

**HERENCIA RESOURCES PLC**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2009**



**CONTENTS**

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	<b>Page</b>
Directors, secretary and advisers	2
Directors' report	3
Independent auditors' report	11
Consolidated statement of comprehensive income	13
Statements of financial position	14
Statements of cash flows	15
Consolidated statement of changes in equity	16
Company statement of changes in equity	17
Notes to the consolidated financial statements	18

## HERENCIA RESOURCES PLC

Registered number 5345029

### DIRECTORS, SECRETARY AND ADVISERS

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<b>Directors</b>	Michael Bohm (Managing Director) The Hon. John Moore AO. (Non-Executive Chairman) John Russell (Non-Executive)
<b>Company Secretary</b>	John Bottomley
<b>Registered Office</b>	One America Square Crosswall London EC3N 2SG
<b>Principal Operating Office</b>	Level 1 2 Ord Street West Perth 6005, Western Australia
<b>Company Number</b>	5345029
<b>Nominated Adviser and Broker</b>	WH Ireland Limited 11 St James's Square Manchester M2 6WH
<b>Auditors</b>	UHY Hacker Young Chartered Accountants Quadrant House 4 Thomas More Square London E1W 1YW
<b>Solicitors</b>	Watson, Farley & Williams LLP 15 Appold Street London EC2A 2HB
<b>Registrars</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
<b>Principal Bankers</b>	ANZ Bank 77 Georges Terrace Perth WA 6000  Barclays Bank plc 1 Churchill Place London E14 5HP
<b>Website</b>	<a href="http://www.herenciaresources.com">www.herenciaresources.com</a>

## **HERENCIA RESOURCES PLC**

Registered number 5345029

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009**

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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 2009.

#### **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 of the Group for the year ended 31 December 2009 was £804,330 (2008: £393,099), of which the amount attributable to the equity holders of the Company, was £675,036 (2008: £363,527).

The Directors do not recommend any distribution by way of a dividend for the year ended 31 December 2009.

#### **Review of the business and future prospects**

Herencia Resources Plc holds interests in one advanced project and several prospective exploration properties in Chile. Its flagship Paguanta zinc-silver-lead-gold Project (70% owned and managed by Herencia), is located in northern Chile approximately 150km east of the port city of Iquique.

Following on from an excellent year of achievements in 2008, the 12-month period ended 31 December 2009 was a challenging time in the resources sector. After successfully completing the 2008 drilling program on time and on budget, and delivering a Mineral Resource Estimate upgrade and a Scoping Study for Paguanta, the Company was forced to postpone its plans for advancing the Project and significantly reduce expenditure in order to conserve cash.

While 2009 can best be described as being a period of consolidation for many, the Company was able to maintain momentum and achieve some significant milestones in a number of key areas:

- All 14 'Exploitation' (Mining) leases were granted for the Project.
- The 46% of the Company that was in the hands of the Administrators of Mineral Securities Limited was acquired by a number of investors including some key long term supporters of Herencia. Notably the Anglo Pacific Group moved to a 12% stake in the Company.
- GBP£1.39million was successfully raised in October 2009.
- A new geological team was recruited to manage the next drilling phase.
- A 3,500m drilling contract was awarded to Major Drilling, a globally recognised drilling contractor, late in the year (for commencement 1Q2010).
- Investigations were commenced into improving our understanding of the significance of the presence of gold, already seen in drill assays and bulk samples for the Project to date.

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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The technical 'positives' of the Project remain evident:

- The mineralisation outcrops and it is of a width that would support lower cost mechanised mining
- The mineralisation is open in all directions - along strike and down dip - providing the potential to increase tonnages
- Drill assay grades at depth are higher than the Mineral Resource Estimate grades and appear to be increasing with depth
- The initial metallurgical recoveries, as seen in the bulk sample test work, appear very promising
- The project appears to have a tangible gold component that has not as yet been fully understood nor factored into any project economic models
- Water has been encountered in the majority of drill holes, suggesting project water requirements (already calculated to be modest) can be sourced locally and at low cost
- The regional infrastructure (including roads and ports) close to the Project is excellent (the national highway located only 20km to the north of the project site has just been extensively upgraded)
- A Scoping Study has already been completed by Golder Associates allowing for a rapid transition to a Feasibility Study phase

**Outlook**

Herencia's goal is to advance the Paguanta Project towards a Feasibility Study phase in 2010.

Zinc, lead, silver and gold prices all recovered strongly in 2009. Importantly, some industry forecasters are predicting continued price growth in the next three to five years, which would coincide well with a potential start to mining at Paguanta.

