

Speculative Buy 1.5p

Market Cap	£5.76m
Index	AIM
Shares in Issue	384.067m
Net Cash	£1m

Performance	AIM
1 month:	-13%
3 months:	+33%
12 months:	+13%
High/Low	
12 months:	2.12p/0.95p

Last Results	September 2007
Next Results	March 2007

Reuters/BBG	HER.L / HER LN
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Change in Recommendation N/A



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*WH Ireland acts as broker and NOMAD to Herencia Resources plc. Any research on this company should not be relied on as objective or impartial. This note is intended for institutional investors only and is not for distribution to private clients.

Herencia Resources plc*

High Grade Zinc-Silver-Lead at Paguanta Project

Herencia Resources plc (“Herencia”/ “the company”) is an AIM listed explorer with a portfolio of projects in Chile. The company’s most advanced project, Paguanta, is in the north of the Porphyry Copper Belt, 120km north east of the port of Iquique, where silver was historically mined. Herencia has undertaken 5,889m of drilling (both diamond and reverse circulation) this season, and has identified three mineralised veins: Cathedral Vein, Central Vein and Camp Vein, all of which outcrop at surface and all of which have returned high grade zinc, silver and lead. A mineral resource statement (in accordance with JORC guidelines) has not yet been released but the company has announced that resource estimation studies are underway.

The 35,000ha La Serena project area was added to the portfolio in 2007. It is largely under-explored but highly prospective for porphyry copper mineralisation as Herencia has already identified 15 alteration anomalies.

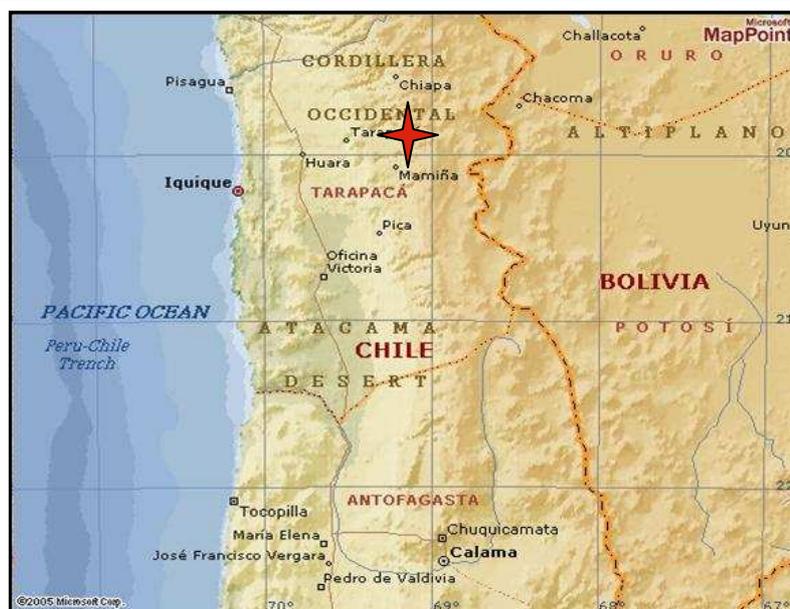
Herencia has the backing and support of Perth and London based specialist resources group and 40% shareholder, Mineral Securities, which is ASX and AIM listed.

In the short time that Herencia has been active in Chile, we believe the company has made rapid progress with two drilling programmes at the Paguanta project in the last nine months. The team has built up a good knowledge of the geology of the area, and has delineated potential strike extensions. We anticipate a resource statement being released shortly, whereby Herencia can be compared with a peer group. Herencia’s business model is also to act as a vehicle for additional South American projects, and this has been demonstrated in the acquisition of La Serena.

We rate the stock a speculative buy.

Herencia's North Chilean Projects

Figure 1: Herencia's Paguanta Project Location



Source: Company data

Paguanta Project

Background

The Paguanta project area is located 120km east northeast of the city of Iquique within the Chilean altiplano of the Atacama desert, and is at an altitude of 3,800m (Shown on figure 1). The tenements comprise 39km². This prospect is located to the north of the porphyry copper belt. Silver was first mined in the area in the 1880's, and an adit into the "Englishman Mine" is visible in the project area. "The Englishman" undertook 1,800m of underground development, which he named the Patricia Zone. Little work has been done on the deposit since this time. A local mining identity held the licences for a while, during which time Rio Tinto undertook dump and outcrop sampling. Herencia's JV partner, Compania Minera Costa Rica then purchased the tenements.

