HERENCIA RESOURCES PLC
("HERENCIA" OR THE "COMPANY")

Final Results for the Eighteen Months Ended 31 December 2007

The Directors present their Directors' report together with the audited accounts of the Group (Herencia Resources Plc and its subsidiary undertakings) and the Company (Herencia) for the 18 months ended 31 December 2007.

With effect from 29 March 2007, the Company changed its accounting reference date from 30 June to 31 December. The last audited statutory financial statements of the Group covered the period from the Company's date of incorporation (27 January 2005) to 30 June 2006. These audited statutory financial statements of the Group cover the eighteen month period ended 31 December 2007.

CHAIRMAN'S STATEMENT

I am pleased to report on the Company's activities in Chile.

During the period the Company made significant progress on many fronts:

- The company raised £4.7 million to undertake exploration and drilling programs at the Paguanta project in Chile.
- A major RC drill program was successfully completed in August 2007 with a total of 5,889m drilled. Of the 50 holes drilled in the Paguanta program, 40 of them intersected mineralisation confirming the high grade zinc, silver and lead assay results achieved in the previous diamond drill program.
- Subsequently, a maiden Inferred Mineral Resource was announced in October 2007. The Inferred Mineral Resources totalled 2.5Mt grading 4.1% Zn, 1.3% Pb and 77g/t Ag at a 2%Zn cut-off.
- The Company achieved all its earn-in milestones at the Paguanta Project and a Chilean company, Compania Minera Paguanta SA, was formed (70% Herencia) to hold the Paguanta Project assets.
- On-ground geological activity commenced in the La Serena region where the Company has a number of advanced porphyry-copper targets.

The Company is now well funded to progress its activities in Chile, with a focus on Paguanta, during 2008. Mineral Securities Limited, our major shareholder, continued to fully support our fundraisings and it is also most encouraging that our local Chilean joint venture partner has now commenced contributing toward expenditure to maintain their 30% ownership level at Paguanta.

Looking to the future, a major diamond and reverse circulation drilling program is to be undertaken at Paguanta during 2008, together with a preliminary metallurgical testwork program on the zinc-lead-silver ore. These programs are a pre-cursor to potentially moving to a Bankable Feasibility Study phase by the end of 2008.

Hon. John Moore AO
Chairman

DIRECTORS REPORT

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 limited company.

The principal activity of the Group is mineral exploration and it owns a portfolio of silver-zinc-lead-copper-gold exploration properties in Chile, South America. The Group operates through its parent and subsidiary undertakings, details of which are set out in note 15 to these accounts.

Results and dividends

The loss for the Group for the eighteen months ended 31 December 2007, attributable to the equity holders of the Company, was £1,202,166 (seventeen months ended 30 June 2006: £491,818).

The Directors do not propose to recommend any distribution by way of a dividend for the period ended 31 December 2007.

Review of the business and future prospects

Herencia Resources Plc holds interests in several prospective projects/properties in Northern Chile. The most advanced of these being the Paguanta project where Herencia has a 70% interest.

The Paguanta zinc-silver-lead Project, located on the northern end of the Chilean Porphyry Copper Belt, is approximately 150km east of the port of Iquique. During the period significant progress was made to advance the project:

- An eleven hole diamond drill program was completed in December 2006 (1,174m) confirming the existence of a significant, multi-veined mineralised zone. Eight out of ten holes drilled into the target intersect mineralisation, with four of these holes returning highest individual grades (over 1m) of 15.75% Zn, 447pm Ag and 5.58% Pb.
- A major RC drill program was successfully completed in late August 2007 with 50 holes completed for a total of 5,889m drilled. Of the 50 holes drilled in the program 40 of them intersected mineralisation confirming the high grade zinc, silver and lead assay results achieved in the previous diamond drill program.
- A maiden Inferred Mineral Resource was announced in October 2007. The Inferred Mineral Resources totalled 2.5Mt grading 4.1% Zn, 1.3% Pb and 77g/t Ag at a 2%Zn cut-off. The mineral resource estimate complied with recommendations in the Australian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC) of the AusIMM.
- A Chilean company, Compania Minera Paguanta SA, was formed (70% Herencia) to hold the Paguanta Project assets.

During the period, funds have been raised as follows:

- In July 2006, Herencia completed a private placement to sophisticated investors to raise £571,000 from the issue of 38,066,667 ordinary shares at a price of 1.5p per share.
- In October 2006, Herencia completed a private placement to sophisticated investors to raise £900,000 from the issue of 90,000,000 ordinary shares at a price of 1.0p per share.
- In March 2007, Herencia completed a private placement to sophisticated investors to raise £700,000 from the issue of 56,000,000 ordinary shares at a price of 1.25p per share.
- In November 2007, Herencia completed a private placement to sophisticated investors to raise £2,600,000 from the issue of 173,333,333 ordinary shares at a price of 1.5p per share.

