

Catalina Resources PLC

Annual Report 2007

Catalina Resources PLC

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Catalina Resources PLC

Corporate Information

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Secretary and Solicitor:	Christopher M Bate Bryn-y-Môr Bangor Gwynedd LL57 2HG
Independent Auditors:	Kendall Wadley LLP Granta Lodge 71 Graham Road Malvern Worcestershire WR14 2JS
Bankers:	Bank of Scotland 600 Gorgie Road Edinburgh EH11 3XP

Catalina Resources PLC

Review of Operations

Corporate

Catalina Resources PLC (“the Company”) was incorporated on 6 June 2006. Shortly after completion the Company acquired all of the share capital of Minera Catalina – a company registered in Chile which had acquired mineral properties in Chile and was in the process of acquiring further projects.

Prior to incorporation, a comprehensive review of over 50 properties had led to the selection of five properties and Heads of Agreement leading to Option-to-Purchase Agreements being completed.

A total of £550,000 in seed capital was raised, initial Option Payments were made, the final Option-to-Purchase agreements completed and a number of short specific exploration programmes undertaken.

A further £198,000 was raised in November 2007.

Project Reviews

1 Kahuna: Cobalt, copper and gold in the Coastal Ranges.

Kahuna is in Region III of Chile, some 60 kilometres by road to the northwest of the town of Vallenar. A series of vein structures, previously exploited in the historically rich Carrizal Alto mine area along strike to the northeast, hosts cobalt, copper and gold.