Starting in February 2010, a 3,500m diamond drill program will aim to:

- test the depth extension potential of the known mineralisation at Paguanta
- test the potential for an eastern extension to the known mineralisation
- test the potential for a western extension to the known mineralisation
- gather further information in respect of the gold potential
- achieve results that would allow an update of the Mineral Resource Estimate
- provide the basis to move the Project toward a Feasibility Study start in 2010

It is significant that the Project is not technically complex, the mineralisation is vertical, open both along strike and down dip with apparent grade increases, the likely scale and capital cost relatively modest and the location excellent. These aspects, together with the now granted 'exploitation' tenure status (equivalent to mining leases), all provide opportunity and mean that the lead time to mine development, subject to positive drilling results and feasibility study outcomes, could be rapid and that potential mine life extension and grade increase could enhance project economics. The gold opportunity remains an unknown quantity at present, though its potential impact on project economics could also be significant.

Whilst the focus in 2010 will be on the Paguanta Project, the Company will also look to advance the La Rosa and La Serena porphyry-copper targets in 2010, as and when the opportunity presents.

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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Given the findings from the Scoping Study, the potential to extend the Mineral Resource Estimate, the significant recovery in zinc, lead and silver prices in the previous 12 months and the opportunity for these prices to potentially further strengthen in the next 2-5 years, 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 and the nature of its activities, 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, 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.

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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**Going concern**

During the year to 31 December 2009 and the period to the date of this report, the Directors have taken steps to ensure the Group continues as a going concern. These steps have included:

- i. the Group ceased all exploration activity between September 2008 and December 2009
- ii. significantly reduced expenditure in the year to 31 December 2009 in order to conserve cash
- iii. completed a private placement in October 2009 raising a capital sum of £1,394,429 from the issue of 253,532,471 shares

The Group had £1,479,244 of cash as at 31 December 2009 and had creditors outstanding of £191,931 and expected operating costs of £1,143,624 for the year ending 31 December 2010. As at 28 February 2010 the Group had £1,297,011 of cash with future expected costs to 31 March 2011 of £911,289. In view of the current market conditions and the need to continue the exploration activities, the Board continues to review its options, in particular the need for future finance.

The operations of the Group are currently being financed from funds which the Company raised from private and public placings of its shares in the prior and current years. The Group has not yet earned revenue as it is still in the exploration phase of its business. The Group is reliant on the continuing support from its existing and future shareholders.

The Board, whilst pursuing financing with a view to progressing to a bankable feasibility study, awaits the results from current exploration activities to inform future direction. Should results from current exploration activities warrant the progression to a feasibility study, the Company would need to raise further funds to finance the next stage of the project.

The Directors have reviewed the Group's overall position and outlook and, as discussed in more detail in note 1.1, are of the opinion that the use of the going concern basis is appropriate.

**Information to shareholders - Web site**

The Company has its own web site ([www.herenciaresources.com](http://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 (appointed Managing Director on 9 January 2009; previously Executive Director)

The Hon. John Moore AO. (Non-Executive Chairman)

John Russell (Non-Executive)

William Adamson (Non-Executive) (Resigned 28 February 2009)



## HERENCIA RESOURCES PLC

Registered number 5345029

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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#### 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 2009 Number of ordinary shares of £0.001	31 December 2008 Number of ordinary shares of £0.001
Michael Bohm <sup>1</sup>	(note below)	(note below)
The Hon. John Moore AO. <sup>2</sup>	(note below)	(note below)
John Russell	-	-

<sup>1</sup> 5,851,515 shares are held by Michael Bohm's wife, Charmaine Lobo (31 December 2008: 4,033,333), 450,000 shares are held by Michael Bohm.

<sup>2</sup> 666,667 shares are held by Ralsten Pty Ltd as of 31 December 2009 (31 December 2008: 666,667). The Hon. John Moore AO. is a director and shareholder of that company.

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

Name	31 December 2009 Number of options over ordinary shares of £0.001	31 December 2008 Number of options over ordinary shares of £0.001
Michael Bohm	12,400,000	2,400,000
The Hon. John Moore AO.	5,000,000	5,000,000
John Russell	5,000,000	5,000,000

#### Directors' 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.

**HERENCIA RESOURCES PLC**

Registered number 5345029

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2009****Directors' Remuneration**

Remuneration of Directors for the year was as follows:

**31 December 2009**

	<b>Fees/basic salary £</b>	<b>Employers NI £</b>	<b>Share based payments £</b>	<b>Pension costs £</b>	<b>2009 Total £</b>
<b>Executive</b>					
Michael Bohm	243,761	-	18,298	20,385	282,444
<b>Non-Executive</b>					
The Hon. John Moore AO.	15,000	-	4,488	-	19,488
John Russell	15,000	1,123	4,489	-	20,612
William Adamson	3,125	-	-	-	3,125
	<u>276,886</u>	<u>1,123</u>	<u>27,275</u>	<u>20,385</u>	<u>325,669</u>

The Fees/basic salary of Michael Bohm comprise a 50% 'base' component and a 50% 'at-risk' bonus component paid upon the achievement of performance hurdles set annually by the Board of Directors.

