HERENCIA RESOURCES PLC

STATEMENT OF RESULTS

FOR THE PERIOD ENDED 30 JUNE 2006

DIRECTORS' REPORT

The Directors present their Directors' report together with the audited accounts of the Company ("Herencia Resources plc") and the Group ("Herencia Resources Plc and its subsidiary undertakings") for the period from incorporation on 27 January 2005 until 30 June 2006.

Principal activity

The Company is registered in England and Wales, having been incorporated on 27 January 2005 under the Companies Act with registered number 5345029 as a public company limited by shares.

The principal activity of the Group is mineral exploration. The Group operates through its parent and subsidiary undertakings, details of which are set out in note 12 to these accounts.

Review of the business and future prospects

The Company was originally quoted on AIM in March 2005 as an investment company. On 22 November 2005, the Company was readmitted to AIM as a resources company following the completion of the acquisition of the entire issued share capital of Tarapaca Resources (Bermuda) Limited ("Tarapaca") from Australian listed Mineral Securities Limited ("MinSec") on 21 November 2005. The acquisition secured the ownership of a portfolio of silver-zinc-copper-gold exploration properties in South America.

The wholly owned subsidiary of Tarapaca, Iquique Resources (Chile) SA, entered into a joint venture agreement with Compania Minera Costa Rica and Compania Minera Santa Lucia Limitada in respect of the silver-copper Iquique Project on 26 July 2005. This gave it the right to earn up to 70% of the Iquique Project by contributing US$2 million towards the Iquique Project's exploration activities. The Group must contribute US$0.5 million within 18 months to earn a 50% interest in the project. To retain that interest and increase its interest to 70%, it must spend a further US$1.5 million within 36 months.

The wholly owned subsidiary of Tarapaca, Paguanta Resources (Chile) SA, also entered into a joint venture agreement with Compania Minera Costa Rica in respect of the silver-zinc-copper-gold Paguanta Project on 29 June 2005. This gave it the right to earn up to 70% of the Paguanta Project by contributing US$2 million towards the Paguanta Project's exploration activities. The Group must contribute US$0.5 million within 18 months to earn a 50% interest in the project. To retain that interest and increase its interest to 70%, it must spend a further US$1.5 million within 36 months.

The Iquique Project and the Paguanta Project (the "Projects") occupy an area with known mineralised systems and the Directors believe they represent a compelling exploration opportunity. These Projects contain numerous ancient workings, some of which date back to the Inca Empire and more recent European settlement. Importantly, the Projects appear to have had no significant modern exploration. These Projects are prospective for open pit bulk tonnage resources comprising vein, stockwork, manto, skarn and porphyry style silver-zinc-copper-gold mineralization.

Exploration in Chile commenced in November 2005 with a work program and drilling of the Iquique project area. The exploration and drilling activities currently being undertaken are focussed on the Paguanta project. Further information on the Projects and the Company can be found at www.herenciaresources.com.

The Directors have reviewed the affairs and operations of the Group and believe them to be fair and reasonable in accordance with the current status of the Group as a mineral exploration company. During the period the Group has expended £386,129 on exploration and development of the Iquique and Paguanta Projects. The results of the work undertaken to date warrant the continuation of the exploration of the Iquique and Paguanta Projects.

The Group's primary business is mineral exploration and is subject to risks including discovery of economic mineral resources, delays in work programme plans and schedules, changes in market conditions affecting the resources industry or commodity price levels, the outcome of commercial negotiations and technical or operating factors, political, environmental and regulatory controls and approvals, and availability and retention of suitable employees and consultants. Any one or more of these risk factors could have a materially adverse impact on the value of the Company.

On 5 October 2006, the Company entered into an Alliance Agreement with MinSec in terms of which the Group will utilise its established office and technical team based in Chile together with MinSec's technical and commercial team based in Perth. MinSec will provide Herencia with access to its experienced team of geological, mining and commercial personnel to assist Herencia in both the evaluation and potential future development of any new resource opportunities.

Under the Alliance Agreement MinSec agrees to help identify and advise the Company on potential mineral resource opportunities within South America. The Company will evaluate additional projects on a case by case basis and make further acquisitions, if these are perceived to have the potential to add value.