Some of the funds raised during the period were used to undertake work on the Chile projects (mentioned above), to pursue new project development opportunities in Chile, and to provide working capital.

The remaining funds will be utilised predominantly on the Paguanta project where the Company is planning a substantial drilling campaign, due to commence in April 2008, with a view to expanding the resource base. Concurrent with this will be a preliminary metallurgical sampling program as a precursor to a scoping study to be undertaken in the 2nd and 3rd quarters 2008, before potentially advancing to a BFS (Bankable Feasibility Study) by period end. The Company also plans to advance the La Serena copper prospect in north-central Chile while continuing with business development activities in South America.

The Group’s primary business is mineral exploration which 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.

Due to the early stage of the development of the Group, it is not meaningful to consider a review of the key financial performance indicators in respect of the period.

Audit Committee

The Audit Committee meets twice each year to discuss the half yearly and annual results. For the annual results the independent auditors, UHY Hacker Young LLP, are invited to discuss the results and their assessment of internal controls. The Chairman of the Audit committee is John Russell and the other participating member of the committee is The Hon. John Moore AO.
The Company has adopted an Audit Committee Charter which addresses the mandate of the Committee, the composition, independence, expertise of the members, frequency of meetings, roles and responsibilities, external audit function, internal controls, financial reporting, annual and interim financial statements, release of financial information, non-audit services, delegation of authority, reporting responsibilities, resources and authority of the Committee, and compliance with laws and regulations.

Remuneration Committee

The Company does not, at present, have a Remuneration Committee.

Going concern

After making appropriate enquiries and examining those areas which could give rise to financial exposure the Directors are satisfied that no material or significant exposures exist and that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Group’s financial statements.

Information to shareholders - Web site

The Company has its own web site (www.herenciaresources.com) for the purposes of improving information flow to shareholders as well as to potential investors.

Group structure and changes in share capital

Details of movements in share capital during the period are set out in note 17 to these accounts.

Directors

The following Directors held office during the period:

Michael Bohm (Executive)
The Hon. John Moore AO. (Non-Executive Chairman)
John Russell (Non-Executive)
Ross Warner (Non-Executive) Appointed 27 January 2005 - Resigned 13 September 2006
William Adamson (Non-Executive) Appointed 18 May 2007

Directors' interests

The beneficial and non-beneficial interests in the Company's shares of the Directors and their families were as follows:

Name	31 December 2007 Number of ordinary shares of £0.001	30 June 2006 Number of ordinary shares of £0.001
Michael Bohm [1,3]	(note below)	(note below)
The Hon. John Moore AO. [1,2]	(note below)	(note below)
John Russell[1]	(note below)	(note below)
William Adamson	-	-

[1] 279,400,000 shares are held by Mineral Securities Limited as at 31 December 2007 (30 June 2006: 116,666,667). Michael Bohm and John Russell are shareholders of Mineral Securities Limited, and The Hon. John Moore AO. is a director and shareholder of Mineral Securities Limited.

[2] 666,667 shares are held by Ralsten Pty Ltd as of 31 December 2007 (30 June 2006: 666,667). The Hon. John Moore AO. is a director and shareholder of that company.

[3] 3,033,333 shares are held by Michael Bohm's wife, Charmaine Lobo.

The beneficial and non-beneficial interests in the Company's options of the Directors and their families at 31 December 2007 were as follows (the details of these options are set out in note 18 to the financial statements):

Name	31 December 2007 Number of options over ordinary shares of £0.001	30 June 2006 Number of options over ordinary shares of £0.001
Michael Bohm	5,400,000	-
The Hon. John Moore AO.	5,000,000	-
John Russell	5,000,000	-
William Adamson	2,000,000	-

Report on directors' remuneration and service contracts

The service contracts of all the existing Directors are subject to a one month termination period

Pensions

The Group does not operate a pension scheme for Directors or employees.

Directors' Remuneration

Remuneration of Directors for the period was as follows:

31 December 2007	Fees/basic salary £	Employers NI £	Share based payments £	2007 Total £
Executive				
Michael Bohm	22,500	-	22,022	44,522
Non-Executive				
The Hon. John Moore AO.	22,500	-	25,210	47,710
John Russell	22,500	2,004	25,210	49,714
Ross Warner	2,059	-	-	2,059
William Adamson	8,750	-	10,084	18,834
	78,309	2,004	82,526	162,839

30 June 2006	Fees/basic salary £	Employers NI £	Share based payments £	2006 Total £
Executive				
Anthony Barton	17,000	-	-	17,000
Non-Executive				
Ross Warner	22,000	2,340	-	24,340
Keith Liddell	7,000	-	-	7,000
	46,000	2,340	-	48,340

Substantial shareholders

The Company has been notified, in accordance with Sections 198 to 202 of the Companies Act 1985, of the under noted interests in its ordinary shares as at 7 March 2008:

	Number of Ordinary shares	% of Share Capital
Mineral Securities Limited	279,400,000	46.0
Fitel Nominees Limited	101,312,665	16.7
Pershing Keen Nominees Limited	87,909,999	14.5

Supplier payment policy

The Company's policy is that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, providing that all trading terms and conditions have been complied with.

