Max Petroleum Plc. During the year the Company disposed of its investment in Max Petroleum Plc which realised a gain of £183,089. During the year the Company provided and recharged to Max Petroleum Plc, office, support staff and expenses of £87,913 (2005: nil).

C Kyriakou, J M Roberts, R A Cleary and G Bujtor are directors of UMC Energy Plc.

During the year the Company provided and recharged to UMC Energy Plc office, support staff and expenses of £78,963 (2005: nil).

C Kyriakou and G Bujtor are directors of Belitung Zinc Corporation Plc.

During the year the Company provided and recharged to Belitung Zinc Corporation Plc office, support staff and expenses of £20,678 (2005: nil).

The Company holds 40% of the issued share capital of TMM Management Inc 'TMM' a Philippines' registered company. The remaining 60% is held by Atlas Consolidated Mining and Development Corporation ('ACMDC'), a joint venture partner with the Company under the Berong Venture Agreement.

Under the Berong, Celestial and Ulugan Venture Agreements, the Company has through the expenditure of qualifying costs of £10,464,306 acquired equity interests in the following Philippines' registered companies.

	<b>Ulugan Resources Holdings Inc Corporation</b>	<b>Ulugan Nickel Corporation</b>	<b>Nickeline Resources Holdings Inc Corporation</b>	<b>Berong Nickel Corporation</b>	<b>Nickel Laterite Resources Inc Corporation</b>	<b>Ipilan Nickel Corporation</b>
Direct	30%	40%	40%	21.3%	20%	40%
Indirect	–	18%	18%	34.8%	–	12%
<b>Total</b>	<b>30%</b>	<b>58%</b>	<b>58%</b>	<b>56.1%</b>	<b>20%</b>	<b>52%</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2006

### 22. Post Balance Sheet Events

On 3 April 2006, following an EGM to approve the transaction, the Company raised £8.5 million, before expenses, from the placing of 7,870,370 ordinary shares at £1.08 each. Costs of £450,575 were incurred in respect of this placing. In addition, the Company granted to the broker a warrant over 250,000 ordinary shares, expiring on 7 March 2009 and with an exercise price of £1.50 per share.

On 12 April 2006, the Company announced that it had negotiated to subscribe for up to US\$5 million, in a three-year Loan Note in Atlas Consolidated Mining and Development Corporation ('ACMDC'), secured over ACMDC's share of the Berong nickel project cash flows. The Note bears interest at the rate of 10% per annum and is repayable out of ACMDC's share of the Berong nickel project cash flow or is convertible into Atlas shares (at the election of the Company). In order to fund the Note, the Company placed 1,704,630 new ordinary shares at £1.08 per share, to raise £1,841,000.

Since 1 April 2006, the Company has advanced a further:

– £1,189,913 to fund project development activities on the Berong nickel project.

– £307,755 to fund project development activities on the Ipilan nickel project.

In addition, the Company has advanced £612,338 (US\$1,125,000) in respect of the Loan Note with ACMDC.

### 23. Associate Undertakings

#### TMM Management Inc

The Company owns 40% of TMM Management Inc, a company incorporated in the Philippines. TMM Management Inc was incorporated and registered with the Securities and Exchange Commission on 28 September 2004 and its principal activity is to manage the Company's investments in the Philippines.

The Company share of the results, assets and liabilities of TMM Management Inc is as follows:

	12 months ended 31 March 2006 £	6 months ended 31 March 2005 £
<b>Statement of Revenue</b>		
Income	2,202	11
<hr/>		
Profit/ (loss) before tax	287	(7,610)
Taxation	(109)	2,436
<hr/>		
Profit/ (loss) after tax	178	(5,174)
<hr/>		
<b>Balance Sheet</b>		
Fixed assets	13,907	11,692
Current assets	36,228	2,322
Creditors: Amounts falling due within one year	(48,949)	(396)
Creditors: Amounts falling due after more than one year	–	(16,909)
<hr/>		
Net Assets/(Liabilities)	1,186	(3,291)
<hr/>		

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2006

### 23. Associate Undertakings *(continued)*

#### Ulugan Resources Holdings Inc

The Company owns 30% of Ulugan Resources Holdings Inc, a company incorporated in the Philippines. Ulugan Resources Holdings Inc was incorporated and registered with the Securities and Exchange Commission on 23 June 2005 and its principal activity is investment holding company.

The Company share of the results, assets and liabilities of Ulugan Resources Holdings Inc is as follows:

	9 months ended 31 March 2006 £
<b>Statement of Revenue</b>	
Income	229
Loss before tax	(1,157)
Taxation	(46)
Loss after tax	(1,203)
<b>Balance Sheet</b>	
Fixed assets	–
Current assets	8,493
Creditors: Amounts falling due within one year	(416)
Net Assets	8,077

#### Ulugan Nickel Corporation

The Company owns 58% (40% directly and 18% indirectly) of Ulugan Nickel Corporation, a company incorporated in the Philippines. Ulugan Nickel Corporation was incorporated and registered with the Securities and Exchange Commission on 23 June 2005 and its principal activity is the exploring, developing and mining of the Ulugan mineral properties.