GROUP INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006

	Notes	**Group 2006 £**
Revenue		-
Cost of sales		-
Gross profit		-
Administration expenses		(512,267)
Operating loss	4	**(512,267)**
Finance revenue	6	20,449
Loss before taxation		**(491,818)**
Taxation	7	-
Loss for the period		**(491,818)**
Earnings per ordinary share – basic and diluted		(0.36)p

The above are the results for the period from the date of incorporation on 27 January 2005 to 30 June 2006.
All of the above amounts are in respect of continuing operations.
There are no recognised gains and losses other than those passing through the income statement.

GROUP BALANCE SHEET
AS AT 30 JUNE 2006

	Notes	Group 2006 £
ASSETS		
Non current assets		
Intangible assets	11	886,129
Property, plant and equipment		31,772
Investments	12	-
		917,901
Current assets		
Trade and other receivables	8	43,241
Cash and cash equivalents	9	160,293
		203,534
Total assets		**1,121,435**
EQUITY AND LIABILITIES		
EQUITY		
Capital and Reserves attributable to Equity holders		
Called up share capital	13	200,000
Share premium account	14	1,276,925
Reserve for own shares	14	82,000
Translation reserve	14	10,893
Retained losses	14	(491,818)
Total equity		1,078,000
Current liabilities		
Trade and other payables	10	43,435
Total liabilities		43,435
Total equity and liabilities		**1,121,435**

GROUP CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006

	Notes	Group 2006 £
Net cash outflow from operating activities	15	**(498,651)**
Cash flows from investing activities		
Interest received	6	20,449
Purchase of property, plant and equipment		(34,301)
Cash acquired with subsidiary undertakings		500,000
Net funds used for investing in exploration	11	(386,129)
Net cash inflow from investing activities		100,019
Cash flows from financing activities		
Proceeds from issue of shares	13	550,000
Issue costs		(73,075)
Proceeds from shares issued after the balance sheet date	14	82,000
Net cash inflow from financing activities		558,925
Net increase in cash and cash equivalents		**160,293**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	9	**160,293**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

1.1. Basis of preparation

The financial statements have been prepared using the historical cost convention. In addition, the financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") including IFRS 6, Exploration for and Evaluation of Mineral Resources, as adopted by the European Union ("EU") and in accordance with the provisions of the Companies Act 1985.

The group's financial statements for the period ended 30 June 2006 were authorised for issue by the board of Directors on 7 November 2006 and the balance sheets were signed on the Board's behalf by Michael Bohm.

The Group financial statements are presented in UK pound sterling.

In accordance with the provisions of the Section 230 of the Companies Act 1985, the Parent Company has not presented a profit and loss account. A loss for the period ended 30 June 2006 of £274,703 has been included in the profit and loss account.

1.2. Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

All the companies over which the Company has control apply, where appropriate, the same accounting policies as the Company.

1.3. Foreign currency translation

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.

The assets and liabilities of the foreign subsidiary undertakings are translated into Sterling at the rates of exchange ruling at the year end and their results are translated at the average exchange rate for the period. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings are treated as movements of reserves.

1.4. Cash and cash equivalents

The company considers all highly liquid investments, with a maturity of 90 days or less to be cash equivalents, carried at the lower of cost or market value.

1.5. Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the interim financial information. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

1.6. Exploration and development costs

All costs associated with mineral exploration and investments are capitalised on a project by project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general corporate overheads. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished or project abandoned, the related costs are written off. Where the Group maintains an interest in a project, but the value of the project is considered to be impaired, a provision is made against the relevant capitalised costs.

The recoverability of all exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposition thereof.

Amounts recorded for these assets represent costs and are not intended to reflect present or future values.

1.7. Impairment of exploration and development costs

The carrying value of unevaluated areas is assessed on at least an annual basis or when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development.

2. Earnings per share

Basic earnings per share of (0.36)p for the Group is calculated by dividing the loss for the period by the weighted average number of ordinary shares in issue of 137,964,775.

The Company has no share warrants or options in issue.

3. Segmental information

The primary segmental reporting is determined to be geographical segment according to the location of the asset. The Directors do not believe that there is a secondary segment that could be reported. There are two reporting segments.