Political and charitable contributions

There were no political or charitable contributions made by the Company during the period ended 31 December 2007.

Subsequent events

No matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affect the results of the operations of the Company.

Environment Policy Statement

The Company is an Operator of exploration projects. It closely monitors activities to ensure, to the best of its knowledge, there is no potential for any breach of environment's regulations. There have been no convictions in relation to breaches of the local Chilean regulations recorded against the Group during the reporting period.

Statement of directors' responsibilities

In considering these financial statements the Directors took account of the Company Law requirements, whereby any financial statements are prepared in accordance with applicable laws and accepted accounting standards in the United Kingdom and which give a true and fair view of the state of affairs of the Group and its profit or loss for the period. In preparing these financial statements, the Directors therefore followed the Company Law requirements of preparing financial statements whereby they are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgements and estimates that are responsible and prudent;
c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business;
d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
e) provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRS") is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. The Directors are also responsible for safeguarding the assets of the Group and hence for taking steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the Directors at the time of approval of the report are aware:

1. there is no relevant audit information of which the Company's auditors are unaware; and
2. the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

On 30 April 2007 the company's auditors, UHY Hacker Young, transferred their business to a limited liability partnership, UHY Hacker Young LLP ("the LLP"), and the office of auditor has passed to the LLP. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that UHY Hacker Young LLP be re-appointed as auditors of the Company and that the Directors be authorised to fix their remuneration will be put to the next Annual General Meeting.

For more information please contact:

Mike Bohm, Herencia Resources plc -

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GROUP INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2007

	Notes	Eighteen months ended 31 December 2007	Seventeen months ended 30 June 2006
		£	**£**
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administration expenses		(1,253,660)	(512,267)
Operating loss	6	**(1,253,660)**	**(512,267)**
Finance revenue	6	52,493	20,449
Loss before taxation		**(1,201,167)**	**(491,818)**
Taxation	8	-	-
Loss for the period		**(1,201,167)**	**(491,818)**
Attributable to:			
Equity holders of the Company		(1,202,166)	(491,818)
Minority interest		999	-
		(1,201,167)	(491,818)
Loss per ordinary share – basic and diluted	4	(0.33)p	(0.36)p

GROUP AND COMPANY BALANCE SHEETS
AS AT 31 DECEMBER 2007

	Notes	Group 31 December 2007	Group 30 June 2006	Company 31 December 2007	Company 30 June 2006
		£	£	£	£
ASSETS					
Non current assets					
Intangible assets	13	2,521,693	886,129	-	-
Property, plant and equipment	14	56,725	31,772	-	-
Investments	15	-	-	1,250,000	1,000,000
		2,578,418	917,901	1,250,000	1,000,000
Current assets					
Cash and cash equivalents	9	2,864,055	160,293	2,279,382	154,041
Trade and other receivables	10	199,359	43,241	2,202,639	161,761
Other	11	8,418	-	8,418	-
		3,071,832	203,534	4,490,439	315,802
Total assets		**5,650,250**	**1,121,435**	**5,740,439**	**1,315,802**
LIABILITIES					
Current liabilities					
Trade and other payables	12	66,122	43,435	46,461	31,580
Total liabilities		**66,122**	**43,435**	**46,461**	**31,580**
Net Assets		**5,584,128**	**1,078,000**	**5,693,978**	**1,284,222**
EQUITY					
Called up share capital		607,400	200,000	607,400	200,000
Share premium account		6,006,645	1,276,925	6,006,645	1,276,925
Reserve for own shares		-	82,000	-	82,000
Share based payments reserve		96,985	-	96,985	-
Translation reserve		(11,826)	10,893	-	-
Accumulated losses		(1,693,984)	(491,818)	(1,017,052)	(274,703)
Capital and reserves attributable to equity holders		**5,005,220**	**1,078,000**	**5,693,978**	**1,284,222**
Minority interests in equity	16	578,908	-	-	-
Total equity and reserves		**5,584,128**	**1,078,000**	**5,693,978**	**1,284,222**