In the terms of the JV, Herencia had to spend \$0.5m within the first 18 months in order to own 50% of the project, with an option to increase to 70% by spending a further \$1.5m within 36 months. The company currently owns 50% of the project and is in the process of increasing this to 70%.

Exploration Undertaken

Paguanta is a low sulphidation epithermal deposit hosted in andesite, and could be classed as a zinc-silver-lead deposit. Herencia began exploration in the area with geological mapping, geochemistry and geophysics. Silver, zinc and lead anomalies from rock chip samples were recorded and mapped within the Paguanta tenement area, and EM and IP geophysics was carried out. Both geochemistry and geophysics highlight a target area with a strike in excess of 1.5km. Herencia has undertaken 5,889m of RC drilling and 1,174m of diamond drilling over the last nine months and has intersected high zinc, silver and lead grades in all three drilled veins.

Figure 2: Paguanta Project

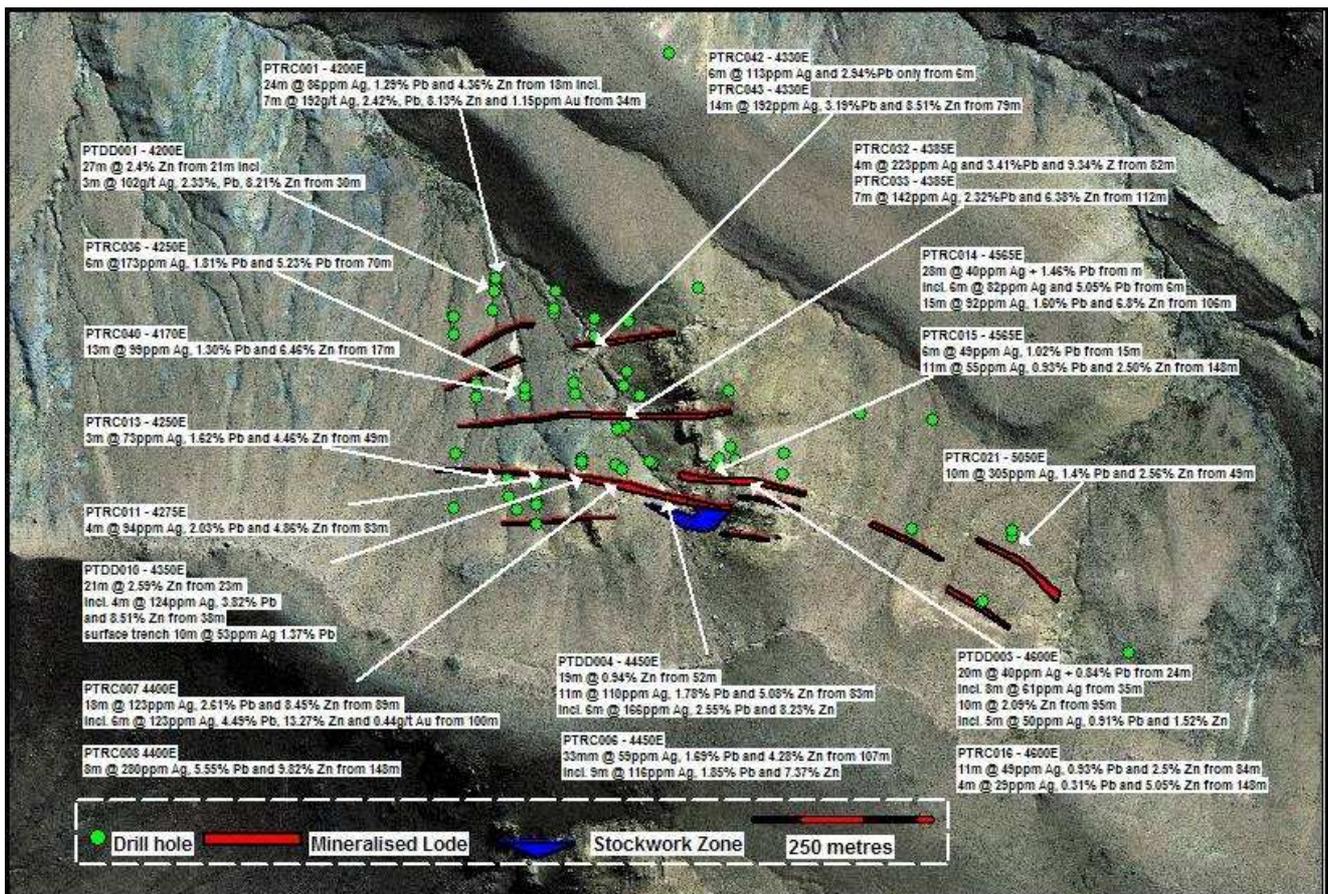


Source: Company data

Mineralisation

The company has, to date, identified three veins which are parallel to each other and each outcrops at surface, and these have been highlighted in black on figure 2. These are the Cathedral Vein, Central Vein and the Camp Vein. Structurally the dip of each vein changes from one drill hole to the next, in a sinuous fashion. The veins all pinch and swell and mineralised intersections are generally between 2 and 16m width. In some parts mineralisation is massive, in excess of 30% sphalerite and galena (zinc sulphide and lead sulphide respectively). Mineralised intersections are also shown on figure 3. We believe that the company has a good understanding of the mineralisation within the main area of drilling, and that the geological model appears consistent with the mineralised sequences lower down in a low sulphidation epithermal system.

Figure 3: Paguanta Drill Results



Source: Company data

Of the 50 holes drilled in the recent program, 40 intersected mineralisation. Importantly, all three veins returned high grade intersections. Table 1 outlines the best drill hole grades in each vein:

Table 1: Selected Drill Results

Drill Hole	Intersection	%Zn	ppm Ag	%Pb	From Depth	Vein
PTRC014	15m	6.8	92	1.6	106m	Cathedral
inc	5m	13.7	222	3.92	113m	
PTRC040	13m	6.46	99	1.3	17m	Central
inc	5m	13.9	146	1.58	20m	
PTRC043	14m	8.51	192	3.19	79m	Camp
inc	9m	11.2	257	4.23	84m	

Source: Company data

Exploration Potential