**31 December 2008**

	<b>Fees/basic salary £</b>	<b>Employers NI £</b>	<b>Share based payments £</b>	<b>Pension costs £</b>	<b>2008 Total £</b>
<b>Executive</b>					
Michael Bohm	15,000	-	-	-	15,000
<b>Non-Executive</b>					
The Hon. John Moore AO.	15,000	-	-	-	15,000
John Russell	15,000	984	-	-	15,984
William Adamson	15,000	-	-	-	15,000
	<u>60,000</u>	<u>984</u>	<u>-</u>	<u>-</u>	<u>60,984</u>

**Substantial shareholders**

The Company has been notified, in accordance with Section 792 of the Companies Act 2006, of the under noted interests in its ordinary shares as at 26 March 2010:

	<b>Number of Ordinary shares</b>	<b>% of Share Capital</b>
Rock (Nominees) Limited	104,953,572	12.19
Pershing Nominees Limited	103,087,142	11.97
Mr Ronald Bruce Rowan	59,867,530	6.95

**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.

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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**Political and charitable contributions**

There were no political or charitable contributions made by the Company during the year ended 31 December 2009.

**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 or financial position of the Group.

**Environment Policy Statement**

The Group 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 responsibilities of those charged with governance**

The Directors are responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards ("IFRS") as adopted by the European Union. Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable 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.

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 and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

**HERENCIA RESOURCES PLC**

Registered number 5345029

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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**Statement of disclosure to auditors**

So far as all of the Directors at the time of approval of this 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 489 of the Companies Act 2006, a resolution proposing that UHY Hacker Young 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**  
**Director**

14 April 2010

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HERENCIA RESOURCES PLC  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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We have audited the financial statements of Herencia Resources plc for the year ended 31 December 2009 which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of financial position, the Consolidated and Parent Company statements of changes in equity, the Consolidated and Parent Company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Statement of responsibilities of those charged with governance, set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1.1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. The Group incurred a loss of £804,330 during the year ended 31 December 2009 and is still incurring losses. Along with similar companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. As discussed in note 1.1 the Group is currently undertaking a diamond drilling programme, following this the Group intends to undertake a feasibility study, for which it will need to raise funding. These conditions, along with other matters discussed in note 1.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

**HERENCIA RESOURCES PLC**

Registered number 5345029

**INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF HERENCIA RESOURCES PLC (Continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

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**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Colin Wright (Senior Statutory Auditor)**  
**For and on behalf of UHY Hacker Young**  
Chartered Accountants  
Statutory Auditor

Quadrant House  
4 Thomas More Square  
London E1W 1YW

14 April 2010

**HERENCIA RESOURCES PLC**

Registered number 5345029

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
		£	£
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administration expenses		(807,857)	(440,006)
Operating loss	6	(807,857)	(440,006)
Finance revenue	6	3,527	46,907
Loss before tax		(804,330)	(393,099)
Income tax expenses	8	-	-
<b>Loss for the year</b>		<b>(804,330)</b>	<b>(393,099)</b>
<b>Other Comprehensive income/(loss)</b>			
Exchange differences on translating foreign operations		513,106	108,737
Other comprehensive income for the year, net of tax		513,106	108,737
<b>Total Comprehensive income/(loss) for the year</b>		<b>(291,224)</b>	<b>(284,362)</b>
<b>Loss attributable to:</b>			
Equity holders of the Company		(675,036)	(363,527)
Non-controlling interests		(129,294)	(29,572)
		<b>(804,330)</b>	<b>(393,099)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		(331,750)	(289,530)
Non-controlling interests		40,526	5,168
		<b>(291,224)</b>	<b>(284,362)</b>
<b>Loss per share</b>			
Loss per ordinary share – basic and diluted	4	(0.10)p	(0.06)p

The results shown above relate entirely to continuing operations.