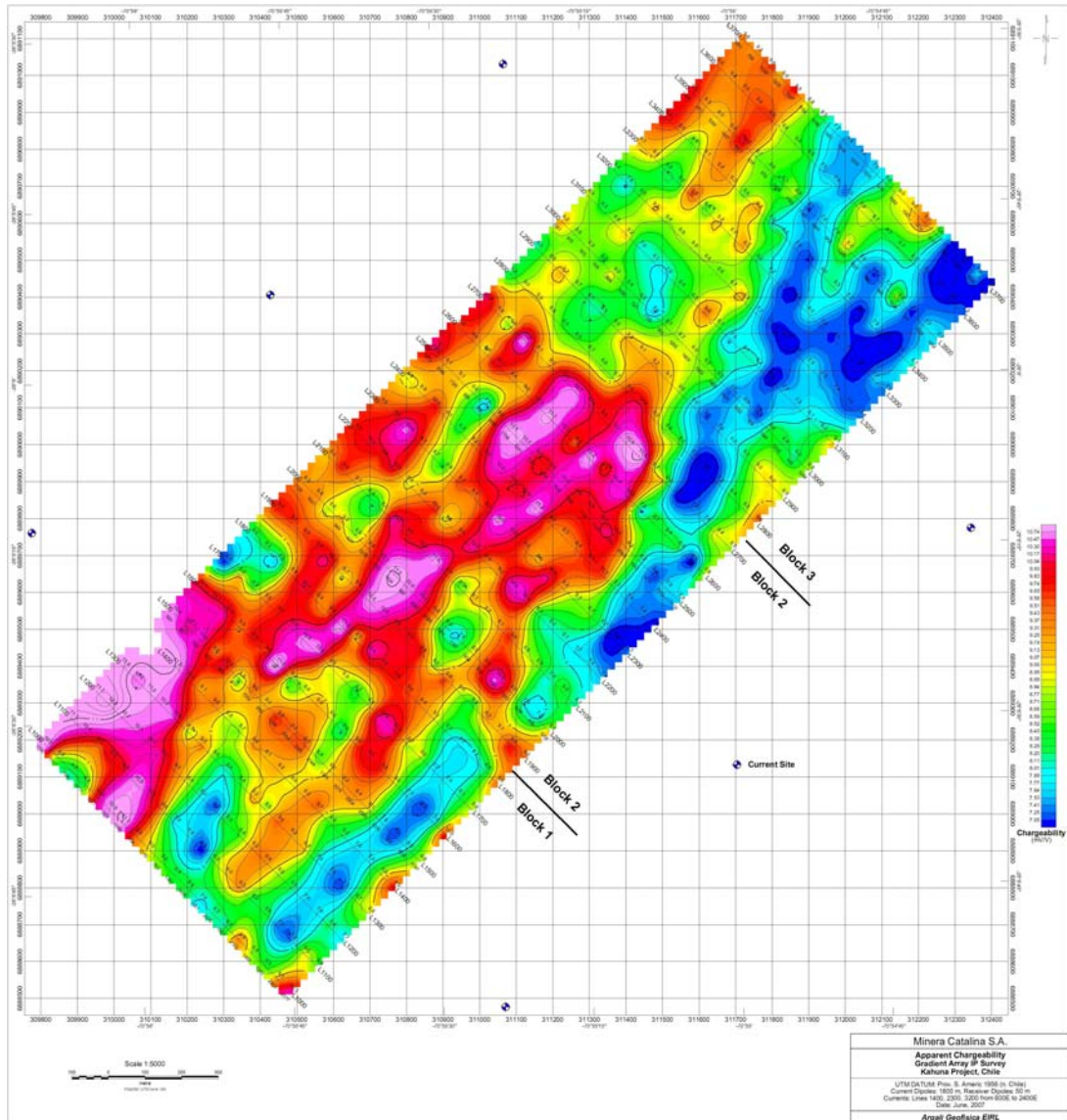


Figure 1: Map of Apparent Chargeability – Kahuna IP survey. The old Carrizal Alto mining area lies to the northeast.

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Many, potentially mineralised, vein structures outcrop in the area. The main objective of Catalina's work programme was to undertake a programme of geophysical exploration to determine whether the mineralised structures to the northeast, exploited in the Carrizal Alto mine, extended into the Kahuna area, determine whether any such structures were associated with possible sulphide mineralisation and define drill targets for a subsequent phase of work.

The survey area was traversed in detail and a geological map prepared showing all the different lithologies and previous mine workings. Two target areas were defined; one within the diorite intrusive hosting the high-grade mineralisation at the old Carrizal Alto mine, the other in the surrounding metamorphic sediments.

Two ground geophysical surveys (induced polarisation ("IP") and magnetometry) completed during May 2007, confirmed the continuity of the ore-bearing structures between Carrizal Alto and the Kahuna area and have defined sites for follow-up drilling.

The ground magnetic survey was completed on a grid measuring 1.2 km by 3.2 km. A total of 70 km were surveyed on lines spaced 50 m apart. In the IP survey a total of 27 km of data were acquired with a gradient array. Three 1-km lines were surveyed in a more detailed follow-up survey with a "multi-array" consisting of both pole-dipole and multi-bipole gradient array.

The principal orientation of the shear zones was confirmed to be to the northeast - towards Carrizal Alto where similar structures were exploited previously for copper and cobalt. However, there are also several trends to the northwest - thought to be fault zones that offset the mineralised shear zones slightly. A north-south trend is probably due to dykes.

A strong IP anomaly has been located in the west of the survey area. It also correlates with a shallow strongly conductive zone known to be associated with mineralisation developed on the margin of the intrusive and exposed in shallow workings and warrants further attention.

2 La Falda: Gold and silver in the Andean Cordillera.

The La Falda claims are in the Maricunga Belt of the Andean Cordillera, 240 km northeast of the city of Copiapó. Access is by unpaved Highway 31 from Copiapó and a rough exploration road that leads onto the property. Travel time from Copiapó is usually between 4 to 5 hours.



Figure 2: Banded quartz veins at La Falda - very similar in appearance and occurrence to those in the Verde mine at Refugio.

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The two hills making up the original Falda Project (Falda Norte and Falda Sur) show a distinct colour anomaly due to advanced argillic alteration – typical of that developed over high-sulphidation epithermal mineralisation. In the Maricunga belt, such alteration is often also associated with large gold-porphyry deposits, e.g. Refugio, Lobo-Marte, Cerro Casale, etc. all containing substantial resources of gold.

A programme of detailed mapping and sampling, using a specialised consultant, was completed. The mapping was directed both towards known silicified structures within a zone of advanced argillic alteration (lithocap) and also extended to the west into a previously unexplored area.

Remarkably, there is no evidence of previous geochemical sampling in the newly-mapped western area.

This work and a recent follow-up surface mapping and sampling programme completed in January and February 2008, located several areas underlain by porphyry intrusions (Norte and Central) with banded quartz veining.

