HERENCIA RESOURCES PLC

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2008

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Michael Bohm (Managing Director) The Hon. John Moore AO. (Non-Executive Chairman) John Russell (Non-Executive)
Company Secretary	John Bottomley
Registered Office	One America Square Crosswall London EC3N 2SG
Principal Operating Office	Level 22 Allendale Square 77 St Georges Terrace Perth 6000, Western Australia
Company Number	5345029
Nominated Adviser and Broker	WH Ireland Limited 11 St James's Square Manchester M2 6WH
Auditors	UHY Hacker Young LLP Chartered Accountants Quadrant House 17 Thomas More Street London E1W 1YW
Solicitors	Watson, Farley & Williams LLP 15 Appold Street London EC2A 2HB
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Hudderfield HD8 0LA
Principal Bankers	ANZ Bank 77 Georges Terrace Perth WA 6000 Barclays Bank plc 7th Floor United Kingdom House 180 Oxford Street London W1D 1EA
Website	www.herenciaresources.com

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

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 Resources plc") for the year ended 31 December 2008.

During 2007 the Company changed its accounting reference date from 30 June to 31 December. As a result, the last audited statutory financial statements of the Group covered the eighteen month period ended 31 December 2007. These audited statutory financial statements of the Group cover the year ended 31 December 2008.

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 year ended 31 December 2008, attributable to the equity holders of the Company, was £363,527 (eighteen months ended 31 December 2007: £1,202,166).

The Directors do not propose to recommend any distribution by way of a dividend for the year ended 31 December 2008.

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 city of Iquique. The year ended 31 December 2008 was a significant year of achievement for the Company, with substantial progress made on several Project fronts. Despite difficult global market conditions, the following milestones were achieved by the Company:

Geophysical Programme - a geophysical programme was completed at Paguanta with electromagnetic surveys outlining a number of geophysical anomalies including possible veins identified adjacent to the existing zinc-lead-silver Patricia resource. A geophysical program was also completed at La Rosa, the porphyry-copper prospect, located 3km north of Patricia on the same tenement group. This work upgraded the prospect potential and assisted in better targeting the drilling program at La Rosa.

Drill Programme Completed - the completion of the geophysical programme meant that the Company could commence a 10,000m Diamond and Reverse Circulation drilling program targeting both the Patricia deposit and the La Rosa prospect. This major drill program, the largest ever carried out at the Project, was completed on budget in September 2008 with a total of 84 holes for 11,043m drilled (9,986m at Patricia and 1,057m at La Rosa).

The high grade assay results received at Patricia indicated both favourable widths of mineralisation and strong potential for depth extension at increased grade. Of significant importance was that the three deepest diamond drill holes in the resource envelope returned the following high grade results:

- DDH015 – 6m @ 9.8% Zn, 4.7% Pb, 349g/t Ag and 0.67g/t Au
- DDH024 – 14m @11.9% Zn, 1.1% Pb and 95g/t Ag
- DDH033 – 3m @ 5.4% Zn, 3.1% Pb and 150g/t Ag

The above grades are significantly higher than the grades seen in the Mineral Resource Estimate and the presence of gold is an additional positive outcome.

Excellent Process Recovery Rates Achieved - in September 2008 the metallurgical testwork was completed at the Ammtec laboratory in Perth, Western Australia. Samples of approximately 300kg were taken from an existing adit at the Patricia deposit for analysis. Final results from the testwork returned the excellent recovery rates of 91% zinc, 71% lead and 83% silver.

Resource Upgraded - in October 2008 an upgraded Mineral Resource Estimate was announced for the Project. Following the 2008 drill program (of 9,986m), a total of 17,051m of diamond and reverse circulation drilling was incorporated into an upgraded Mineral Resource Estimate:

	Indicated Resource				**Inferred Resource**				**Total Resource**			
Cut Off Grade	Tonnes	Zn %	Pb %	Ag ppm	Tonnes	Zn %	Pb %	Ag ppm	Tonnes	Zn %	Pb %	Ag ppm
2% Zn	613,000	4.2	1.2	68	2,537,000	3.8	1.3	75	**3,151,000**	**3.9**	**1.3**	**74**
4% Zn	176,000	8.4	2.6	134	838,000	6.2	2.1	115	**1,015,000**	**6.6**	**2.2**	**119**