Geographical segment	**Australia**	**Chile**	**Total**
	£	**£**	**£**
Administration expenses	(295,152)	(217,115)	(512,267)
Finance revenue	20,449	-	20,449
Loss before taxation	(274,703)	(217,115)	(491,818)
Intangible assets	-	886,129	886,129
Property, plant and equipment	-	31,772	31,772
Trade and other receivables	-	43,241	43,241
Cash and cash equivalents	154,041	6,252	160,293
Trade and other payables	(31,580)	(11,855)	(43,435)
Net assets	122,461	955,539	1,078,000

At the end of the financial period, the Group had not commenced commercial production from its exploration sites and therefore had no turnover in the period.

	Group 2006 £
4. Operating loss	
This is stated after charging:	
Auditors' remuneration	
- Audit	8,000
Foreign exchange gain	(5,123)

	Group 2006 £
5. Directors' emoluments	
Wages and salaries	46,000
Social security costs	2,340
	48,340

There are no employees other than the Directors.

6. Finance revenue	
Bank interest	20,449
7. Taxation	
Current tax charge	-
Deferred tax	
Deferred tax current period charge	-
	-
Factors affecting the tax charge for the period	
Loss on ordinary activities before taxation	(491,818)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 30.00%	(147,545)
Effects of:	
Non deductible expenses	29,947
Tax losses	117,598
Current tax charge	-

Factors that may affect future tax charges

At the balance sheet date, the Group has unused tax losses available for offset against suitable future profits. A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

8. Trade and other receivables	
Other receivables	43,241
Amount due from subsidiary undertakings	-
Prepayments and accrued income	-
	43,241
9. Cash and cash equivalents	
Cash at bank and in hand	160,293
10. Trade and other payables	
Accruals and deferred income	43,435

11. Intangible assets

	Goodwill	Exploration and development costs	Total
Cost			
Additions	500,000	386,129	886,129
At 30 June 2006	500,000	386,129	886,129
Impairment			
Impairment during the period	-	-	-
Carrying amount			
As at 30 June 2006	500,000	386,129	886,129

The exploration and development costs relate to expenditure incurred at the Iquique and Paguanta projects located in Chile, South America.

The goodwill of £500,000 arose on acquisition of Tarapaca Resources (Bermuda) Limited, a company incorporated in Bermuda (note 12).

In accordance with the accounting policy, the Directors have assessed the value of goodwill and the exploration and development costs carried in the accounts as intangible fixed assets. In the opinion of the Directors, no impairment provision is considered necessary.

12. Fixed asset investments

Company name	Country of registration or incorporation	Class	Shares held %
Direct			
Tarapaca Resources (Bermuda) Limited	Bermuda	Ordinary	100
Indirect			
Tarapaca Holdings (BVI) Ltd	British Virgin Islands	Ordinary	100
Iquique Resources (Chile) SA	Chile	Ordinary	100
Paguanta Resources (Chile) SA	Chile	Ordinary	100

The principal activity of Iquique Resources (Chile) SA and Paguanta Resources (Chile) SA was mineral exploration whereas Tarapaca Resources (Bermuda) Limited and Tarapaca Holdings (BVI) Ltd are holding companies.

12. Fixed asset investments (continued)

As at the date of acquisition, the Tarapaca Group of Companies had net assets of £500,000 comprising cash at bank and joint venture agreements through its wholly owned Chilean subsidiaries to earn up to a 70% interest in the Iquique and Paguanta projects in Chile.

Details of net assets acquired and goodwill are as follows.

	£
Purchase consideration	
Issue of shares	1,000,000
Total purchase consideration	1,000,000
Fair value of net assets acquired (comprising cash only)	(500,000)
Goodwill	500,000

The fair value of assets and liabilities arising from the acquisition are as follows:

Cash at bank	500,000
Net assets acquired	500,000

On 21 November 2005, the Company acquired the entire issued capital of Tarapaca Resources (Bermuda) Limited, a company incorporated in Bermuda from Mineral Securities Limited. In accordance with the terms of the acquisition agreement on 21 November 2005, the Company issued 100,000,000 ordinary shares of £0.01 each for the purchase of the company following raising of an equity capital of £500,000 by that company. The subsidiaries of Tarapaca Resources (Bermuda) Limited have interests in two separate blocks of tenements (total area of 94 square kilometers) over the Iquique Mineral Field and one block (total area of 39 square kilometers) at Paguanta Mineral Field. As the fair values of these tenements cannot be measured reliably, the intangible assets purchased have been subsumed within the amount of the purchase consideration attributed to goodwill.