The banded quartz veins at La Falda (see Figure 3 below) are very similar to those at nearby mines in the Maricunga Belt and veins of this type are the principal exploration target in these deposits. Grab samples of banded vein material has returned values in the range 0.5 – 0.8 g/t gold. The average grade at the Refugio and Cerro Cassale deposits is approximately 0.70 g/t gold. Both the Central and Norte porphyry bodies host the typical banded quartz veins.

Field observations suggest that the banded quartz veins occur very close to the tops of the original porphyry intrusions. Such styles of mineralisation elsewhere in the Maricunga Belt have been proven to vertical depths of over 300 m.

The Refugio mine, where the regional geology, the mineralising veins and the host porphyritic rocks share many similarities with those at La Falda, currently hosts reserves in excess of 5 million ounces of gold and produces approximately 250,000 oz annually.

As a result of the latest fieldwork, La Falda has taken on a completely new – and positive – perspective. The new focus to exploration must be centred on the Maricunga-style porphyries instead of the former epithermal targets which will be examined in due course.



Figure 3: View southwest of the Falda Norte lithocap on the left on-lapping Central Porphyry on the right. Porphyry Norte is the greenish coloured hill in the middle distance.



Figure 4: Widespread rock alteration within the La Falda claims. Falda Sur is on the left of the photograph. The location of the newly discovered gold-porphyry is on the right. (Photo taken looking southwest.)

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The conclusions above, which have been reached in cooperation with and following a field visit by Dr Jeffrey Hedenquist (a world-renowned expert on porphyry and epithermal gold deposits), mean that Catalina has reached a stage where it is necessary to re-focus on our objectives.

The next stages of work are to expand the current mapping and sampling programmes, complete a series of geochemical and geophysical surveys, improve access and logistics and extend exploration in depth.

We shall seek a partner or funding to test with diamond drilling the orientation of the intrusions, the various structures, and the banded quartz vein zones. This initial drilling will be to 150 m extending later to at least 300 to 350 m depth in the Porphyry Central and Norte areas. It will be based on the occurrences of banded quartz veins with the objective of determining whether or not there are economic grades and extensive veining at this shallow depth.

The recent fieldwork was combined with a site visit by several companies which have expressed possible interest in forming a joint venture on the Falda Project. Discussions are in progress.

3 La Perla: High-level copper, silver and gold in an epithermal environment.

La Perla lies within one hour's drive from Copiapó and is accessible by a good quality dirt road along the valley floor of Quebrada San Miguel to Quebrada Garín. A good quality dirt track up the Quebrada Las Torres leads to La Perla.

An initial programme of geological mapping and sampling was followed by a programme of reverse circulation drilling comprising six boreholes to a total depth of 1,146 metres.

The full assay results for the six-hole reverse circulation drilling programme are presented below. Anomalous and ore grade copper values were returned from three boreholes (PR1, PR4 and PR5) which intersected the main mineralised structure in the area. These values were also associated with elevated silver grades.

Hole	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)	Ag (g/t)
PR 1	7.0	9.0	2.0	0.36	0.03	1.85
PR 1	59.0	68.0	9.0	0.15	0.01	1.13
PR 1	109.0	112.0	3.0	0.46	0.05	8.37
PR 2	No values of interest; No appreciable sulphides					
PR 3	215.0	216.0	1.0	<0.01	0.11	3.80
PR 3	PR 3 was stopped at 216 m due to drilling difficulties in soft, argillic alteration. The presence of elevated values in the last metre and the type of alteration probably indicate proximity to mineralisation.					
PR 4	101.0	116.0	15.0	0.34	0.01	1.89
PR 5	29.0	66.0	37.0	0.47	0.06	9.41
PR 6	No values of interest; No appreciable sulphides					
ST-01G	30.5	57.0	26.5	1.11	0.27	25.35

The other three boreholes at Perla were directed to intersect ancillary structures. Although they intersected some zones with sulphide mineralisation with elevated copper and silver values, ore-grade mineralisation was not encountered.

Borehole PR3 was to have continued into the main mineralised structure but failed to reach it. The hole was stopped for technical reasons, having intersected an argillic zone with water just short of where the main structure should have been intersected. The final samples in the hole contain anomalous silver values which, together with the strong alteration of the wall rocks, suggest that a mineralised body lies close to the end of the hole.