GROUP AND COMPANY CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

	Notes	Group 2007	Group 2006	Company 2007	Company 2006
		£	£	£	£
Net cash outflow from operating activities	19	**(634,589)**	**(498,651)**	**(2,482,272)**	**(425,333)**
Cash flows from investing activities					
Interest received		52,493	20,449	52,493	20,449
Purchase of property, plant and equipment		(39,478)	(34,301)	-	-
Cash acquired with subsidiary undertakings	15	149,635	500,000	-	-
Net funds used for investing in exploration	13	(1,379,419)	(386,129)	-	-
Net cash (utilised by)/generated from investing activities		(1,216,769)	100,019	52,493	20,449
Cash flows from financing activities					
Proceeds from issue of shares	17	4,689,000	550,000	4,689,000	550,000
Issue costs		(133,880)	(73,075)	(133,880)	(73,075)
Proceeds from shares issued after the balance sheet date		-	82,000	-	82,000
Net cash generated from financing activities		4,555,120	558,925	4,555,120	558,925
Net increase in cash and cash equivalents		**2,703,762**	**160,293**	**2,125,341**	**154,041**
Cash and cash equivalents at 1 July 2007 (2006 – 27 January 2005)		160,293	-	154,041	-
Cash and cash equivalents at the end of the period	9	**2,864,055**	**160,293**	**2,279,382**	**154,041**

The above cashflow statement is for the eighteen month period ended 31 December 2007 (2006: for the period from the date of incorporation on 27 January 2005 to 30 June 2006)

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2007

	Share capital	Share premium	Reserve for own shares	Translation reserve	Share based payments reserve	Accumulated losses	Total	Minority interest	Total Equity
	£	£	£	£	£	£	£	£	£
Balance at 27 January 2005	-	-	-	-	-	-	-	-	-
Issue of shares	200,000	1,350,000	-	-	-	-	1,550,000	-	1,550,000
Issue costs	-	(73,075)	-	-	-	-	(73,075)	-	(73,075)
Shares issued after 30 June 2006	-	-	82,000	-	-		82,000	-	82,000
Exchange differences on translation of foreign operations	-	-	-	10,893	-	-	10,893	-	10,893
Net loss for the period	-	-	-	-	-	(491,818)	(491,818)	-	(491,818)
Balance at 30 June 2006	200,000	1,276,925	82,000	10,893	-	(491,818)	1,078,000	-	1,078,000
Balance at 1 July 2006	200,000	1,276,925	82,000	10,893	-	(491,818)	1,078,000	-	1,078,000
Issue of shares	325,400	4,863,600	-	-	-	-	5,189,000	-	5,189,000
Issue costs	-	(133,880)	-	-	-	-	(133,880)	-	(133,880)
Issue of options	-	-	-	-	96,985	-	96,985	-	96,985
Transfer from reserve	82,000	-	(82,000)	-	-	-	-	-	-
Exchange differences on retranslation of foreign operations	-	-	-	(22,719)	-	-	(22,719)	(3)	(22,722)
Net (loss)/profit for the period	-	-	-	-	-	(1,202,166)	(1,202,166)	999	(1,201,167)
Minority's interest in share capital of subsidiary	-	-	-	-	-	-	-	577,912	- 577,912
Balance at 31 December 2007	607,400	6,006,645	-	(11,826)	96,985	(1,693,984)	5,005,220	578,908	5,584,128

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2007

	Share capital	Share premium	Reserve for own shares	Translation reserve	Share Based Payments Reserve	Accumulated losses	Total
	£	£	£	£	£	£	£
Balance at 27 January 2005	-	-	-	-	-	-	-
Issue of shares	200,000	1,350,000	-	-	-	-	1,550,000
Issue costs	-	(73,075)	-	-	-	-	(73,075)
Shares issued after 30 June 2006	-	-	82,000	-	-	-	82,000
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	(274,703)	(274,703)
Balance at 30 June 2006	200,000	1,276,925	82,000	-	-	(274,703)	1,284,222
Balance at 1 July 2006	200,000	1,276,925	82,000	-	-	(274,703)	1,284,222
Issue of shares	325,400	4,863,600	-	-	-	-	5,189,000
Issue costs	-	(133,880)	-	-	-	-	(133,880)
Issue of options	-	-	-	-	96,985	-	96,985
Transfer from reserve	82,000	-	(82,000)	-	-	-	-
Exchange differences on retranslation of foreign operations	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	(742,349)	(742,349)
Balance at 31 December 2007	607,400	6,006,645	-	-	96,985	(1,017,052)	5,693,978

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007

1. Accounting policies

The principal accounting policies, all of which have been applied consistently to all the periods are set out below.

