

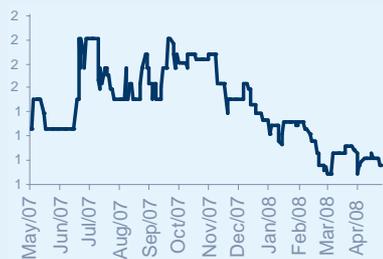
Speculative Buy

Price 0.95p

Reuters/BBG Index	HER.L / HER LN
Sector	FTSE AIM Mining
Market Cap	£5.8m
Shares in Issue	607m

Performance	Absolute	vs AIM
1 month:	-10%	-13%
3 months:	-27%	-27%
12 months:	-24%	-10%
High/Low	1.64 / 0.7	

Last Results	Prelims - 31 Mar 08
Next Event	Interims - Sept 08



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*WH Ireland acts as Broker and Nomad.

Marketing Communication

This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Please refer to important disclosures towards the end of this document.

Herencia Resources Plc*

Single minded high grade metal target in Chile

Since our last research note of 19 September 2007, Herencia has slipped from 1.50p to 0.95p. In the past twelve months it has traded in a range of 0.85p to 1.63p. The London – AIM quoted company is exploring for metal deposits in Chile, particularly targeting lead-zinc – silver – gold – copper ore bodies.

Herencia has recognised the changing mood of the market towards smaller capitalisation companies. This is to concentrate on specific targets with quantifiable economic geographic and political risks. To this end it has put its emphasis on the Paguanta poly metallic prospect in the north Chilean Porphyry Copper Belt, 120km northeast of the port of Iquique, a long, established mining area.

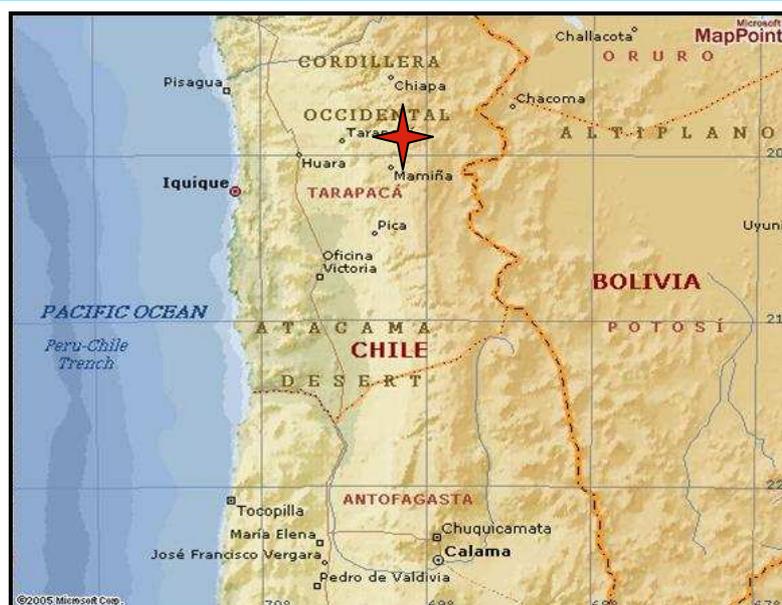
Since this announcement (28 February 2008), a diamond drilling programme has started to upgrade the 2.5Mt inferred resource declared on the prospect “Patricia” resource. The continuation of this programme also includes the examination of another nearby copper target “La Rosa” on the same continuous group.

The sequence of work, all planned to be completed by year end 2008, is to continue drilling, to expand the resource base and to complete a scoping study as a precursor to making a decision to proceed to commence a bankable feasibility study. The Company’s cash position is relatively comfortable with the equivalent 24 months burn on a historic basis at 31 December 2008.

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.

With Herencia now having satisfied the terms of the joint venture by its contribution to costs, its partner CMCR is now fully contributing to ongoing expenditures.

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. Adding to the reported 5889m of RC drilling and 1174 m of core drilling last year, the new 10,000m programme has now begun on the Paguanta project.

Figure 2: Paguanta Project



The La Rosa Project

This copper porphyry project is only 3km distant from Paguanta. Its potential mineralisation differs but the addition of copper, with its high demand and price profile would add to the portfolio.

Mineralisation

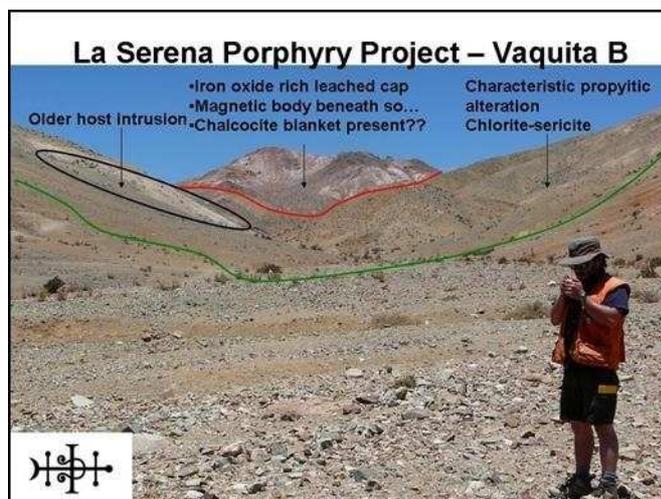
The results obtained to date from the “Patricia” zone at Paguanta have produced an inferred resource of 2.4Mt, as announced in late 2007. These have a gross in-situ value of circa \$160 per tonne, but other samples are considerably more favourable, ranging up to 27% combined lead-zinc.