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Figure 5: Reverse Circulation drilling at La Perla. The mineralised structure is to the right of the picture. The drillhole has been angled to intersect the structure at depth.

The positive results to date justify the continuation of the drilling programme along the strike of the main mineralised structure. Mining operations on the main Perla structure continue in the Cautivo concession (a small concession enclosed by the Perla Project area lying midway along the Perla Structure) and new mine workings have just started exploiting the same structure in the Blanca concession to the north-west.

The next phase of Catalina's exploration would incorporate diamond drilling in order to provide better samples on which to study the geology and structure of the mineralisation.

4 Blanca de Huequi: Platinum Group Metals (PGM) and gold.

Catalina's Huequi Project is located on the northern coast of the Huequi Peninsula on the southern shore of the Gulf of Ancud, 75 kilometres to the south of Puerto Montt in Region X (Ten) of Chile.

Records show that in 1931 a Chilean Government expedition to the area excavated a series of pits and sampled platinum-bearing placers along the northern coast. This work inferred a total of nearly 4 million cubic metres of PGM-bearing alluvial sediment at an average grade of 1 g/m³ platinum with accessory gold – equivalent to 100,000 ounces of platinum. This is not a JORC-compliant resource.

At the same time the discovery of an occurrence of primary platinum mineralisation was reported from the headwaters of the Rio Velasquez within a series of ultramafic rocks. Samples, analysed in the UK and Germany, reported 12.5 g/t platinum. No other PGM assays of hardrock samples had been reported. The exact location of the primary mineralisation was then currently unknown.

A flight over the area by light aircraft was undertaken with a view to obtaining a suite of low-level high quality photographs to assist in re-locating the primary mineralisation but the density of the vegetation prevented this. While the search continued the focus switched to assessing the alluvial deposits to determine whether a detailed churn drilling programme to define resources was justified.

Appropriate sample treatment equipment was fabricated in Santiago and shipped to site. A bulk sampling programme started in early-May using a backhoe to excavate samples. It was not possible to reach the exact area sampled in the 1930s as heavy rain had rendered the approach impassable and prevented the excavator reaching the sites. A representative range of bulk samples was excavated at 5 sites nearby and approximately 6 tonnes of material less than 2 mm in size was recovered and sent to a specialist laboratory in Santiago. Heavy mineral concentrates were sent later to the laboratories of ALS Chemex in Canada.

Preliminary assays confirmed the presence of gold. However, no platinum mineralisation was reported from any of the samples analysed. Elevated levels of chromium in the samples were probably due to the presence of the mineral chromite.

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Selected samples were re-assayed using neutron activation analyses (NAA) - a highly sensitive analytical technique - to determine not only if there had been a problem using the standard assaying methods for platinum but also whether another Platinum Group Metals (PGM) had been mistaken for platinum in the 1931 assays. The results from the NAA did not return any PGM values.

A second pitting programme was undertaken. Five pits immediately adjacent to selected 1931 pits with reported medium to high platinum values were dug by hand. Samples were panned on site to produce a heavy metal concentrate which was also sent to the laboratories of ALS – Chemex in Canada for analysis.

Again, traces of gold and chromium were detected but no PGM values were reported.

It now seems clear that the original 1931 report was in error and that although a rock sample from the mafic intrusive, which had been sent to Johnson Matthey in the UK for analysis, may have reported highly anomalous PGM values, the material from the alluvial sediments, reported as platinum, was probably chromite. The levels of chromite and gold in the alluvial sediments are too low to be economic and it is with regret that the decision has been taken to relinquish this project.

5 San Antonio – San Juan: Copper and gold.

A programme of mapping and sampling, at surface and in underground workings, and reverse circulation drilling was completed at both sites.

At San Juan two holes to a combined depth of 283 m were drilled below the current workings. They were sited to intersect the mineralised shear zone which has been mined in adits at surface. The mineralised shear zone was intersected as anticipated but while abundant sulphide was intersected in one hole, copper values were not as high as anticipated.

A programme of reverse circulation drilling at San Antonio, comprising three holes with a total depth of 537 m, was completed in mid-May. The drillholes intersected widespread sulphide mineralisation, as planned. Some copper mineralisation was intersected but the assay values indicated that the grades mined at surface do not continue in depth.