**HERENCIA RESOURCES PLC**

Registered number 5345029

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2009**

	Notes	Group 31 December 2009	Group 31 December 2008	Company 31 December 2009	Company 31 December 2008
		£	£	£	£
<b>ASSETS</b>					
<b>Non-current assets</b>					
Receivables	12	-	-	2,876,320	2,815,446
Intangible assets and goodwill	13	5,242,131	4,575,574	-	-
Property, plant and equipment	14	86,686	111,698	8,749	-
Investments	15	-	-	1,250,000	1,250,000
		<u>5,328,817</u>	<u>4,687,272</u>	<u>4,135,069</u>	<u>4,065,446</u>
<b>Current assets</b>					
Cash and cash equivalents	9	1,479,244	925,471	1,307,191	126,005
Trade and other receivables	10	486,321	487,407	47,770	242,557
Other assets	11	6,631	5,720	6,631	5,720
		<u>1,972,196</u>	<u>1,418,598</u>	<u>1,361,592</u>	<u>374,282</u>
<b>Total assets</b>		<b><u>7,301,013</u></b>	<b><u>6,105,870</u></b>	<b><u>5,496,661</u></b>	<b><u>4,439,728</u></b>
<b>LIABILITIES</b>					
<b>Non current liabilities</b>					
Provisions	16	58,782	51,822	-	-
		<u>58,782</u>	<u>51,822</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Trade and other payables	17	191,931	82,532	72,563	37,432
		<u>191,931</u>	<u>82,532</u>	<u>72,563</u>	<u>37,432</u>
<b>Total liabilities</b>		<b><u>250,713</u></b>	<b><u>134,354</u></b>	<b><u>72,563</u></b>	<b><u>37,432</u></b>
<b>Net Assets</b>		<b><u>7,050,300</u></b>	<b><u>5,971,516</u></b>	<b><u>5,424,098</u></b>	<b><u>4,402,296</u></b>
<b>EQUITY</b>					
Share capital	19	860,932	607,400	860,932	607,400
Share premium		7,090,847	6,006,645	7,090,847	6,006,645
Share based payments reserve		114,801	96,985	114,801	96,985
Translation reserve		405,456	62,170	-	-
Retained losses		(2,718,089)	(2,057,511)	(2,642,482)	(2,308,734)
<b>Capital and reserves attributable to equity holders</b>		<b><u>5,753,947</u></b>	<b><u>4,715,689</u></b>	<b><u>5,424,098</u></b>	<b><u>4,402,296</u></b>
<b>Minority interests in equity</b>	18	<u>1,296,353</u>	<u>1,255,827</u>	<u>-</u>	<u>-</u>
<b>Total equity and reserves</b>		<b><u>7,050,300</u></b>	<b><u>5,971,516</u></b>	<b><u>5,424,098</u></b>	<b><u>4,402,296</u></b>

The financial statements were approved by the Board of Directors on 14 April 2010 and signed on its behalf by:

**Michael Bohm**  
Director



**HERENCIA RESOURCES PLC**

Registered number 5345029

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Group 2009	Group 2008	Company 2009	Company 2008
		£	£	£	£
<b>Net cash outflow from operating activities</b>	21	(610,280)	(578,310)	(150,994)	(2,200,284)
<b>Cash flows from investing activities</b>					
Interest received		3,527	46,907	3,527	46,907
Payments for property, plant and equipment		(9,954)	(76,873)	(9,081)	-
Proceeds from sale of property, plant and equipment		2,297	-	-	-
Cash calls from minority shareholder		-	671,751	-	-
Net funds used for investing in exploration	13	(169,551)	(2,002,059)	-	-
<b>Net cash (utilised by)/generated from investing activities</b>		(173,681)	(1,360,274)	(5,554)	46,907
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares	19	1,394,428	-	1,394,428	-
Issue costs		(56,694)	-	(56,694)	-
<b>Net cash generated from financing activities</b>		1,337,734	-	1,337,734	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		553,773	(1,938,584)	1,181,186	(2,153,377)
Cash and cash equivalents at the beginning of the year		925,471	2,864,055	126,005	2,279,382
<b>Cash and cash equivalents at the end of the year</b>	9	<b>1,479,244</b>	<b>925,471</b>	<b>1,307,191</b>	<b>126,005</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Share premium	Translation reserve	Share based payments reserve	Accumulated losses	Total	Minority interest	Total Equity
	£	£	£	£	£	£	£	£
<b>Balance at 1 January 2008</b>	607,400	6,006,645	(11,826)	96,985	(1,693,984)	5,005,220	578,908	5,584,128
Total comprehensive income/(loss) for the year	-	-	73,996	-	(363,527)	(289,531)	5,168	(284,363)
Change in minority's interest in share capital of subsidiary	-	-	-	-	-	-	671,751	671,751
<b>Balance at 31 December 2008</b>	607,400	6,006,645	62,170	96,985	(2,057,511)	4,715,689	1,255,827	5,971,516
<b>Balance at 1 January 2009</b>	607,400	6,006,645	62,170	96,985	(2,057,511)	4,715,689	1,255,827	5,971,516
Issue of shares	253,532	1,140,896	-	-	-	1,394,428	-	1,394,428
Share issue costs	-	(56,694)	-	-	-	(56,694)	-	(56,694)
Total comprehensive income/(loss) for the year	-	-	343,286	-	(675,036)	(331,750)	40,526	(291,224)
Share based payments	-	-	-	17,816	14,458	32,274	-	32,274
<b>Balance at 31 December 2009</b>	860,932	7,090,847	405,456	114,801	(2,718,089)	5,753,947	1,296,353	7,050,300