1.1. Basis of preparation

The financial statements have been prepared using the historical cost convention and are presented in UK pound sterling. 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 Company recently changed its accounting reference date from 30 June to 31 December. The last audited statutory financial statements of the Group covered the period from the Company's date of incorporation of 27 January 2005 to 30 June 2006. These audited statutory financial statements of the Group cover the eighteen month period ended 31 December 2007.

The comparative figures in the income statement, the balance sheet, the statement of changes in equity and the cash flow relate to the period covered in the last audited statutory financial statements for the period ended 30 June 2006.

In accordance with the provision of Section 230 of the Companies Act 1985, the Parent Company has not presented an Income Statement. The loss for the period ended 31 December 2007 of £742,349 (30 June 2006: 274,703) has been included in the income statement.

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 Company. 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 is capitalised as an intangible asset and in accordance with IFRS3 'Business Combinations' it is not amortised but tested for impairment when there are any indications that its carrying value is not recoverable. As such, goodwill is stated at cost less any provision for impairment in value. If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit and loss on sale.

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 individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statement the assets and liabilities of the foreign subsidiary undertakings are translated into Sterling at the rates of exchange ruling at the period 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 balance sheet. 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.

1.8 Share based payments

The Company made share-based payments to certain directors and employees by way of issue of share options. The fair value of these payments is calculated by the Company using the Black Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest.

2. Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Impairment of intangible assets
Determining whether intangible assets are impaired requires an estimation of whether there are any indications that its carrying value is not recoverable.

3. Accounting standards, interpretations and amendments to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 August 2007 or later periods, but which the Group has not opted for early adoption. The new standards which are expected to be relevant to the Group's operations are as follows:

IFRS 7 Financial Instruments: Disclosures (effective from 1 August 2007) and amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective from 1 August 2007)

IFRS 7 introduces new disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Management is currently assessing the impact of IFRS 7 and the amendment to IAS 1 on the Group's financial statements.

IFRS 8 Operating segments (effective from 1 August 2009)

This IFRS specifies how an entity should report information about its operating segments in its financial statements. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Management is currently assessing the impact of IFRS 8 on the Group's financial statements.

3. Accounting standards, interpretations and amendments to published standards not yet effective (continued)

Amendment to IAS 1 Presentation of financial statements (effective from 1 August 2009)

This amendment requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). Management is currently assessing the impact of this amendment on the Group's financial statements.

IFRIC 10 'Interim financial reporting and impairment'

IFRIC 10 'Interim financial reporting and impairment' states that any impairment losses on goodwill and certain financial assets recognised in an interim financial statement may not be reversed in subsequent interim or annual financial statements.

IFRIC 11 Group and Treasury Share Transactions (effective from 1 August 2007)

IFRIC 11 provides guidance on the application of IFRS 2 Share-based payments to transactions which are settled by the purchase of own shares, and transactions in which employees of a subsidiary receive rights to shares of a parent company. Management does not expect adoption of this interpretation to have a significant impact on the Group's financial statements.

4. Loss per share

The basic loss per ordinary share of (0.33)p (2006; (0.36)p) for the Group has been calculated by dividing the loss for the period of £1,202,166 (2006: £491,818) by the weighted average number of ordinary shares in issue of 364,437,522 (2006: 137,964,775).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 364,437,522 (2006: 137,964,775). The diluted loss per share has been kept the same as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

5. Segmental information

During the period, the Group was organised into its main business segment as mineral exploration.

The primary segmental reporting is determined to be geographical segment according to the location of the asset. There are two reporting geographical segments.

Geographical segment	**Australia**	**Chile**	**Total**
31 December 2007	**£**	**£**	**£**
Administration expenses	(511,753)	(716,901)	(1,228,654)
Finance revenue	52,493	-	52,493
Foreign exchange (loss)/gain	(33,088)	8,082	(25,006)
Loss before taxation	(492,348)	(708,819)	(1,201,167)
As at 31 December 2007			
Intangible assets	-	2,521,693	2,521,693
Property, plant and equipment	-	56,725	56,725
Trade and other receivables	13,212	194,565	207,777
Cash and cash equivalents	2,279,382	584,673	2,864,055
Trade and other payables	(46,461)	(19,661)	(66,122)
Net assets	2,246,133	3,337,995	5,584,128
30 June 2006			
Administration expenses	(295,152)	(217,115)	(512,267)
Finance revenue	20,449	-	20,449
Loss before taxation	(274,703)	(217,115)	(491,818)
As at 30 June 2006			
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

The above results are for the eighteen month period ended 31 December 2007 (2006: for the period from the date of incorporation on 27 January 2005 to 30 June 2006)

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.