Zinc-silver-lead mineralisation has been intersected in the western part of the drilled area, where there is a change in the system, which is less well understood. However, the rock chip samples and EM results show anomalous readings continue to the west.

The potential strike extension is also to the east of the area drilled. The geochemical and IP signature to the east lies along the andesite-rhyolite contact. It is also possible that Herencia could intersect mineralisation along the rhyolite-andesite contact to the south of the area currently drilled.

As the veins strike east-west and are stacked parallel to each other, we believe there is a possibility for extensions to mineralisation in the north of the current drilled area.

There are small areas of mineralisation visible at surface between the three veins drilled. These may be immaterial but, as the veins change dip with depth, and pinch and swell, there is a possibility that these areas may be defined as additional veins.

Herencia has not yet released a mineral resource statement to incorporate the drilling undertaken so far, but we believe that an announcement shall be made shortly.

Herencia plans on beginning an additional drill programme of 10,000m to infill the area already drilled and to test further along strike.

In addition to the low sulphidation epithermal target area, Herencia has identified a target called Rosa, close to "Patricia" which is a clay alteration zone highly prospective for porphyry copper and associated copper oxide blankets. The alteration zone covers 3km², and has never been explored before. Herencia will undertake geochemistry and geophysics on the area to build up an understanding of its prospectivity.

Iquique

The Iquique project covers two sets of tenement blocks with a combined area of 79km². The Iquique silver district was one of the major silver fields in Chile, and indeed the town and port of Iquique grew to support the silver mining industry. Both silver nuggets and silver chloride ore (secondary replacement silver ore found in veins) were mined from this area. Herencia's tenements comprise almost all of this historic silver mining area.

Geologically, the targets are low sulphidation epithermal deposits. They contain high grade silver with variable lead and zinc, and become more copper rich with depth. Weathering has greatly affected the mineralisation in this area. Salt interaction has resulted in silver being remobilised into the form of silver chloride, which fills the veins and fractures.