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital £	Share premium £	Share Based Payments Reserve £	Accumulated losses £	Total £
<b>Balance at 1 January 2008</b>	607,400	6,006,645	96,985	(1,017,052)	5,693,978
Total comprehensive income/(loss) for the year	-	-	-	(1,291,682)	(1,291,682)
<b>Balance at 31 December 2008</b>	607,400	6,006,645	96,985	(2,308,734)	4,402,296
<b>Balance at 1 January 2009</b>	607,400	6,006,645	96,985	(2,308,734)	4,402,296
Issue of shares	253,532	1,140,896	-	-	1,394,428
Share issue costs	-	(56,694)	-	-	(56,694)
Share based payments	-	-	17,816	14,458	32,274
Total comprehensive income/(loss) for the year	-	-	-	(348,206)	(348,206)
<b>Balance at 31 December 2009</b>	860,932	7,090,847	114,801	(2,642,482)	5,424,098

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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**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 and going concern**

The financial statements have been prepared using the historical cost convention and are presented in UK pounds 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 2006.

In accordance with the provision of Section 408 of the Companies Act 2006, the Parent Company has not presented an Income Statement. The loss for the year ended 31 December 2009 of £348,206 (31 December 2008: £1,291,682) has been included in the consolidated statement of comprehensive income.

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the year ended 31 December 2009 of £804,330 (31 December 2008: loss of £393,099) and experienced net cash inflows of £553,773 (2008 net outflow: £1,938,584). As at 31 December 2009 the Group had net current assets of £1,780,265 (31 December 2008: net current assets of £1,336,066).

The Group had £1,479,244 of cash as at 31 December 2009 and had creditors outstanding of £191,931 and expected operating costs of £1,143,624 for the year ending 31 December 2010. As at 28 February 2010 the Group had £1,297,011 of cash with future expected costs to 31 March 2011 of £911,289. In view of the current market conditions and the need to continue the exploration activities, the Board continues to review its options, in particular the need for future finance.

The operations of the Group are currently being financed from funds which the Company raised from private and public placings of its shares in the prior and current years. The Group has not yet earned revenue as it is still in the exploration phase of its business. The Group is reliant on the continuing support from its existing and future shareholders.

The Board, whilst pursuing financing with a view to progressing to a bankable feasibility study, awaits the results from current exploration activities to inform future direction. Should results from current exploration activities warrant the progression to a feasibility study, the Company would need to raise further funds to finance the next stage of the project.

The Directors have reviewed the Group’s overall position and outlook and are of the opinion that the Group will be able to raise the required funding to carry out the planned activities and provide working capital to enable it to meet its liabilities as they fall due, for the foreseeable future, and for at least the next twelve months from the date of approval of these financial statements. The directors therefore believe that the use of the going concern basis is appropriate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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**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 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. Property, plant and equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Leasehold Improvements	50%
Computers & Office Equipment	33.33%
Office Furniture	25%
Motor Vehicles	25%
Plant & Equipment	25%

**Impairment**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**Disposal**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement in the year the asset is derecognised.

**1.6. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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**1.7. 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.

**1.8. 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.

**1.9. 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. Where equity instruments are granted to persons other than directors or employees, the consolidated statement of comprehensive income is charged with the fair value of any goods or services received.

**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.

*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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****2. Critical accounting estimates and judgements (continued)***Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

*Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a BlackScholes model, using the assumptions detailed in note 20.

**3. Adoption of new and revised International Financial Reporting Standards (IFRSs)****3.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)**

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 3.2.

Standards affecting presentation and disclosure

IAS 1 (as revised in 2007) Presentation of Financial Statements	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
IFRS 8 Operating Segments	IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see Note 5)



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**
**3.2 Standards and Interpretations adopted with no effect on the financial statements**

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The amendments deal with the measurement of the cost of investment in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements
IAS 23 (as revised in 2007) Borrowing Costs	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred in the acquisition of qualifying assets.

**3.3 Standards and Interpretations in issue not yet adopted**

In June 2009, the IASB issued amendments to IFRS 2 Share-based Payments. These amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transaction in the separate (or individual) financial statements of an entity receiving goods or services when another group entity or shareholder has the obligation to settle the award.

IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate is to be applied to annual periods starting on or after 1 July 2009. The amendments deal with the measurement of the cost of investment in subsidiaries, jointly controlled entities and associates and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.