Scoping Study Completed - in late December 2008 a Scoping Study into the economic and technical viability of developing the Patricia deposit was completed by Golder Associates, the global resources and engineering consulting group. The results of the Scoping Study were very encouraging with indications that the mineralization remains open in all directions and grades appear to improve with depth. Highlights included:

- Mining inventory of 2.67 million tonnes
- Initial potential mine life of approximately 5½ years at 500,000 tpa
- Opportunity to increase mine life with further drilling
- Capital Cost of US$55.6 million
  (inclusive of all underground mine development and new processing plant equipment costs)
- Site Operating Costs of US$55.32/t
- Substantial positive sensitivity to any potential increase in tonnage processed

Outlook - following the successful completion of the Scoping Study, Herencia is planning on advancing the Paguanta Project towards a Feasibility Study phase when base metal prices recover. Both zinc and lead prices have declined over the past 12 months; however prices have been forecast to recover in the next 12 to 24 months which could allow a Feasibility Study to commence.

Additionally, the presence of significantly higher grades of zinc, lead and silver (in addition to the presence of gold) have been achieved in the deeper drill holes, suggesting that not only is the mineralisation open at depth, but that the grades are increasing also. This is a very positive outcome for the project that could, if proven, lead to significantly improved project economics and extended mine life. The Company plans to review options for testing this potential as soon as practical.

The Paguanta project is not technically complex, the project scale modest, the mineralisation outcropping and the location excellent, being close to regional infrastructure. These aspects mean that the lead time to construction, subject to a positive feasibility study at a future date, could be very rapid.

The Company plans to use its existing funds to maintain the status of the Paguanta Project, to convert its exploration tenements into exploitation tenements, and to secure other project related licences.

In addition to the above, the Company is also continuing to evaluate its copper properties in the La Serena region and is actively pursuing other business development opportunities in Chile and South America.

Given the positive results from the recent Scoping Study and the expected recovery in zinc, lead and silver prices in the next 12 to 24 months the Director's consider that no impairment provision is required, at this time, with respect to the goodwill, exploration and development expenditure and investment associated with the Paguanta Project.

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 year.

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

The details of adopting the going concern basis are set out in note 1.1 to the financial statements under basis of preparation of accounts.

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 year are set out in note 19 to these accounts.

Directors

The following Directors held office during the year:

Michael Bohm (Managing Director appointed 9 January 2009)
The Hon. John Moore AO. (Non-Executive Chairman)
John Russell (Non-Executive)
William Adamson (Non-Executive) (Resigned 28 February 2009)

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 2008 Number of ordinary shares of £0.001	31 December 2007 Number of ordinary shares of £0.001
Michael Bohm [2]	(note below)	(note below)
The Hon. John Moore AO. [1]	(note below)	(note below)
John Russell	-	-
William Adamson	-	-

[1] 666,667 shares are held by Ralsten Pty Ltd as of 31 December 2008 (31 December 2007: 666,667). The Hon. John Moore AO. is a director and shareholder of that company.

[2] 4,033,333 shares are held by Michael Bohm's wife, Charmaine Lobo (31 December 2007: 3,033,333), 450,000 shares are held by Michael Bohm.

The beneficial and non-beneficial interests in the Company's options of the Directors and their families at 31 December 2008 were as follows (the details of these options are set out in note 20 to the financial statements):

Name	31 December 2008 Number of options over ordinary shares of £0.001	31 December 2007 Number of options over ordinary shares of £0.001
Michael Bohm	2,400,000	2,400,000
The Hon. John Moore AO.	5,000,000	5,000,000
John Russell	5,000,000	5,000,000
William Adamson	2,000,000	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 year was as follows:

31 December 2008	Fees/basic salary £	Employers NI £	Share based payments £	2008 Total £
Executive				
Michael Bohm	15,000	-	-	15,000
Non-Executive				
The Hon. John Moore AO.	15,000	-	-	15,000
John Russell	15,000	984	-	15,984
William Adamson	15,000	-	-	15,000
	60,000	984	-	60,984

31 December 2007	Fees/basic salary £	Employers NI £	Share based payments £	2007 Total £
Executive				
Michael Bohm	22,500	-	6,896	29,396
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	67,400	147,713

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 30 April 2009:

	Number of Ordinary shares	% of Share Capital
Mineral Securities Limited (in administration)	279,400,000	46.0
Australian Heritage Group	56,000,000	9.22
Rock (Nominees) Limited	55,106,657	9.07

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 year ended 31 December 2008.