The La Rosa porphyry – copper target is at an early stage of evaluation. A geochemical sampling grid has been completed with assay values including 24ppm Ag, 119 ppm Mo, 1.51% Pb, 0.57 ppm Au and 0.27% Zn. Copper values are depleted as expected. It is expected that a drilling programme on La Rosa will follow that on Paguanta.

La Serena Project

The La Serena project area became part of the Herencia portfolio in 2007. The company has through an associate several prospects in North Central Chile. The area is prospective for porphyry copper mineralisation, and Herencia has already identified 15 alteration anomalies. The area is largely underexplored. 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 3: Herencia’s La Serena Project



Source: Company data

Comment

The published inferred resource at Paguanta, at 2.4Mt, is insufficient to base a valuation or price target on Herencia. But the work undertaken so far, plus the 10,000m drill programme underway, should do so. It excludes any value yet to be ascribed to La Rosa or other potential in this large exploration licence.

Our observations, building upon our report of 19 September 2007 are:

Strengths

- Herencia has focussed itself on a single country, a homogenous group of minerals and a particular geological target.
- It is in a reasonable cash position to carry out its 2008 programme.
- This programme is ambitious but focussed at aiming to bring the Paguanta project to bankable feasibility by end 2008.
- Chile is a long established mining-friendly country.
- The company's board is experienced.
- It has good institutional backing.
- Infrastructure is not an insurmountable problem.
- The local J/V partner is fully contributing.

Weaknesses

- The chosen area is at high altitude and may encounter water problems.
- Chile is becoming increasingly environmentally aware.
- No production until late 2010 with competing projects.
- The share is currently illiquid.

RECOMMENDATION

This is a fully focused, committed company. Speculative Buy.

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. He 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.

Financials

The Company incorporated on 27 January 2005 under the Companies Act as a public limited company. It changed its accounting reference date from 30 June to 31 December. Hence the figures below show comparable periods to 31 December 2007.

Following progressive capital raisings the company now has 607,399,999 ordinary shares in issue at a par value of 0.1p. There are also 21,300,000 options outstanding at a price spread of 1.5p to 4.0p dated up to 29 November 2010.

The fully diluted share issue is thus 628,699,909 which at a middle price of 0.93p gives a market capitalisation of £5.8 million.

Activity (Group) £	18 Months to 31 Dec 2007	12 Months to 30 Jun 2006
Profit & Loss		
Administration Expenses	1,253,660	512,267
Finance Revenue	52,493	20,449
Loss for Period	1,201,167	491,818
Loss per share (fully diluted)	(0.33p)	(0.36p)
Balance Sheet		
Total Assets	5,650,250	1,121,423
Total Liabilities	66,122	43,435
Net Assets	5,584,128	1,078,000
Cashflow		
Cash from operating Activities	-634,589	-498,651
Interest received	52,493	20,449
Purchases	-39,478	-498,651
Net funds invested	-1,379,419	-386,129
Proceeds from issue of shares	4,689,000	550,000
Cash equivalents at end of period	2,864,055	160,293

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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 31st March 2008 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage	Corporate
Buy	25	25%	7
Speculative Buy	8	8%	4
Outperform	35	36%	0
Market Perform	25	25%	0
Underperform	5	5%	0
Sell	1	1%	0
Total	99	100%	11

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

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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.

This report has been reviewed by the Head of Institutional Research as an Approved Person.

WH Ireland has acted as manager in the underwriting or placement of securities of this company within the last 12 months.

Within the past 12 months, WH Ireland has received compensation for investment banking services from this company.

WH Ireland acts as broker and NOMAD to this company.

Companies Mentioned

Company Name	Recommendation	Price	Price Date/Time
Herencia Resources plc	Speculative Buy	0.97p	30 May 2008 16:30
Tarquin Resources plc	n/a	26.0p	30 May 2008 16:30

Summary of Company Notes

Headline	Date
High Grade Zinc-Silver-Lead	19 September 2007
Single minded high grade metal target in Chile	30 May 2008

Summary of Security Recommendations

Recommendation	From	To	Analyst*
Speculative Buy	19 Sept 2007	30 May 2008	PA
Speculative Buy	30 May 2008	Current	CA

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

Disclaimer

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