6. Reconciliation of loss

	Group 2007 £	Group 2006 £
Income		
Interest income	52,493	20,449
Other income	-	-
Total income	**52,493**	**20,449**
Expenses by nature		
Auditors' remuneration		
- audit	(20,632)	(8,500)
- other services	-	-
Depreciation of tangible assets	(14,525)	(2,529)
Travel	(83,407)	(68,152)
Listing fees	(10,005)	(23,033)
Consultants	(102,457)	(82,211)
Legal costs	(35,269)	(73,765)
Company secretarial	(21,793)	(12,796)
Directors’ fees	(80,312)	(48,340)
Personnel costs	(56,981)	(49,255)
Office costs	(12,947)	(22,195)
Public relations	(2,937)	(18,593)
Foreign exchange loss/gain	(25,006)	(61,265)
Share based payments expense	(96,985)	-
Impairment of goodwill	(125,000)	-
Impairment of exploration & development costs	(547,133)	-
Other costs	(18,271)	(41,633)
Total expenses	**(1,253,660)**	**(512,267)**
Loss for period	**(1,201,167)**	**(491,818)**

The audit costs includes £17,500 (2006: £8,500), payable to the parent company auditors.

7. Directors’ emoluments

	Group 2007 £	Group 2006 £
Wages and salaries	78,309	46,000
Social security costs	2,004	2,340
Share based payments	82,526	-
	162,839	48,340

8. Taxation

	Group 2007 £	Group 2006 £
Current tax charge	-	-
Deferred tax		
Deferred tax current period charge	-	-
	-	-
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(1,201,167)	(491,818)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 30% (2006: 30%)	(360,350)	(147,545)
Effects of:		
Non deductible expenses	234,728	29,947
Tax losses	125,622	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.

The group had tax losses of £496,946 at 31 December 2007 (2006: £391,994).

9. Cash and cash equivalents

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Cash at bank and in hand	2,864,055	160,293	2,279,382	154,041

10. Trade and other receivables

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Other receivables	199,359	43,241	4,793	-
–Amounts due from subsidiary undertakings	-	-	2,197,846	161,761
	199,359	43,241	2,202,639	161,761

11. Other current assets

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Prepayments	8,418	-	8,418	-

12. Trade and other payables

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Other creditors and accruals	66,122	43,435	46,461	31,580
	66,122	43,435	46,461	31,580

13. Intangible assets

	Goodwill	Exploration and development costs	Total
Cost			
As at 1 July 2006	500,000	386,129	886,129
Additions	500,000	1,807,697	2,307,697
At 31 December 2007	1,000,000	2,193,826	3,193,826
Impairment			
As at 1 July 2006	-	-	-
Impairment during the period	(125,000)	(547,133)	(672,133)
As at 31 December 2007	(125,000)	(547,133)	(672,133)
Carrying amount			
As at 31 December 2007	875,000	1,646,693	2,521,693
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.

During the period ended 30 June 2006, the Company acquired the entire issued share capital of Tarapaca Resources (Bermuda) Limited ("Tarapaca") from Mineral Securities Limited. The initial purchase consideration gave rise to goodwill of £500,000. The subsidiaries of Tarapaca have interest in two separate blocks of tenements over the Iquique Mineral Fields and one block at Paguanta Mineral Field. As the fair value of these tenements could not be measured reliably at the date of acquisition, the intangible assets purchased had been subsumed within the amount of purchase consideration attributed to that goodwill.

However, there was a further consideration of £500,000, comprising 50,000,000 shares at £0.01p each, to be issued in respect of this acquisition. This was contingent upon the Group's investing at least US$2,000,000 in the projects owned by Tarapaca and its subsidiaries within thirty six months of the date of the acquisition. At 30 June 2006, the Directors believed that it was unlikely that the performance criterion would be met and therefore, they could not make a reasonable estimate of the fair value of the contingent consideration at that date. On satisfaction of this performance criterion during the period, the contingent consideration was met, which gave rise to a further goodwill of £500,000 arising from this acquisition. For the same reasons as referred to above, the intangible assets purchased at the date of the acquisition also had been subsumed within the amount of this contingent consideration attributed to this goodwill.

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. An impairment provision of £547,133 on exploration and development costs and that of £125,000 on goodwill has been made in respect of the Iquique Mineral Fields as the Directors have decided to withdraw from the Iquique project to focus on the Group's 70% owned Paguanta project.