No further expenditure is planned on the San Juan-San Antonio Project and the option-to-purchase agreement has not been renewed.

6 Other Properties

The Company continues to review other opportunities as they become available. No new properties or financial commitments will be taken on until the Company is on a sounder financial footing but the flow of possible projects confirms the Board's view that Chile is an optimum country in which to conduct our business.

Operating Risks and Uncertainties

In addition to the project specific risks discussed above, the Group also faces a number of generic risks including:

- susceptibility to political and socio-economic risks;
- exploration, development and financing risks;
- operational and environmental risks;
- risks associated with fluctuations in mineral prices;
- co-investor risks;
- dependence on key personnel and infrastructure; and
- dependence on successful diversification.

Many significant aspects of these risks are beyond the Group's control but where it can, the Group is putting in place appropriate mechanisms to minimise or mitigate them.

Catalina Resources PLC

Directors' Report

The Directors present their report together with the audited Group financial statements for the thirteen month period ended 30 June 2007. This, being the first period of trading since the date of incorporation on 6 June 2006, means there are no comparative figures for earlier periods.

Principal activity

The Company is the parent undertaking of a group which is involved in the exploration for and the development of gold, platinum, copper and other metals and minerals in Chile.

Financial results

Details of the results are set out in the Group Profit and Loss Account on page 13. The Directors do not recommend the payment of a dividend.

Share capital

The Company was incorporated on 6 June 2006 with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each. On 29 September 2006 the authorised share capital was increased to £1,000,000 by the creation of an additional 950,000 ordinary shares of £1 each. The Directors were further authorised to allot shares under sections 80 and 95 of the Companies Act 1985.

One ordinary share of £1 was either subscribed for, transferred or allotted to on behalf of each of the Directors other than Mr C L Phipps.

On 13 September 2006 the Company acquired the entire issued share capital of Minera Catalina S.A. for a consideration of 179,997 ordinary shares of £1 each fully paid. Mr Bridges, Mr Shaw and Mr Amunátegui were interested parties in this transaction.

In February 2007 the Company raised £550,000 by the issue of 180,000 new ordinary shares of £1 each at a subscription price of £3.056 per share.

In November 2007, the Company issued 66,000 ordinary shares of £1.00 each at £3.00 per share, partly-paid. The first instalment of £1.50 per share was paid in 2007 and the second equal instalment was paid in January 2008. 1,320 ordinary shares have been issued fully paid to Phipps & Company Limited ("Phipps & Co") as a commission in respect of this issue.

Annual General Meeting

Notice of the Annual General Meeting is set out on page 21.

Going concern

The Directors consider that they have every reasonable expectation that the Group will have adequate resources to continue its operations for the foreseeable future.

Substantial shareholdings

At 29 February 2007 the Directors were aware of the following substantial interests in the ordinary share capital of the Company:

Shareholder	Ordinary Shares of £1	
	Fully paid	%
Phipps & Co	62,929	14.7%
John Drinkwater	42,600	10.0%
Peter Finnegan	21,300	5.0%
Howard Appleby	19,363	4.5%
Lee Morton	19,363	4.5%
Dermot Coleman	16,363	3.8%

Phipps & Co has an option to purchase 5,500 ordinary shares of £1 at a price of £1 per share exercisable (other than in certain exceptional circumstances) after 1 February 2010.

Mr C L Phipps has a non-controlling interest in Phipps & Co.

Events since the year-end

Information relating to events since the end of the year is given in the notes to the financial statements.

Catalina Resources PLC

Directors' Report

Directors

The present Directors of the Company are Mr P S Bridges, Mr A J Shaw, Mr C F Amunátegui Garcia-Huidobro and Mr C L Phipps. Each of the Directors was appointed on 6 June 2006 with the exception of Mr Phipps who was appointed on 19 February 2007.

Peter Bridges (UK), Managing Director, has 38 years experience in mining and mineral exploration including 16 years experience as a Director, later Chief Executive, of Greenwich Resources plc - a British listed public company. He is a Fellow of the Geological Society of London, a Fellow of the Institute of Mining, Metals and Materials, a Chartered Engineer, a Euro Engineer and a Chartered Geologist.