The Company share of the results, assets and liabilities of Ulugan Nickel Corporation is as follows:

	9 months ended 31 March 2006 £
<b>Statement of Revenue</b>	
Income	229
Loss before tax	(1,419)
Taxation	(46)
Loss after tax	(1,465)
<b>Balance Sheet</b>	
Fixed assets	–
Current assets	16,419
Creditors: Amounts falling due within one year	(956)
Net Assets	15,463

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2006

### 23. Associate Undertakings *(continued)*

#### Nickeline Resources Holdings Inc

The Company owns 58% (40% directly and 18% indirectly) of Nickeline Resources Holdings Inc, a company incorporated in the Philippines. Nickeline Resources Holdings Inc was incorporated and registered with the Securities and Exchange Commission on 15 August 2005 and its principal activity is investment holding company.

The Company share of the results, assets and liabilities of Nickeline Resources Holdings Inc is as follows:

	<b>8 months ended 31 March 2006</b>
	£
<b>Statement of Revenue</b>	
Income	190
<hr/>	
Loss before tax	(1,205)
Taxation	(38)
<hr/>	
Loss after tax	(1,243)
<hr/>	
<b>Balance Sheet</b>	
Fixed assets	–
Current assets	16,401
Creditors: Amounts falling due within one year	(809)
<hr/>	
Net Assets	15,592
<hr/>	

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2006

### 23. Associate Undertakings *(continued)*

#### **Berong Nickel Corporation**

The Company owns 56.1% (21.3% directly and 34.8% indirectly) of Berong Nickel Corporation, a company incorporated in the Philippines. Berong Nickel Corporation was incorporated and registered with the Securities and Exchange Commission on 27 September 2004 and its principal activity is the exploring, developing and mining of the Berong mineral properties.

The Company share of the results, assets and liabilities of Berong Nickel Corporation is as follows:

	<b>12 months ended 31 March 2006 £</b>
<b>Statement of Revenue</b>	
Income	150
<hr/>	
Loss before tax	(196,779)
Taxation	(30)
<hr/>	
Loss after tax	(196,809)
<hr/>	
<b>Balance Sheet</b>	
Fixed assets	1,106,157
Current assets	63,683
Creditors: Amounts falling due within one year	(57,585)
<hr/>	
Net Assets	1,112,255
<hr/>	

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2006

### 23. Associate Undertakings *(continued)*

#### **Ipilan Nickel Corporation**

The Company owns 52% (40% directly and 12% indirectly) of Ipilan Nickel Corporation, a company incorporated in the Philippines. Ipilan Nickel Corporation was incorporated and registered with the Securities and Exchange Commission on 22 July 2005 and its principal activity is the exploring, developing and mining of the Celestial/Ipilan mineral properties.

The Company share of the results, assets and liabilities of Ipilan Nickel Corporation is as follows:

	<b>8 months ended 31 March 2006 £</b>
<b>Statement of Revenue</b>	
Income	211
<hr/>	
Loss before tax	(186,936)
Taxation	(42)
<hr/>	
Loss after tax	(186,978)
<hr/>	
<b>Balance Sheet</b>	
Fixed assets	227,075
Current assets	14,723
Creditors: Amounts falling due within one year	(2,084)
<hr/>	
Net Assets	239,714
<hr/>	

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2006

### 23. Associate Undertakings *(continued)*

#### Nickel Laterite Resources Inc

The Company owns 20% of Nickel Laterite Resources Inc, a company incorporated in the Philippines. Nickel Laterite Resources Inc was incorporated and registered with the Securities and Exchange Commission on 22 July 2005 and its principal activity is investment holding company.

The Company share of the results, assets and liabilities of Nickel Laterite Resources Inc is as follows:

	8 months ended 31 March 2006 £
<b>Statement of Revenue</b>	
Income	211
<hr/>	
Loss before tax	(1,303)
Taxation	(42)
<hr/>	
Loss after tax	(1,345)
<hr/>	
<b>Balance Sheet</b>	
Fixed assets	–
Current assets	5,659
Creditors: Amounts falling due within one year	(303)
<hr/>	
Net Assets	5,356
<hr/>	

The results, assets and liabilities of the associates have been translated at the following closing rates:

31 March 2006 1 Philippine peso = £0.0097

31 March 2005 1 Philippine peso = £0.011250

### 24. Operating lease commitments

The annual rental of committed operating leases at 31 March 2006 expire as follows:

	2006	2005
	£	£
Land and building within 2-5 years	76,895	-
<hr/>		

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2006*

### **25. Financial instruments**

The Company's principal financial instruments comprise cash, short term deposits and equity shares. Together with the issue of equity share capital, the main purpose of these is to finance the Company's operations and expansion. The Company has other financial instruments such as trade debtors, trade creditors and current investments which arise directly from normal trading.

The Company has not entered into any derivative or other hedging instruments.

The disclosures below, with the exception of currency risk, exclude short term debtors and creditors as permitted by Financial Reporting Standard 13.

The main risks arising from the Company's financial instruments are exchange risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below.

#### **Currency risks**

The company is exposed to transaction related foreign exchange risk on its Philippines investments. The company does not carry out any hedging to cover this exposure risk.

#### **Interest rate risks**

The Company finances its operations through the use of cash deposits at variable rates of interest for a variety of short term periods, depending on cash requirements. The rates are reviewed regularly and the best rate obtained in the context of the Company's need.

#### **Liquidity risks**

The Company's policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital.

#### **Fair values**

The directors have given serious consideration and have reached the conclusion that there is no significant difference between the book values and the fair values of the assets and liabilities of the company as at 31 March 2006.