14. Property, plant and equipment

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Plant and equipment				
At cost	73,779	34,301	-	-
Accumulated depreciation	(17,054)	(2,529)	-	-
Total property and equipment	56,725	31,772	-	-

Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the financial period:		
Balance at the beginning of the period	31,772	-
Additions at cost	39,478	34,301
Disposals	-	-
Depreciation expense	(14,525)	(2,529)
Carrying amount at the end of the period	56,725	31,772

15. Fixed asset investments

The Company's investment in subsidiary undertakings at 31 December 2007 were as follows:

	Company £
At 1 July 2006	1,000,000
Addition during the period	500,000
Less provision for impairment	(250,000)
At 31 December 2007	1,250,000

The Company's subsidiary undertakings as at 31 December 2007 were as follows:

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
Herencia Resources (Chile) SA	Chile	Ordinary	100
Compania Minera Paguanta SA	Chile	Ordinary	70

15. Fixed asset investments (continued)

During the period, Compania Minera Paguanta SA was formed and Paguanta Resources (Chile) SA transferred all of its 70% interest in the Paguanta project (being a joint operation with Compania Minera Costa Rica ("Compania") owning 30% of that joint operation with Compania for a 70% equity in that company. At the same time, the minority shareholder injected £579,913 (comprising mining concessions of £428,278 and a cash sum of £149,632 – see note 16) to acquire the remaining 30% interest in that company.

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

16. Minority interest

	Group 2007 £	Group 2006 £
Called up share capital	577,913	
Accumulated profits	999	-
Translation reserve	(3)	
	578,909	-

17. Called up share capital

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Authorised:				
10,000,000,000 ordinary shares of £0.001 each	10,000,000	10,000,000	10,000,000	10,000,000
Allotted, issued and fully paid:				
607,399,999 ordinary shares (2006: 200,000,000 ordinary shares)	626,433	200,000	626,433	200,000

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

- On 10 July 2006, the Company completed a private placement raising a capital sum of £571,000 from the issue of 38,066,667 ordinary shares at a price of 1.5p per share (of the £571,000 cash raised, £82,000 was received prior to 1 July 2007).

- On 30 October 2006, the Company also raised a capital sum of £900,000 from the issue of 90,000,000 ordinary shares at a price of 1p per share.

17. Called up share capital (continued)

- On 15 March 2007, the Company raised a capital sum of £700,000 from the issue of 56,000,000 ordinary shares at a price of 1.25p per share.

- On 27 September 2007 the Company issued 47,000,000 ordinary shares at 1p per share to Mineral Securities Limited (“Min Sec”) following the satisfaction of certain performance criteria. The company also issued 3,000000 ordinary shares at 1p per share to advisers to MinSec. The performance criteria were the investment by the Group of at least US$2,000,000 in the Paguanta and/or Iquique Projects within 36 months of the date of the Acquisition Agreement.

- On 1 November 2007, the Company raised a capital sum of £2,600,000 from the issue of 173,333,333 ordinary shares at a price of 1.5p per share.

The movements in the share capital are summarised below:

	Number of shares	**£**
As at 1 July 2006	200,000,000	200,000
Issued on 10 July 2006	38,066,666	38,067
Issued on 30 October 2006	90,000,000	90,000
Issued on 15 March 2007	56,000,000	56,000
Issued on 27 September 2007	50,000,000	50,000
Issued on 1 November 2007	173,333,333	173,333
At 31 December 2007	607,399,999	607,400

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

	£
As at 1 July 2006	1,276,925
Issued on 10 July 2006	532,933
Issued on 30 October 2006	810,000
Issued on 15 March 2007	644,000
Issued on 27 September 2007	450,000
Issued on 1 November 2007	2,426,667
Issue costs	(133,880)
As at 31 December 2007	6,006,645

18. Share options and share based payments

The number of options granted during the period were as follows:

Date of grant	Number of options	Option price	Exercisable between
2 April 2007	1,600,000	1.5p	Any time until 31 August 2010
2 April 2007	1,600,000	3.0p	Between 19 June 2007 to 31 August 2010
2 April 2007	1,600,000	4.0p	Between 19 June 2008 to 31 August 2010
30 November 2007	12,000,000	1.5p	Between 30 November 2007 to 29 November 2010
30 November 2007	2,250,000	1.5p	Between 30 November 2008 to 29 November 2010
30 November 2007	2,250,000	1.5p	Between 30 November 2009 to 29 November 2010
	21,300,000		

Of the above options, the options granted to the directors were as follows:

Date of grant	Number of options	Option price	Exercisable between
Michael Bohm			
2 April 2007	800,000	1.5p	Any time until 31 August 2010
2 April 2007	800,000	3.0p	Between 19 June 2007 to 31 August 2010
2 April 2007	800,000	4.0p	Between 19 June 2008 to 31 August 2010
30 November 2007	1,500,000	1.5p	Between 30 November 2008 to 29 November 2010
30 November 2007	1,500,000	1.5p	Between 30 November 2009 to 29 November 2010
	5,400,000		
The Hon. John Moore AO.			
30 November 2007	**5,000,000**	1.5	Between 30 November 2008 to 29 November 2010
John Russell			
30 November 2007	**5,000,000**	1.5p	Between 30 November 2007 to 29 November 2010
William Adamson			
30 November 2007	**2,000,000**	1.5p	Between 30 November 2007 to 29 November 2010

The options issued to Michael Bohm on 30 November 2007 are held for the benefit of Mineral Securities Limited ("Min Sec") pursuant to the agreement between the Company and Min Sec for the provision of M Bohm's services.