The directors anticipate that these amendments will be adopted in the Group's financial statements for the period beginning 1 January 2010. The directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

**4. Loss per share**

The basic loss per ordinary share of (0.10)p (2008: (0.06)p) for the Group has been calculated by dividing the loss for the year attributable to equity holders of £675,036 (2008: £363,527) by the weighted average number of ordinary shares in issue of 655,284,220 (2008: 607,399,999).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 655,284,220 (2008: 607,399,999). 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**5. Segmental reporting**

For the purposes of presenting segment information, the activities of the Group are divided into operating segments in accordance with IFRS 8 (Operating Segments). Operating segments are identified on the same basis that is used internally to manage and report on performance and takes account of the organisational structure of the Group based on the activities of the reportable segments.

The activities of the Group are broken down into the operating segments of Mineral Exploration and Central Costs.

Segment information by operating segment and by region is as follows:

**Segment information by operating segment**

	Mineral Exploration		Central Costs		Total	
	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £
Finance revenue	-	-	3,527	46,907	3,527	46,907
Administration expenses	(338,612)	(56,568)	(344,815)	(621,764)	(683,427)	(678,332)
Non-cash expenditure:						
Depreciation expense	(18,384)	(26,262)	(332)	-	(18,716)	(26,262)
Share based payments	-	-	(32,275)	-	(32,275)	-
Impairment losses	-	(61,767)	-	-	-	(61,767)
Foreign exchange (loss)/gain	(99,129)	9,378	25,690	316,977	(73,439)	326,355
<b>Segment result</b>	<b>(456,125)</b>	<b>(135,219)</b>	<b>(348,205)</b>	<b>(257,880)</b>	<b>(804,330)</b>	<b>(393,099)</b>
Segment assets	5,978,442	5,974,145	1,322,571	131,725	7,301,013	6,105,870
Segment liabilities	(178,150)	(96,922)	(72,563)	(37,432)	(250,713)	(134,354)
<b>Net assets</b>	<b>5,800,292</b>	<b>5,877,223</b>	<b>1,250,008</b>	<b>94,293</b>	<b>7,050,300</b>	<b>5,971,516</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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**5. Segmental reporting (continued)**

**Segment information by region**

	External Revenue		Non-current assets	
	2009	2008	2009	2008
	£	£	£	£
Australia	-	-	8,749	-
Chile	-	-	5,320,068	4,687,272
Group	-	-	5,328,817	4,687,272

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

<b>6. Reconciliation of loss</b>	<b>Group 2009 £</b>	<b>Group 2008 £</b>
<i>Income</i>		
Interest income	3,527	46,907
Other income	-	-
<b>Total income</b>	<b>3,527</b>	<b>46,907</b>
<i>Expenses by nature</i>		
Auditors' remuneration		
- audit	(22,948)	(23,369)
- other services	-	-
Depreciation of tangible assets	(18,716)	(26,262)
Travel	(34,454)	(93,036)
Listing fees	(8,442)	(10,763)
Advisors & consultants	(157,268)	(108,393)
Legal costs	(63,176)	(108,968)
Company secretarial	(9,838)	(17,441)
Directors' fees	(33,125)	(60,984)
Personnel costs	(277,410)	(136,606)
Office costs	(21,626)	(30,600)
Public relations	(12,160)	(25,679)
Municipal taxes	(83,558)	(3,951)
Foreign exchange (loss)/gain	(73,439)	326,355
Share based payments expense	(27,275)	-
Impairment of other receivables	-	(61,767)
Cost recoveries	70,902	-
Other costs	(35,324)	(58,542)
<b>Total expenses</b>	<b>(807,857)</b>	<b>(440,006)</b>
<b>Loss for period</b>	<b>(804,330)</b>	<b>(393,099)</b>

The audit costs includes £17,500 (2008: £17,500), payable to the parent company auditors.

**7. Employees and emoluments**

**(a) Emoluments of employees, including Directors, comprised:**

	<b>Group 2009 £</b>	<b>Group 2008 £</b>
Wages and salaries	271,414	-
Social security costs	5,996	984
Directors' Fees	33,125	60,000
Share based payments	27,275	-
Pension costs	20,385	-
	<b>358,195</b>	<b>60,984</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**7. Employees and emoluments (continued)**

**(b) Directors' Remuneration**

**31 December 2009**

	Fees/basic salary £	Employers NI £	Share based payments £	Pension costs £	2009 Total £
<b>Executive</b>					
Michael Bohm	243,761	-	18,298	20,385	282,444
<b>Non-Executive</b>					
The Hon. John Moore AO.	15,000	-	4,488	-	19,488
John Russell	15,000	1,123	4,489	-	20,612
William Adamson	3,125	-	-	-	3,125
	<u>276,886</u>	<u>1,123</u>	<u>27,275</u>	<u>20,385</u>	<u>325,669</u>

The Fees/basic salary of Michael Bohm comprise a 50% 'base' component and a 50% 'at-risk' bonus component paid upon the achievement of performance hurdles set annually by the Board of Directors.

