

Paguanta results bolster Herencia

IT CLEARLY shapes as a big year for AIM-listed Herencia Resources with the recently reported zinc and silver results from its Paguanta project in Chile.

The first ever drilling at Paguanta (undertaken in December just past) saw eight out of the 10 holes drilled into the Patricia zone intersect mineralisation, including a number of high zinc, silver and lead grades.

Highest individual grades included 15.75% zinc, 447 ppm silver and 5.58% lead (1 m samples), with the significance of the results further highlighted by the fact that the veins returning the promising grades and widths outcrop, are in close proximity to each other, and remain open along strike and at depth.

The potential for open cut mining has already been noted by Herencia, in tune with what is very much a production orientated company – headed by mining engineer and executive director Michael Bohm – and one that is already looking to have scoping studies and the like underway during 2007.

"We want a quick transition from exploration to mining," Mr Bohm unambiguously states. "We're looking for targets that we can quickly bring to development and Chile's a great country for that, given its well-developed mining culture. We see the clear potential for Paguanta to be an open cut development given the topography – which lends itself to benching into the side the hill, hence reducing the requirement to haul waste uphill. This is significant given the single biggest cost in most mining operations is moving waste."

Mr Bohm, who has around 20 years' experience in mine development and project financing (and has had previous directorships at Sally Malay Mining in Australia and Ashton Mining in Canada), pointed out that Paguanta's altitude of around 3,700 m is well below many

Drilling at Paguanta



mines operating in South America.

Paguanta is located on the northern end of the Chilean Porphyry Copper Belt, around 150 km east of the port of Iquique and 20 km south of a national highway.

The diamond drilling was carried out after surface and underground sampling of old workings by Herencia identified a 1 km long anomaly, supported by results from a geophysical survey. According to the company, the drilling showed the mineralisation to be hosted by

at least three sub-parallel, steeply dipping faults that generally have a core (2-8 m true width) of higher grade mineralisation within a broader hanging wall zone of up to 18 m true width.

Early in February the results were being more closely assessed ahead of the next phase of work. Leading the assessment was Herencia's general manager in Chile, Jim Sinclair, whose recruitment last year in what is clearly a tough market for employers in the resources

THE TEAM

MICHAEL BOHM

Executive director

Mr Bohm is a mining engineer and graduate of the WA School of Mines in Kalgoorlie. He has 21 years' experience in the gold, nickel and diamond sectors of the minerals industry. Following a period in Indonesia with Billiton in the early 1990s, Mr Bohm spent nine years with Ashton Mining Ltd and over three years with Sally Malay Mining Ltd prior to joining Mineral Securities in August 2005. He was directly involved in the development of the Lerokis gold/silver/barium project with Billiton in Indonesia, the Laverton Gold, Cempaka and Merlin Projects for Ashton Mining, and the Sally Malay nickel/copper/cobalt mine.



HON. JOHN MOORE AO

Non-executive director

The Hon. John Moore AO holds accountancy degrees from the University of Queensland. He 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, he 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 Ltd, Merrill Lynch (Aust) Pty Ltd and Grindlays (Aust) Pty Ltd. He is currently non-executive deputy chairman of Mineral Securities Ltd.

JOHN RUSSELL

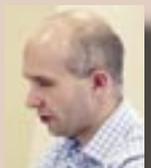
Non-executive director

Mr 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 Mr Russell continued as senior director of Deutsche Bank Australia in Europe until the end of 1999. Since retiring from Deutsche Bank he has been providing consulting services to smaller technology companies. He is a non-executive director of Henderson Far East Income Trust and Minster Pharmaceuticals plc.

JIM SINCLAIR

General manager

Mr Sinclair is an exploration geologist with over 12 years' experience in mineral exploration. He has a degree in geology and geography and an MSc in sedimentology. Mr Sinclair headed to Australia in 1995 and gained experience in the nickel and mineral sands sectors, prior to taking a position with AngloGold Ashanti. He worked in the Western Australian sector of the Tanami province for seven years and was involved in the discovery and subsequent evaluation of the Coyote Gold mine. Following that, he took up a position in Mongolia with Anglo and was involved with the country-wide assessment of many differing styles of mineralisation. Mr Sinclair joined Herencia in 2006 and manages an office of 15 people based in the northern coastal city of Iquique.





Right and left: Historic workings at Herencia's Iquique project and below a view of the Paguanta project area



sector was seen as a bit of a coup by the company. Immediately prior to his Herencia appointment, Mr Sinclair was senior regional geologist for AngloGold Ashanti in Mongolia, having earlier worked for the gold major in Australia. He is based in the northern Chilean city of Iquique and leads a team of experienced resource professionals.

While Mr Bohm acknowledges it is early days at Paguanta, he points out that the significant underground development historically established at the project has clearly advanced Herencia's exploration efforts – as borne out by the company's results in its first drill programme. He also said the drill results already highlight

significant positive possibilities.

Additional prospects at Paguanta include Refugio to the east, where a similar geophysical anomaly has been outlined.

At the same time, while the geologic assessment of Paguanta is undertaken Herencia will be considering its next move at its Iquique silver project, where major silver mines were worked by the Spanish in the 1800s. Herencia believes the 94 km² Iquique mineral field offers high grade vein-style and bulk tonnage potential, with the added bonus of the field being close to all the infrastructure needed to develop a mining operation.

Previous drilling at Iquique did not test the main

"We're looking for targets that we can quickly bring to development and Chile's a great country for that..."
– Michael Bohm

areas of interest, according to Herencia, which explains the company's continuing confidence in the project.

Herencia has now achieved its initial 50% milestone at Iquique and Paguanta and can earn up to 70% by spending another US\$1.3 million at both projects by June 2008.

Herencia is backed by well-credentialed mining house Mineral Securities (MinSec). MinSec was an early backer of Sally Malay Mining and its current investments include emerging Australian copper producer CopperCo, major platinum developer Platmin and gold explorer Tianshan Goldfields.

MinSec showed its continued confidence in Herencia when it subscribed for 20 million shares in the company in October last year.

Aside from its current focus on Paguanta and Iquique, Herencia has an alliance with MinSec covering the entire South American continent. This alliance also allows Herencia to call on MinSec's technical and commercial team, an advantage not enjoyed by most juniors.

Herencia points to a strong operating base in Chile, including "good industry networks" on the ground and an excellent joint venture partner.

The early potential, not to mention the demand-for and price-of zinc, suggests Paguanta will be chased hard by Herencia.

VITAL STATISTICS

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SHARE INFORMATION

Listed: AIM
Ticker: HER
Market cap: £5.7 million at 1.5p fully diluted
12-month trading average: 1.6p
Shares outstanding: 328 million
Net cash: £800,000
Shareholders: Mineral Securities Ltd 41.7%
Australian Heritage Group Pty Ltd 17%

ASSOCIATES

Nomad and broker: WH Ireland Limited
Auditor: UHY Hacker Young
Solicitor: Watson, Farley & Williams
Registrar: Computershare Investor Services