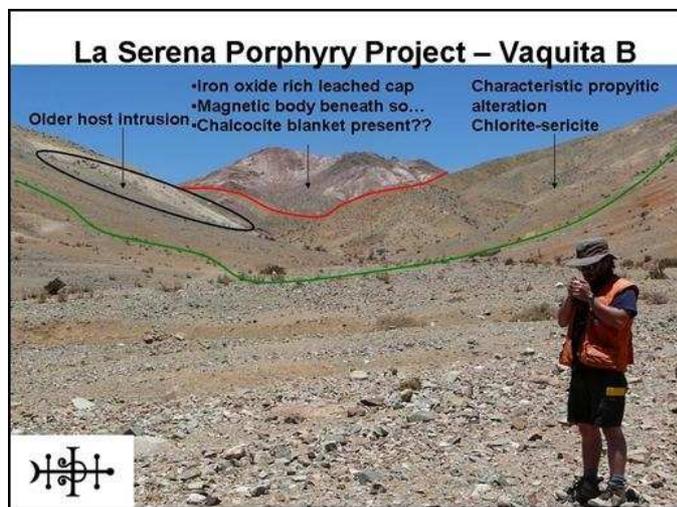
In addition to the silver chloride veins, historic operations were also developed on stratabound silver and copper style deposits in limestone, and potential for a discovery with this style of mineralisation is thought to exist.

Herencia has completed a 36 hole (3887m) reverse circulation (RC) drilling programme on Iquique, testing near surface areas of historic activity. Mineralisation in the order of 2m at 110g/t Ag, 3m at 69g/t Ag and 14m at 21.3g/t Ag has been intersected, at depths less than 90m.

La Serena

The La Serena project area became part of the Herencia portfolio in 2007. The company has tenure over an area in excess of 35,000ha. The area is prospective for porphyry copper mineralisation, and Herencia has already identified 15 alteration anomalies. The area is largely unexplored. In the centre of the Herencia tenement position, is AIM listed Tarquin Resources' Las Pascualas project, and Tarquin has defined a mineral resource of 29.9mt at 0.59% copper in a supergene oxide blanket.

Figure 4: Herencia's La Serena Project



Source: Company data

Mineral Securities Association

Herencia has the backing and support of Perth and London based specialist resources group, Mineral Securities, which is ASX and AIM listed. MinSec's business model is to selectively invest in projects/companies which are either unlisted or early stage. They support and in some cases manage the companies, both technically and financially. Examples of companies with MinSec involvement are Platmin, CopperCo, Tianshan Goldfields and previously Sally Malay Mining. MinSec has entered into an alliance with Herencia to focus on suitable South American projects.

Mineral Securities effectively sold its Chilean assets to Herencia in 2005, and as part of this transaction was due to receive 50 million performance shares subject to US\$2m being spent on the project areas. The conditions for the issue of these performance shares have now been satisfied, meaning that Mineral Securities will be a 46% shareholder in the company.

Comment

Without a JORC compliant mineral resource, we are unable to assign a considered valuation or price target to Herencia. However, we believe that the drilling that the company has undertaken so far will be adequate to define a resource (we presume this would be in the inferred category) in the near term. Although Paguanta is only at the drill out stage, certain aspects of the project/ company are worth highlighting.

- The three veins which have been identified and drilled to date outcrop at surface, lending themselves to potential open pit mining.
- The veins outcrop on the side of a hill, so the deposit would lend itself to benching, reducing strip ratios and haulage distances – thus reducing mining costs.
- The veins are of sufficient width where they could potentially be mined using conventional open pit mining equipment.
- The grade could be classed as moderately high, and is a fairly even mix of all three metals (zinc, silver and lead).
- There is potential for additional tonnes to be defined along strike and parallel to known veins.
- Metallurgical work has not been undertaken as yet, but ore minerals have been identified as sphalerite, galena, and argentite – which, gangue minerals permitting, are fairly standard to process.
- Gold has been intersected in some of the holes drilled to date.
- Although within the Atacama desert, drilling intersected water at 35m depth.
- The project area is only 20km south of the national highway.
- Chile is a well established, mining friendly jurisdiction.
- A multi project company, with further exploration imminent on La Serena.
- The company has the backing of Mineral Securities.