**31 December 2008**

	Fees/basic salary £	Employers NI £	Share based payments £	Pension costs £	2008 Total £
<b>Executive</b>					
Michael Bohm	15,000	-	-	-	15,000
<b>Non-Executive</b>					
The Hon. John Moore AO.	15,000	-	-	-	15,000
John Russell	15,000	984	-	-	15,984
William Adamson	15,000	-	-	-	15,000
	<u>60,000</u>	<u>984</u>	<u>-</u>	<u>-</u>	<u>60,984</u>

**(c) Average employee headcount:**

	Group 2009 £	Group 2008 £
Australia	1	-
Chile	6	19
	<u>7</u>	<u>19</u>

**HERENCIA RESOURCES PLC**

Registered number 5345029

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****8. Taxation**

	<b>Group 2009 £</b>	<b>Group 2008 £</b>
<b>Current tax charge</b>	-	-
<b>Deferred tax</b>		
Deferred tax current period charge	-	-

**8.1 Income tax recognised in profit or loss****Factors affecting the tax charge for the period**

Loss on ordinary activities before taxation	(804,330)	(393,099)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 28% (2008: 30%)	(225,212)	(117,930)
Effects of:		
Non deductible expenses	(7,193)	967
Tax losses	232,405	116,963
<b>Current tax charge</b>	-	-

**8.2 Income tax recognised in other comprehensive income**

	<b>Group 2009 £</b>	<b>Group 2008 £</b>
<b>Factors affecting the tax charge for the period</b>		
Other comprehensive income	513,106	108,737
Loss on total comprehensive income before taxation multiplied by standard rate of corporation tax of 28% (2008: 30%)	143,670	32,621
Effects of:		
Exchange difference on translating foreign operations	(143,670)	(32,621)
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 £2,108,838 at 31 December 2009 (2008: £1,278,816).

**HERENCIA RESOURCES PLC**

Registered number 5345029

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

<b>9. Cash and cash equivalents</b>	<b>Group 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2009 £</b>	<b>Company 2008 £</b>
Cash at bank and in hand	1,479,244	925,471	1,307,191	126,005
<b>10. Trade and other receivables</b>	<b>Group 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2009 £</b>	<b>Company 2008 £</b>
Other receivables	486,321	487,407	-	-
Amounts due from subsidiary undertakings	-	-	47,770	242,557
	486,321	487,407	47,770	242,557
<b>11. Other current assets</b>	<b>Group 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2009 £</b>	<b>Company 2008 £</b>
Prepayments	6,631	5,720	6,631	5,720
<b>12. Receivables – non current</b>	<b>Group 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2009 £</b>	<b>Company 2008 £</b>
Amounts due from subsidiary undertakings	-	-	2,876,320	2,815,446

The amount due from subsidiary undertakings of £2,876,320 is net of a provision of £1,033,801, being the amount due from Iquique Resources (Chile) SA.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**
**13. Intangible assets**

	Goodwill	Exploration and development costs	Total
<b>Cost</b>	£	£	£
As at 1 January 2009	1,000,000	4,247,707	5,247,707
Additions	-	169,551	169,551
Effect of foreign currency exchange differences	-	497,006	497,006
At 31 December 2009	<u>1,000,000</u>	<u>4,914,264</u>	<u>5,914,264</u>
<b>Impairment</b>			
As at 1 January 2009	(125,000)	(547,133)	(672,133)
Impairment loss	-	-	-
At 31 December 2009	<u>(125,000)</u>	<u>(547,133)</u>	<u>(672,133)</u>
<b>Carrying amount</b>			
As at 31 December 2009	<u>875,000</u>	<u>4,367,131</u>	<u>5,242,131</u>
As at 31 December 2008	<u>875,000</u>	<u>3,700,574</u>	<u>4,575,574</u>

The goodwill and exploration and development costs as at 31 December 2009 relate to the Paguanta project located in Chile, South America.