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 Group.

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 year. 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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

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

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.

By order of the board

Michael Bohm 8 May 2009
Director

INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

We have audited the Group and Parent company financial statements (the "financial statements") of Herencia Resources plc for the year ended 31 December 2008 which comprise the Group income Statement, the Group and Parent company balance sheets, the Group and Parent company cash flow statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and those International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;and
- the information given in the Directors' report is consistent with the financial statements.

UHY Hacker Young LLP 8 May 2009
Chartered Accountants
Registered Auditors
Quadrant House
17 Thomas More Street
Thomas More Square
London E1W 1YW

HERENCIA RESOURCES PLC

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Twelve months ended 31 December 2008	Eighteen months ended 31 December 2007
		£	**£**
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administration expenses		(440,006)	(1,253,660)
Operating loss	6	**(440,006)**	**(1,253,660)**
Finance revenue	6	46,907	52,493
Loss before taxation		**(393,099)**	**(1,201,167)**
Taxation	8	-	-
Loss for the period		**(393,099)**	**(1,201,167)**
Attributable to:			
Equity holders of the Company		(363,527)	(1,202,166)
Minority interest		(29,572)	999
		(393,099)	(1,201,167)
Loss per ordinary share – basic and diluted	4	(0.06)p	(0.33)p

The results shown above relate entirely to continuing operations.

There are no recognised gains and losses other than those passing through the income statement.

GROUP AND COMPANY BALANCE SHEETS
AS AT 31 DECEMBER 2008

	Notes	Group 31 December 2008	Group 31 December 2007	Company 31 December 2008	Company 31 December 2007
		£	£	£	£
ASSETS					
Non current assets					
Receivables	12	-	-	2,815,446	2,186,829
Intangible assets	13	4,575,574	2,521,693	-	-
Property, plant and equipment	14	111,698	56,725	-	-
Investments	15	-	-	1,250,000	1,250,000
		4,687,272	2,578,418	4,065,446	3,436,829
Current assets					
Cash and cash equivalents	9	925,471	2,864,055	126,005	2,279,382
Trade and other receivables	10	487,407	199,359	242,557	15,810
Other	11	5,720	8,418	5,720	8,418
		1,418,598	3,071,832	374,282	2,303,610
Total assets		**6,105,870**	**5,650,250**	**4,439,728**	**5,740,439**
LIABILITIES					
Non current liabilities					
Provisions	16	51,822	-	-	-
		51,822	-	-	-
Current liabilities					
Trade and other payables	17	82,532	66,122	37,432	46,461
		82,532	66,122	37,432	46,461
Total liabilities		**134,354**	**66,122**	**37,432**	**46,461**
Net Assets		**5,971,516**	**5,584,128**	**4,402,296**	**5,693,978**
EQUITY					
Called up share capital		607,400	607,400	607,400	607,400
Share premium account		6,006,645	6,006,645	6,006,645	6,006,645
Share based payments reserve		96,985	96,985	96,985	96,985
Translation reserve		62,170	(11,826)	-	-
Accumulated losses		(2,057,511)	(1,693,984)	(2,308,734)	(1,017,052)
Capital and reserves attributable to equity holders		**4,715,689**	**5,005,220**	**4,402,296**	**5,693,978**
Minority interests in equity	18	1,255,827	578,908	-	-
Total equity and reserves		**5,971,516**	**5,584,128**	**4,402,296**	**5,693,978**

The financial statements were approved by the Board of Directors on 8 May 2009 and signed on its behalf by:

Michael Bohm
Director

GROUP AND COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Group 2008	Group 2007	Company 2008	Company 2007
		£	£	£	£
Net cash outflow from operating activities	21	**(573,948)**	**(634,589)**	**(2,200,284)**	**(2,482,272)**
Cash flows from investing activities					
Interest received		46,907	52,493	46,907	52,493
Purchase of property, plant and equipment		(81,235)	(39,478)	-	-
Cash acquired with subsidiary undertakings	15	-	149,635	-	-
Cash calls from minority shareholder		671,751	-	-	-
Net funds used for investing in exploration	13	(2,002,059)	(1,379,419)	-	-
Net cash (utilised by)/generated from investing activities		(1,364,636)	(1,216,769)	46,907	52,493
Cash flows from financing activities					
Proceeds from issue of shares	19	-	4,689,000	-	4,689,000
Issue costs		-	(133,880)	-	(133,880)
Net cash generated from financing activities		-	4,555,120	-	4,555,120
Net (decrease)/increase in cash and cash equivalents		**(1,938,584)**	**2,703,762**	**(2,153,377)**	**2,125,341**
Cash and cash equivalents at 1 January 2008 (2007 – 1 July 2006)		2,864,055	160,293	2,279,382	154,041
Cash and cash equivalents at the end of the period	9	**925,471**	**2,864,055**	**126,005**	**2,279,382**