Andrew Shaw (UK & Chile), Exploration Director, has 32 years experience in mineral exploration with the British Geological Survey and with Greenwich Resources plc – mainly in South America and Europe. He was heavily involved in the discovery of several mineral deposits in Venezuela and the Sappes epithermal Gold deposit in Greece. He speaks fluent Spanish and is resident in Chile.

Cristián Amunátegui (Chile) is a lawyer with 21 years experience in all legal aspects of the Chilean resource industry and has supplied or offered legal, logistic and mining services to many junior companies in Chile. He has been a legal mining advisor for a number of Chilean, Australian, Canadian and American companies with interests in mining, gas pipelines and energy.

Ceri Phipps (UK), Non-Executive Director, has 22 years experience working initially as a geologist with TMOC Resources then Greenwich Resources plc, before holding various roles within the power industry. He currently holds a number of non-executive roles within the Phipps & Co group.

The services of Mr Bridges are provided through Torridon Investments Limited and the services of Mr Amunátegui are provided through Exploration & Mining Service S.A., a company incorporated in Chile.

Secretary

Christopher Bate has acted as Legal Advisor and in most cases as Company Secretary to the Robertson Group plc, Greenwich Resources plc, Highland Energy Holdings Limited, RWE Dea AG and Caledonia Oil and Gas Limited. Christopher specialises in business law with particular experience in natural resource companies and venture capital.

Directors' interests

The Directors held the following beneficial interests in the share capital of the Company at the end of the period and at 29 February 2007:

Director	30 June 2007	29 February 2007
	Fully paid	Fully paid
Peter Sinclair Bridges	63,600	73,600
Andrew Jack Shaw	61,636	63,636
Cristián Fernando Amunátegui Garcia-Huidobro	61,636	61,636
Ceri Lewis Phipps ^{See note below*}	-	-

Note:

Mr Phipps holds a 25% equity interest in Phipps & Co. The interests of Phipps & Co are shown under the paragraph headed 'Substantial Shareholdings'(30 June 2007: 36,000).

Creditor payment policy

Liabilities are recognised for amounts to be paid in the future for 'services received'. Trade Accounts are normally settled within 30 days.

Political and charitable donations

The Group made no political or charitable donations throughout the year.

Catalina Resources PLC

Directors' Report

Share option schemes

The Company is reviewing appropriate schemes for rewarding executives and proposals will be laid before shareholders once a final decision is taken.

Environmental policy

The Company has adopted an environmental policy designed to comply with relevant environmental laws and implement best practice in its activities. It is designed to ensure that employees and third party contractors are aware of the impact of exploration activities on the environment and know how to avoid, manage and minimise any adverse effects.

Health and safety

The Company has a Health and Safety Policy that seeks to adhere to best practice.

Statement of Directors' responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which 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 those financial statements, the Directors are required to:

- select suitable accounting policies 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

Kendall Wadley LLP, having been appointed on 26 November 2007, offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

By order of the Board

Christopher M Bate

Secretary
29 February 2008

Registered Office:
3 St Peter's Road
Malvern
Worcestershire
WR14 1QS

Catalina Resources PLC

Independent Auditors Report to the Shareholders of Catalina Resources PLC

We have audited the financial statements of Catalina Resources PLC for the thirteen month period ended 30 June 2007 set out on pages 13 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 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 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 the Directors and Auditors

The Directors' responsibilities for preparing 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 (UK and 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

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 30 June 2007 and of its loss for the year then ended;
- the financial statements 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.

Kendall Wadley LLP
Chartered Accountants
Registered Auditor

.....
29 February 2008

Granta Lodge
71 Graham Road
Malvern
Worcestershire
WR14 2JS

Catalina Resources PLC

Group Profit and Loss Account

For the thirteen month period ended 30 June 2007

	Notes	2007 £
Operating income		-
Exploration costs written-off	2	(50,527)
Administrative expenses	2	(63,762)
Total administrative expenses		<u>(114,289)</u>
Operating loss	4	<u>(114,289)</u>
Interest received		4,811
Loss on ordinary activities before taxation		(109,478)
Tax on loss on ordinary activities	6	-
Loss for the year	12	<u>(109,478)</u>

All transactions arise from continuing operations.