We believe that the Paguanta Project has the potential to become a “development” opportunity in the near future. The management team at Herencia, supported by Mineral Securities are well positioned to advance the company beyond exploration and into the development phase.

Directors and Management

Michael Bohm

Executive Director

Michael Bohm is a mining engineer having extensive experience in operations management, evaluation and project development in Australia, Northern Europe, SE Asia and North America. Michael has over 20 year's minerals industry experience predominantly in the gold, nickel and diamond sectors in both open pit and underground mining environments.

His corporate experience includes previous directorships at Sally Malay Mining Limited in Australia (ASX) and Ashton Mining of Canada (TSE). He is currently the Managing Director – Asia Pacific for Mineral Securities Limited.

Hon John Moore AO

Non-Executive Chairman

The Hon John Moore AO holds a Bachelor of Commerce and Associate in Accountancy from the University of Queensland. John has had a distinguished career in Australian politics; he was the Minister for Defence, the Minister for Industry, Science & Tourism and Vice President of the Executive Council.

Prior to entering politics, John Moore was a stockbroker and member of the Brisbane Stock Exchange. He has served on the boards of many broking and banking related companies including Citinational Limited, Merrill Lynch (Aust) Pty Ltd and Grindlays (Aust) Pty Ltd.

John Russell

Non-Executive Director

John Russell has over 30 years experience in Investment Banking. He was a member of the Australian Stock Exchange and a partner in Bain & Company. He has had 20 years experience in London and New York as head of Bain's Branches in both cities. In 1992 Bain was acquired by Deutsche Bank AG and John continued as senior Director of Deutsche Bank Australia in Europe until the end of 1999.

Since retiring from Deutsche Bank John has been providing consulting services to smaller technology companies. John is Chairman of both Henderson Far East Income Limited and Minster Pharmaceuticals Plc.

William Adamson*Non-Executive Director*

Bill Adamson has a Bachelor of Engineering (Mining) from the Western Australian School of Mines, a Master of Engineering Science from the University of Queensland and a Doctor of Philosophy (Blasting Engineering) from the University of Queensland (JKMRC). Mr Adamson is currently General Manager at Austin Chile trading Limited and Senior Technical Manager at Austin Powder Inc, companies who supply explosive products and blasting technology to the mining sector.

Bill has 16 years experience in the South American Resources Industry. He previously worked in Chile for the explosive company Dyno Nobel and the engineering firm Signet and has lived with his family in Santiago for 12 of the last 16 years. He is a fluent Spanish speaker.

James Sinclair*General Manager – Chile*

Jim Sinclair has a dual Honours Degree in Geology and Physical Geography from the Sheffield University and a Masters Degree in Sedimentology from Reading University. Prior to joining Herencia Jim was Country Manager with AngloGold Ashanti in Mongolia and was responsible for all exploration activities including personnel management, safety, budgeting, contractors, technical programmes, project generation activities and government/NGO liaison. Before that Jim was based in Australia with Anglo, being responsible for exploration and drilling activities in the Northern Territory and was involved with the discovery of the Coyote gold deposit.

Disclosures

WH Ireland Recommendation Definitions

Buy

Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

Outperform

Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

Market Perform

Expected to perform in line with the FTSE All Share over the next 12 months.

Underperform

Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

Sell

Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

Speculative Buy

The stock has considerable level of upside but there is a higher than average degree of risk.

Share Price Target

The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

Stock Rating Distribution

As at the quarter ending 30 June 2007 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage
Buy	11	19
Speculative Buy	7	12
Outperform	17	29
Market Perform	20	34
Underperform	1	2
Sell	2	3
Total	58	100

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Analyst Certification

The research analyst or analysts attest that the views expressed in this research report accurately reflect his or her personal views about the subject security and issuer. Furthermore, no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

Companies Mentioned

Herencia Resources plc

Share Price Date/Time

Company Name	Recommendation	Price	Price Date/Time
Herencia Resources plc	Speculative Buy	1.5p	17/09/07 11.00am

Source: WH Ireland

Summary of Company Notes

N/A

Summary of Security Recommendations

N/A

*Current Analyst (CA), Previous Analyst (PA)

Disclaimer

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