The above cashflow statements are for the year ended 31 December 2008 (2007: for the eighteen month period ended 31 December 2007)

HERENCIA RESOURCES PLC

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital	Share premium	Reserve for own shares	Translation reserve	Share based payments reserve	Accumulated losses	Total	Minority interest	Total Equity
	£	£	£	£	£	£	£	£	£
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 translation 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
Balance at 1 January 2008	607,400	6,006,645	-	(11,826)	96,985	(1,693,984)	5,005,220	578,908	5,584,128
Exchange differences on retranslation of foreign operations	-	-	-	73,996	-	-	73,996	34,740	108,736
Net loss for the year	-	-	-	-	-	(363,527)	(363,527)	(29,572)	(393,099)
Change in minority's interest in share capital of subsidiary	-	-	-	-	-	-	-	671,751	- 671,751
Balance at 31 December 2008	607,400	6,006,645	-	62,170	96,985	(2,057,511)	4,715,689	1,255,827	5,971,516

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital	Share premium	Reserve for own shares	Share Based Payments Reserve	Accumulated losses	Total
	£	£	£	£	£	£
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)	-	-	-
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
Balance at 1 January 2008	607,400	6,006,645	-	96,985	(1,017,052)	5,693,978
Issue of shares	-	-	-	-	-	-
Issue costs	-	-	-	-	-	-
Issue of options	-	-	-	-	-	-
Transfer from reserve	-	-	-	-	-	-
Net loss for the year	-	-	-	-	(1,291,682)	(1,291,682)
Balance at 31 December 2008	607,400	6,006,645	-	96,985	(2,308,734)	4,402,296

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 changed its accounting reference date from 30 June to 31 December during 2007. The last audited statutory financial statements of the Group covered the eighteen month period ended 31 December 2007. These audited statutory financial statements of the Group cover the year ended 31 December 2008.

The comparative figures in the income statement, the balance sheet, the statement of changes in equity and the cash flow relate to the eighteen month period covered in the last audited statutory financial statements for the period ended 31 December 2007.

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 year ended 31 December 2008 of £1,291,682 (31 December 2007: £742,349) has been included in the income statement.

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 at least the next twelve months . Should the need arise, the directors are confident that the Company would be able to raise additional capital. For this reason, the Directors continue to adopt the going concern basis in preparing the Group's financial statements.

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.

1.2. Basis of consolidation (continued)

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 year end and their results are translated at the average exchange rate for the year. 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.

Recoverability of intercompany balances
Determining whether intercompany balances are impaired requires an estimation of whether there are any indications that their carrying values are 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 January 2009 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 8 Operating segments (effective from 1 January 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 January 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.

4. Loss per share

The basic loss per ordinary share of (0.06)p (2007; (0.33)p) for the Group has been calculated by dividing the loss for the year attributable to equity holders of £363,527 (2007: £1,202,166) by the weighted average number of ordinary shares in issue of 607,399,999 (2007: 364,437,522).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 607,399,999 (2007: 364,437,522). 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 year, 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 2008	**£**	**£**	**£**
Administration expenses	(301,563)	(56,568)	(358,131)
Impairment losses	-	(61,767)	(61,767)
Depreciation expense	-	(26,262)	(26,262)
Finance revenue	46,907	-	46,907
Foreign exchange (loss)/gain	(3,224)	9,378	6,154
Loss before taxation	(257,880)	(135,219)	(393,099)
As at 31 December 2008			
Intangible assets	-	4,575,574	4,575,574
Property, plant and equipment	-	111,698	111,698
Trade and other receivables	5,720	487,407	493,127
Cash and cash equivalents	126,005	799,466	925,471
Provisions	-	(51,822)	(51,822)
Trade and other payables	(37,432)	(45,100)	(82,532)
Net assets	94,293	5,877,223	5,971,516
31 December 2007			
Administration expenses	(511,753)	(30,243)	(541,996)
Impairment losses	-	(672,133)	(672,133)
Depreciation expense	-	(14,525)	(14,525)
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

The above results are for the year ended 31 December 2008 (2007: for the eighteen month period ended 31 December 2007)

At the end of the financial year, the Group had not commenced commercial production from its exploration sites and therefore had no turnover in the year.