There were no recognised gains or losses other than the loss for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

Catalina Resources PLC

Group Balance Sheet

At 30 June 2007

	Notes	2007 £
Fixed assets		
Intangible assets	7	476,132
Tangible assets	8	<u>7,582</u>
		483,714
Current assets		
Bank & cash		158,491
Debtors	9	<u>10,005</u>
		168,496
Current Liabilities		
Creditors: amounts falling due within 1 year	10	<u>(31,688)</u>
		136,808
Net current assets		<u>136,808</u>
Total assets less current liabilities		<u>620,522</u>
Net assets		<u>620,522</u>
Capital and reserves		
Called up share capital	11	360,000
Share premium	12	370,000
Profit and loss account	12	<u>(109,478)</u>
Equity shareholders' funds	13	<u>620,522</u>

P S Bridges

Director
29 February 2008

The accompanying accounting policies and notes form an integral part of these financial statements.

Catalina Resources PLC

Company Balance Sheet

At 30 June 2007

	Notes	2007 £
Fixed assets		
Investment in subsidiary undertaking		521,997
Current assets		
Bank		118,965
Debtors		10,005
Other debtors		96,591
		<u>225,561</u>
Current liabilities		
Creditors: amounts falling due within 1 year		(28,327)
Net current assets		<u>197,234</u>
Total assets less current liabilities		<u>719,231</u>
Net assets		<u>719,231</u>
Capital and reserves		
Called up share capital	11	360,000
Share premium	12	370,000
Profit and loss account	12	(10,769)
Equity shareholders' funds	13	<u>719,231</u>

P S Bridges
Director
29 February 2008

The accompanying accounting policies and notes form an integral part of these financial statements.

Catalina Resources PLC

Group Statement of Cash Flows

For the thirteen month period ended 30 June 2007

	Notes	2007 £
Net cash outflow from operating activities	14	(92,606)
Returns on investments and servicing of finance		
Interest received		4,811
Net cash inflow from investments and servicing of finance		4,811
Capital expenditure		
Payments to acquire tangible fixed assets		(317,027)
Net cash outflow from capital expenditure		(317,027)
Acquisitions and disposals		
Purchase of subsidiary undertakings		(166,687)
Net cash outflow from acquisitions and disposals		(166,687)
Net cash outflow before management of liquid resources and financing		(571,509)
Financing		
Issue of ordinary share capital		730,000
Net cash inflow from financing		730,000
Increase in cash in year	15/16	158,491

The accompanying accounting policies and notes form an integral part of these financial statements.

Catalina Resources PLC

Notes to the Accounts

1 Accounting policies

The principal accounting policies of the Group, adopted during the period, are set out below.

Basis of preparation

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

These financial statements present information about the Company as the parent undertaking of a group.

Basis of consolidation

The Group accounts incorporate the results and assets and liabilities of Company and its subsidiary undertakings for the year ended 30 June.

Going concern

The financial statements have been prepared on a going concern basis.

Tangible fixed assets

The Group uses the full-cost method of accounting for mining operations. The costs of exploring for and developing mineral reserves, which include acquisition costs, geological and geophysical costs, costs of drilling, costs of mine production facilities, and an appropriate share of directly attributable administrative costs, are treated as tangible fixed assets.

The capitalised mineral expenditure is accumulated in one or more full-cost pools as determined from time to time by the nature and scope of the Group's operations. Currently, these are reviewed on a global basis.

Expenditure in each pool is amortised using a unit-of-production basis when commercial production commences.

The aggregate amount of mineral expenditure subject to amortisation and carried forward in each pool is stated at not more than the assessed value of commercially recoverable reserves in that pool.

The Group compares the carrying value of capitalised mineral expenditure with its recoverable amount (net realisable value) on a regular basis. Any permanent impairment arising is charged to the profit and loss account.

Fixed asset investments

Fixed asset investments are included at cost less amounts written off.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange prevailing on the date of the transactions. Exchange differences thus arising are dealt with in the profit and loss account.

For consolidation purposes, the accounts of those overseas subsidiary undertakings which are considered to be integrated foreign operations are translated on the following basis:

- Revenue and expenditure at average exchange rate cost for the period.
- Current and other monetary assets and liabilities at the rate prevailing at the balance sheet date.
- Other assets and liabilities at rates prevailing when acquired or incurred.