There are a further 50,000,000 shares at £0.01 per share (contingent consideration) that may be allotted to Mineral Securities Limited subject to certain performance criteria. A reasonable estimate of the fair value of the amount of contingent consideration expected to be payable in the future cannot be made at the period end.

13. Called up share capital

	Group 2006 £
Authorised:	
10,000,000,000 ordinary shares of £0.001 each	10,000,000
Allotted, issued and fully paid:	
200,000,000 ordinary shares of £0.001 each	200,000

The following shares in the Company were issued during the period:

- 2 shares were issued at par on 27 January 2005 (the incorporation date).
- 49,999,998 shares were issued at par on 8 February 2005
- 50,000,000 shares were issued at £0.01 each on 24 February 2005
- 100,000,000 shares were issued at £0.01 on 21 November 2005

The movements in the share capital are summarised below:

	Number of shares
Issue for cash – founder members	50,000,000
Issue for cash - placement	50,000,000
Shares issued on acquisition of Tarapaca Resources (Bermuda) Limited	100,000,000
At 30 June 2006	200,000,000

Shares issued after 30 June 2006 are set out in note 17.

The share premiums arising as a result of above transactions were as follows:

	2006 £
Issue of shares for cash - placement	450,000
Issue of shares in acquisition of Tarapaca Resources (Bermuda) Limited	900,000
	1,350,000

14. Shareholders' funds and changes in shareholders' equity

Group	Share capital £	Share premium £	Reserve for own shares £	Translation reserve £	Retained earnings £
Issue of shares	200,000	1,350,000	-	-	-
Issue costs	-	(73,075)	-	-	-
Shares issued after 30 June 2006 (note 17)	-	-	82,000	-	-
Exchange differences on retranslation of foreign operations	-	-	-	10,893	-
Net loss for the period	-	-	-	-	(491,818)
Balance at 30 June 2006	200,000	1,276,925	82,000	10,893	(491,818)

15. Net cash outflow from operating activities

	Group 2006 £
Operating loss	(512,267)
Increase in trade and other receivables	(43,241)
Increase in trade and other payables	43,435
Depreciation of property, plant and equipment	2,529
Exchange differences on retranslation of foreign operations	10,893
Net cash outflow from operating activities	(498,651)

16. Control

No one party is identified as controlling the Company.

17. Subsequent events

On 10 July 2006, the Company completed a private placement capital raising £571,000 from the issue of 38,066,667 ordinary shares at a price of 1.5p per share of which £82,000 was received before 30 June 2006 and included in reserve for own shares. On 30 October 2006, the Company completed a capital raising to raise £900,000 from the issue of 90,000,000 ordinary shares at a price of 1p per share.

18. Related party transactions

During the period, a payment of £12,500 was made to Australian Heritage Group Pty Ltd, a company in which the former director Anthony Barton is a director and in which he holds a beneficial interest, in consideration for management and consultancy services provided to the Company in connection with a placing of Ordinary Shares and the admission of the issued share capital of the Company to trading on AIM.

During the period, the Company acquired the entire issued share capital of Tarapaca from Mineral securities Limited ("Minsec"). Tarapaca is the holding company of the group set out in note 12 to the accounts. The consideration paid and payable by the Company comprised initial consideration shares of 100,000,000 ordinary shares and deferred consideration shares of 50,000,000 ordinary shares. The conditions for the allotment of the deferred consideration shares are set out in the substantial shareholders' paragraph in the Directors report. Michael Bohm is a senior executive and a shareholder of Minsec. In addition, John Moore and the former director of the Company Keith Liddell are also directors and shareholders of Minsec.

John Bottomley, the secretary of the Company is an employee of Sprecher Grier Halberstam LLP, a firm of solicitors. This partnership was paid a sum of £12,796 in respect of legal and secretarial services to the Company.

These related party transactions are based on independent third party commercial rates. The Directors who have interests in these transactions do not participate in the decision making process relating to these transactions.

19. Decommissioning expenditure

The Directors have considered the environmental issues and the need for any necessary provision for the cost of rectifying any environmental damage, as might be required under local legislation. In their view, no provision is necessary for any future costs of decommissioning or any environmental damage.

20. Annual Report

The Annual Report is available from the Company website at www.herenciaresources.com.

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