6. **Reconciliation of loss**	**Group 2008 £**	**Group 2007 £**
Income		
Interest income	46,907	52,493
Other income	-	-
Total income	**46,907**	**52,493**
Expenses by nature		
Auditors' remuneration		
- audit	(23,369)	(20,632)
- other services	-	-
Depreciation of tangible assets	(26,262)	(14,525)
Travel	(93,036)	(83,407)
Listing fees	(10,763)	(10,005)
Advisors & consultants	(108,393)	(102,457)
Legal costs	(108,968)	(35,269)
Company secretarial	(17,441)	(21,793)
Directors’ fees	(60,984)	(80,312)
Personnel costs	(136,606)	(56,981)
Office costs	(30,600)	(12,947)
Public relations	(25,679)	(2,937)
Foreign exchange gain/(loss)	326,355	(25,006)
Share based payments expense	-	(96,985)
Impairment of goodwill	-	(125,000)
Impairment of exploration & development costs	-	(547,133)
Impairment of other receivables	(61,767)	
Other costs	(62,493)	(18,271)
Total expenses	**(440,006)**	**(1,253,660)**
Loss for period	**(393,099)**	**(1,201,167)**

The audit costs includes £17,500 (2007: £17,500), payable to the parent company auditors.

7. **Directors’ emoluments**	**Group 2008 £**	**Group 2007 £**
Wages and salaries	60,000	78,309
Social security costs	984	2,004
Share based payments	-	67,400
	60,984	147,713

8. Taxation

	Group 2008 £	Group 2007 £
Current tax charge	-	-
Deferred tax		
Deferred tax current period charge	-	-
	-	-
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(393,099)	(1,201,167)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 30% (2007: 30%)	(117,930)	(360,350)
Effects of:		
Non deductible expenses	967	234,728
Tax losses	116,963	125,622
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 accumulated tax losses of £1,278,816 at 31 December 2008 (2007: £888,940).

9. Cash and cash equivalents

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Cash at bank and in hand	925,471	2,864,055	126,005	2,279,382

10. Trade and other receivables

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Other receivables	487,407	199,359	-	4,793
–Amounts due from subsidiary undertakings	-	-	242,557	11,017
	487,407	199,359	242,557	15,810

11. Other current assets

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Prepayments	5,720	8,418	5,720	8,418

12. Receivables	**Group 2008 £**	**Group 2007 £**	**Company 2008 £**	**Company 2007 £**
–Amounts due from subsidiary undertakings	-	-	2,815,446	2,186,829
	-	-	2,815,446	2,186,829

The amount due from subsidiary undertakings of £2,815,446 is net of a provision of £1,033,801, being the amount due from Iquique Resources (Chile) SA.

13. Intangible assets

	Goodwill	**Exploration and development costs**	**Total**
Cost	£	£	£
As at 1 January 2008	1,000,000	2,193,826	3,193,826
Additions	-	2,053,881	2,053,881
At 31 December 2008	1,000,000	4,247,707	5,247,707
Impairment			
As at 1 January and as at 31 December 2008	(125,000)	(547,133)	(672,133)
Carrying amount			
As at 31 December 2008	875,000	3,700,574	4,575,574
As at 31 December 2007	875,000	1,646,693	2,521,693

The goodwill and exploration and development costs as at 31 December 2008 relate to the Paguanta project 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 (Iquique project) and one block at Paguanta Mineral Field (Paguanta project). 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 ended 31 December 2007, 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.

At 31 December 2007, the Directors 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 was made in respect of the Iquique Mineral Fields for the period then ended as the Directors decided to withdraw from the Iquique project to focus on the Group's 70% owned Paguanta project at the end of the previous financial period. Based on the recent Scoping Study and the expected zinc price, the Directors believe that there has not been any impairment of goodwill and exploration and development costs in respect of the Paguanta project.

