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Proactive Investors Talks to Michael Bohm of Herencia Resources

by [Proactiveinvestors](#)

Please give us a brief introduction to Herencia Resources.

Herencia Resources is a company focused on developing mining opportunities in South America. We have an advanced project, the Paguanta project in northern Chile, which is where our efforts have been directed over the last two or three years. We have 14 licenses over 39km² and the Paguanta project comprises of two major components which is the Patricia zinc-silver-lead resource and the La Rosa porphyry-copper target. We are a company that is owned 46 percent by CopperCo, which recently merged with Mineral Securities (which is an Australian mining house) and 8 percent by Anglo Pacific out of London.



Please give us a brief overview of the Paguanta project.

The main component of the Paguanta project is the Patricia zinc-silver-lead resource that we are looking to take into production as quickly as possible. It's exciting as it's technically shaping up as being very straightforward; the orebody outcrops; it's vertical; the zinc grades look good; we've got good lead and silver credits and the metallurgical testwork which we've done to date show excellent recoveries; we've got plus 91 percent zinc recovery. We've also just announced an upgraded zinc resource which is to JORC standards on the Patricia Resource and additionally the Paguanta Project comprises a porphyry-copper target called La Rosa about 3 kilometers away on the same tenement.

Tell us about the zinc-lead-silver resource to JORC standards for the Patricia project. Is the resource large enough to warrant a full feasibility study and is there the potential to expand the resource further?

I think at three million tons we are very confident that we've got enough to get our teeth into. Subject to the results of the scoping study and reviewing those results against commodity prices in the next couple of months, we'd be hoping to move to feasibility study in 2009 but let's wait and see how things unfold over the next two to three months. In terms of resource expansion, it's important to note that the



mineralization is open at depth and some of our best grades and thicker zinc sections came from the deepest holes, which were 200 meters deep, in the last few holes of the drill program. One of them was 20 meters at 10 percent zinc. So we were very encouraged about the potential to add high grade tonnage at depth.

As a mine, how will the Patricia project location work, in terms of power, water, roads and workforce and where will you sell your product and how will you get it to the customer?

We are very lucky to be in Chile which has terrific infrastructure; we are 20 kilometers from a field national highway, we have water in our drilling to date which has been encouraging because water is an issue in Chile. Power would likely be from an on-site diesel fired power station and the workforce we'll source from Chile where the skill levels are very high. It's a mature mining country, 40 percent of the world's copper comes from Chile, so getting a skilled workforce is quite easy in Chile.

In terms of selling the product, in our case at concentrate, we'll sell it to the customer who comes up with the best terms and we'll ship it out of one of the ports in northern Chile, there's several to choose from and we'll ship it out of one of those.

What is Herencia Resources financial situation and how much money do you need to complete the feasibility study planned for 2009?

Well at the end of October we had around £800,000 in the bank. A feasibility study in 2009 would be about £1.5 - 2 million, depending on how much drilling we did, so we are looking at our options going forward and also what opportunities might be to work with our major shareholder.

The prices of zinc, lead and silver have fallen dramatically over the past year and finance is much harder to come by, how has this affected your plans to bring the Patricia project in to production?

Well frankly, if commodity prices don't improve it'll delay our plans of course. I note that Macquarie Bank last week reforecast their base metal prices and zinc was stated at being \$1.10 in 2011 and \$1.20 per pound in 2012, and that would fit quite well with Paguanta coming on stream.

***What are the disadvantages and advantages of working in Chile?***

Disadvantages – none.

Advantages, well where do I start? Strong mineral endowment, a mature mining culture, consistent mining regulations, a skilled workforce, good infrastructure, low sovereign risk, rule of law etc etc.

What are your thoughts on the medium and long term prospects for zinc lead and silver and industrial metals in general?

Well I'm bullish on zinc because I think the medium term supply demand forecasts looking two to three years out look quite good. I don't profess to be an expert but operating costs have risen over the last five years and they're not going to come down significantly, hence some of the low commodity prices we're experiencing I don't see as being sustainable.

What are your thoughts on the credit markets, stock markets in general, and the AIM market in particular?

They are what they are and we work within them. AIM has its issues but it has been a vehicle to raise a lot of money over the last few years and we've participated in that well, so that's gone well for us. Credit markets, well, as we all know it's tight right now but we won't be looking to approach the banks for project financing for 12 months.

Exploration is one thing, developing a project and bringing it into profitable production is another. What skills does Herencia have in mine development and production?

If anything we're a bit overweight in project development skills. I've been lucky enough to be in the right place at the right time to be involved with five project startups from scratch, two of those included the project financing. Likewise, our Chilean manager has an operational background in the resources sector, so we are very confident of our ability to deliver this project.

What can investors expect from Herencia Resources over the next 12-18 months?

Subject to a positive outcome from our stoking study and subject to commodity prices improving in the New Year, we would look to launch into a feasibility study complimented by a drilling program. That drilling program would not only look at expanding the resource base and targeting the higher grade at

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depth, but also doing geotechnical and hydro-geological drilling and that would take 12 months to complete and would take all of 2009. Then we would be in a position late 2009 to early 2010 to be considering pushing the button on project financing and project development. Our goal would be that that would take 2010 and into 2011 for production in 2011.