This basis gives rise to translation gains or losses, the net amounts of which are included in the profit and loss account.

Catalina Resources PLC

Notes to the Accounts

2 Administrative expenses

Costs include the overheads of the UK parent company, currency losses on accounting for an overseas subsidiary undertaking, and the write down of aborted project costs in Chile.

3 Loss attributable to the holding company

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The loss for the financial period dealt with in the accounts of the Company was £10,768.

4 Operating loss

The Group operating loss is stated after charging:	2007
	£
Fees payable to the Group's auditor for the audit of group accounts	2,500

5 Directors and employees

There were no employees of the company during the year other than the directors. The directors were remunerated by way of consultancy fees for technical services provided as follows:

Director:	2007
	£
Peter S Bridges	30,150
Andrew J Shaw	30,150
Cristián F Amunátegui Garcia-Huidobro	30,150
Ceri L Phipps*	-

*Phipps & Co has an option to purchase 5,500 ordinary shares of £1 at a price of £1 per share exercisable (other than in certain exceptional circumstances) after 1 February 2010.

6 Taxation

There is no charge to corporation tax on the result for the year due to the loss for the year.

7 Intangible fixed assets

	Goodwill	Exploration & Evaluation	2007 Total
Cost	£	£	£
Additions	166,687	309,445	476,132

Details of the Company's subsidiary undertaking are as follows:

	Country of Holdings	Country of incorporation	Country of operations
Minera Catalina SA	100%	Chile	Chile

8 Tangible fixed assets

	Plant & Equipment	2007 Total
Cost	£	£
Additions	7,582	7,582

Catalina Resources PLC

Notes to the Accounts

9 Debtors			2007
			£
Other debtors			10,005
			<hr/>
10 Creditors: amounts falling due within one year			2007
			£
Trade creditors			20,887
Accruals			10,881
			<hr/> 31,688 <hr/>
11 Share capital			2007
			£
Authorised 1,000,000 ordinary shares of £1 each			1,000,000
Allotted, called up and fully paid 360,000 ordinary shares of £1 each			360,000
			<hr/>
12 Reserves			
		Share premium	Profit and loss account
		£	£
At 6 June 2006		-	-
Shares issued during the period		370,000	-
Loss for the period		-	(109,478)
At 30 June 2007		<hr/> 370,000 <hr/>	<hr/> (109,478) <hr/>
			<hr/>
13 Reconciliation of movements in shareholders' funds			2007
			£
Shareholders' funds at 6 June 2006			-
Shares issued during the period			730,000
Loss for the financial period			(109,478)
Shareholders' funds at 30 June 2007			<hr/> 620,522 <hr/>
			<hr/>
14 Reconciliation of operating loss to net cash outflow from operating activities			2007
			£
Operating loss			(114,289)
Increase in debtors			(10,005)
Increase in creditors			31,688
Net cash outflow from operating activities			<hr/> (92,606) <hr/>

Catalina Resources PLC

Notes to the Accounts

15 Analysis of net funds

	6 June 2006 £	Cash flow £	30 June 2007 £
Net cash:			
Cash at bank and in hand	-	158,491	158,491
Bank deposits	-	-	-
Net funds	-	158,491	158,491

16 Reconciliation of net cash flow to movement in net funds

	2007 £
Increase in cash in year	158,491
Movement in net funds in the year	158,491
Opening net debt	-
Closing net funds	158,491

17 Capital commitments

The Company had no capital commitments at 30 June 2007.

18 Contingent liabilities

There were no contingent liabilities at 30 June 2007.

19 Transactions with related parties

Other than disclosed above there are no related party transactions.

Catalina Resources PLC

Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting of Catalina Resources PLC will be held at 3 St Peter's Rd, Malvern, Worcestershire WR14 1QS on 25 March 2008 at 12 p.m. for the following purposes:

1. To receive the Directors' Report and Financial Statements for the year ended 30 June 2007 together with the Auditors' Report.
2. To appoint Kendall Wadley LLP as Auditors to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to set their remuneration.

Dated 29 February 2008

By order of the Board

Christopher Bate
Company Secretary

Registered Office:

3 St Peter's Road
Malvern
Worcestershire
WR14 1QS

Notes:

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy may not be a member of the Company. A proxy card is enclosed.