14. Property, plant and equipment

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Plant and equipment				
At cost	155,014	73,779	-	-
Accumulated depreciation	(43,316)	(17,054)	-	-
Total property and equipment	111,698	56,725	-	-

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	56,725	31,772
Additions at cost	100,437	39,478
Disposals	(19,202)	-
Depreciation expense	(26,262)	(14,525)
Carrying amount at the end of the period	111,698	56,725

15. Fixed asset investments

The Company's investment in subsidiary undertakings at 31 December 2008 were as follows:

	Company £
Cost at 1 January 2008 and at 31 December 2008	1,500,000
Less provision for impairment	(250,000)
Net book value at 1 January 2008 and at 31 December 2008	1,250,000

The Company's subsidiary undertakings as at 31 December 2008 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)

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. Provisions

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Decommissioning expenditure				
At 1 January 2008	-	-	-	-
Arising during the year	51,822	-	-	-
At 31 December 2008	51,822	-	-	-

17. Trade and other payables

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Other creditors and accruals	82,532	66,122	37,432	46,461
	82,532	66,122	37,432	46,461

18. Minority interest

	Group 2008 £	Group 2007 £
Called up share capital	1,249,663	577,912
Accumulated (losses)/profits	(28,573)	999
Translation reserve	34,737	(3)
	1,255,827	578,908

19. Called up share capital

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
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				
(2007: 607,399,999 ordinary shares)	626,433	626,433	626,433	626,433

20. Share options and share based payments

There were nil options granted during the year. The options granted in the last financial period were:

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
	2,400,000		
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 Group recognised a charge of £nil (2007: £96,985) in the income statement in respect of the share-based payment plans.

20. Share options and share based payments (continued)

The share based payments charge for the last financial period was 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 was based on statistical analysis of the historical share price volatility, as it was assumed that this was indicative of future trends, and this was calculated at 40%. The risk free rate was taken as 5.74%. The weighted average fair value was 1p and the weighted average life of options was taken as 3 years.

21. Net cash outflow from operating activities

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Operating loss	(440,006)	(1,253,660)	(1,338,589)	(794,841)
Increase in trade and other receivables	(285,350)	(164,537)	(852,666)	(2,049,296)
Increase/(decrease) in trade and other payables	16,410	22,687	(9,029)	14,880
Depreciation of property, plant and equipment	26,262	14,525	-	-
Impairment of intangible assets	-	672,133	-	-
Impairment of investments	-	-	-	250,000
Exchange differences on retranslation of foreign operations	108,736	(22,722)	-	-
Share based payments expense	-	96,985	-	96,985
Net cash outflow from operating activities	(573,948)	(634,589)	(2,200,284)	(2,482,272)

22. Control

No one party is identified as controlling the Company.

23. 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.

24. Related party transactions

During the year, the Company had an Alliance Agreement with Mineral Securities Limited ("MinSec"). Under the alliance, Herencia utilised its established office and technical team based in Chile together with MinSec’s technical and commercial team based in Perth. MinSec provided 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 year, the Company paid a sum of £67,831 (2007: £36,795) to MinSec for the provision of technical services by Michael Bohm and Ken Rogers, the Chief Geologist for MinSec.

24. Related party transactions (continued)

During the year, the Company paid a sum of £15,000 (2007: £22,500) 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 year this partnership was paid a sum of £17,453 (2007: £21,844) 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

25. Contingent liabilities and capital commitments

The Group had no contracted capital commitments at 31 December 2008. The Group had no contingent liabilities at 31 December 2008.

26. 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. A provision of £51,822 (2007: nil) has been made for any future costs of decommissioning or any environmental damage.

27. Financial instruments

Interest Rate risk
At 31 December 2008 the Group had Chilean Peso cash at bank of a sterling equivalent of £14,721, Australian Dollar cash at bank of £4,361 and US Dollar cash at bank of £566,120. 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 2008 £	*Non - Interest Bearing 31 Dec 2008 £*	*Floating interest rate 31 Dec 2007 £*	*Non - Interest Bearing 31 Dec 2007 £*
Financial assets:				
Cash at bank	925,471	-	2,864,055	-

The effective weighted average interest rate was 3.59%.

Financial liabilities:
At 31 December 2008, 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.

27. Financial instruments (continued)

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.

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.