The Group recognised a charge of £96,985 (2006: £Nil) in the income statement in respect of the share-based payment plans.

These are based on the requirements of International Financial Reporting Standard 2 "Share-based payment". For this purpose, the weighted average estimated fair value for the share options granted was calculated using a Black-Scholes option pricing model in respect of options issued to the employees. The volatility measured at the standard deviation of expected price return is based on statistical analysis of the historical share price volatility, as it is assumed that this is indicative of future trends, and this has been calculated at 40%. The risk free rate has been taken as 5.74%. The weighted average fair value is 1p and the weighted average life of options is taken as 3 years.

19. Net cash outflow from operating activities

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Operating loss	(1,253,660)	(512,267)	(794,841)	(295,152)
Increase in trade and other receivables	(164,537)	(43,241)	(2,049,296)	(161,761)
Increase in trade and other payables	22,687	43,435	14,880	31,580
Depreciation of property, plant and equipment	14,525	2,529	-	-
Impairment of intangible assets	672,133	-	-	-
Impairment of investments	-	-	250,000	-
Exchange differences on retranslation of foreign operations	(22,722)	10,893	-	-
Share based payments expense	96,985	-	96,985	-
Net cash outflow from operating activities	(634,586)	(498,651)	(2,482,272)	(425,333)

20. Control

No one party is identified as controlling the Company.

21. Subsequent events

No matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affect the results of the operations of the Company.

22. Related party transactions

As set out in Note 13 to the financial statements, the Company, during the period, issued 50,000,000 shares to Mineral Securities Limited to meet the contingent consideration on the acquisition of Tarapaca Resources (Bermuda) Limited.

During the period, the Company also entered into an Alliance Agreement with MinSec. Under the alliance, Herencia 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 Resources plc 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.

During the period, the Company paid a sum of £36,795 (2006: nil) to MinSec for the provision of technical services by Michael Bohm and Ken Rogers, the Chief Geologist for MinSec.

During the period, the Company issued 3,000,000 options to Michael Bohm for the benefit of MinSec pursuant to the agreement entered into between Herencia and Mineral Securities Limited on the provision of Michael Bohm’s services.

22. Related party transactions (continued)

During the period, the Company paid a sum of £22,500 (2006: nil) to MinSec in respect of Director Fees for Michael Bohm.

John Bottomley, the secretary of the Company is an employee of Sprecher Grier Halberstam LLP, a firm of solicitors. During the period this partnership was paid a sum of £21,844 (2006: £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 did not participate in the decision making process relating to these transactions

23. Contingent liabilities and capital commitments

The Group had no contracted capital commitments at 31 December 2007. The Group had no contingent liabilities at 31 December 2007.

24. 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.

25. Financial instruments

Interest Rate risk

At 31 December 2007 the Group had Chilean Peso cash at bank of a sterling equivalent of £584,673, Australian Dollar cash at bank of £8,713 and US Dollar cash at bank of £256,609. The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, was as follows:

	Floating interest rate 31 Dec 2007 £	*Non - Interest Bearing 31 Dec 2007 £*	*Floating interest rate 30 June 2006 £*	*Non - Interest Bearing 30 June 2006 £*
Financial assets:				
Cash at bank	2,864,055	-	160,293	-

The effective weighted average interest rate was 4.46%.

Financial liabilities:

At 31 December 2007, the Group had no debt.

Net Fair Value

The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the balance sheet and in the related notes.

Currency Risk

The functional currency for the Group's operating activities is the British pound and for drilling activities the Chilean Peso. The Group's objective in managing currency exposures arising from its net investment overseas is to maintain a low level of borrowings. The Group has not hedged against currency depreciation but continues to keep the matter under review.

25. Financial instruments (continued)

Financial risk management

The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to further financial risks as the business develops.

26. Annual Report and Accounts

It is expected that the Annual Report and Accounts will be dispatched to shareholders on or before 17 April 2008. A copy of the Annual Report and Accounts will be available from the date of dispatch on the Company’s website – www.herenciaresources.com

27. Annual General Meeting

The Company has not confirmed the date of its Annual General Meeting. A further announcement will be made in due course when the details of the Annual General Meeting have been determined and the notice of AGM has been dispatched to shareholders.