In 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 2008, 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 2008, 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 as at 31 December 2009.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**14. Property, plant and equipment**

	<b>Group 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2009 £</b>	<b>Company 2008 £</b>
<b>Plant and equipment</b>				
At cost	148,718	155,014	9,081	-
Accumulated depreciation	(62,032)	(43,316)	(332)	-
<b>Total property and equipment</b>	<b>86,686</b>	<b>111,698</b>	<b>8,749</b>	<b>-</b>

**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	111,698	56,725	-	-
Additions at cost	9,954	96,075	9,081	-
Disposals	(31,252)	(19,202)	-	-
Depreciation expense	(18,716)	(26,262)	(332)	-
Effect of foreign currency exchange differences	15,002	4,362	-	-
Carrying amount at the end of the period	<b>86,686</b>	<b>111,698</b>	<b>8,749</b>	<b>-</b>

**15. Fixed asset investments**

The Company's investments in subsidiary undertakings at 31 December 2009 were as follows:

	<b>Company £</b>
Cost at 1 January 2008 and at 31 December 2009	1,500,000
Less provision for impairment	(250,000)
Net book value at 1 January 2008 and at 31 December 2009	<b>1,250,000</b>

The Company's subsidiary undertakings as at 31 December 2009 were as follows:

<b>Company name</b>	<b>Country of registration or incorporation</b>	<b>Class</b>	<b>Shares held %</b>
<b>Direct</b>			
Tarapaca Resources (Bermuda) Limited	Bermuda	Ordinary	100
<b>Indirect</b>			
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

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.

**HERENCIA RESOURCES PLC**

Registered number 5345029

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

<b>16. Provisions</b>	<b>Group 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2009 £</b>	<b>Company 2008 £</b>
<b>Decommissioning expenditure</b>				
Balance at the beginning of the year	51,822	-	-	-
Effect of foreign currency exchange differences	6,960			
Arising during the year	-	51,822	-	-
Balance at the end of the year	<u>58,782</u>	<u>51,822</u>	-	-
<b>17. Trade and other payables</b>	<b>Group 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2009 £</b>	<b>Company 2008 £</b>
Other creditors and accruals	191,931	82,532	72,563	37,432
	<u>191,931</u>	<u>82,532</u>	<u>72,563</u>	<u>37,432</u>
<b>18. Minority interest</b>			<b>Group 2009 £</b>	<b>Group 2008 £</b>
Called up share capital			1,249,663	1,249,663
Accumulated losses			(157,868)	(28,573)
Translation reserve			204,558	34,737
			<u>1,296,353</u>	<u>1,255,827</u>

**HERENCIA RESOURCES PLC**

Registered number 5345029

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****19. Share capital**

	<b>Company 2009</b>	<b>Company 2008</b>
	£	£
Authorised:		
10,000,000,000 ordinary shares of £0.001 each	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, issued and fully paid:		
860,932,470 ordinary shares	<u>860,932</u>	<u>607,400</u>
(2008: 607,399,999 ordinary shares)		

Issued capital comprises:

	<b>Number of shares</b>	<b>Share Capital</b>	<b>Share Premium</b>
		£	£
<b>Issued and fully paid</b>			
As at 1 January 2009	607,399,999	607,400	6,006,645
<b>Allotments during the year</b>			
23 October 2009 - 0.55p per share	249,532,471	249,532	1,122,896
27 October 2009 - 0.55p per share	4,000,000	4,000	18,000
Share issue costs	-	-	(56,694)
<b>Balances as at 31 December 2009</b>	<u>860,932,470</u>	<u>860,932</u>	<u>7,090,847</u>

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

- On 23 October 2009, the Company completed a private placement raising a capital sum of £1,372,429 from the issue of 249,532,471 ordinary shares at a price of 0.55p per share
- On 27 October 2009, the Company completed a private placement raising a capital sum of £22,000 from the issue of 4,000,000 ordinary shares at a price of 0.55p per share

**20. Share based payments****20.1 Share options****(a) Movements in share options during the period**

	<b>Number of options</b>	
	<b>2009</b>	<b>2008</b>
Balance at the beginning of the year	21,300,000	21,300,000
Granted during the year	10,000,000	-
Exercised during the year	-	-
Expired during the year	(3,900,000)	-
Balance at the end of year	<u>27,400,000</u>	<u>21,300,000</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**20. Share based payments (continued)**

**(b) Share options outstanding**

On 16 December 2009, the Company varied the terms of the options over ordinary shares of 0.1p each in the Company, issued to directors of the Company as detailed below. The following share-based payment arrangements were in existence during the current and prior reporting periods:

<b>Date of grant</b>	<b>Number of Options</b>	<b>Old Exercise Price</b>	<b>New Exercise Price</b>	<b>Old Expiry Date</b>	<b>New Expiry Date</b>
2/4/2007	800,000	1.5p	0.75p	Any time until 31/8/2010	30/11/2012
2/4/2007	800,000	3.0p	0.75p	Between 19/6/2007 to 31/8/2010	30/11/2012
2/4/2007	800,000	4.0p	0.75p	Between 19/6/2008 to 31/8/2010	30/11/2012
30/11/2007	15,000,000	1.5p	0.75p	Between 30/11/2007 to 29/11/2010	30/11/2012
6/2/2009	10,000,000	1.0p	0.75p	Any time until 31/12/2013	31/12/2013
	<u>27,400,000</u>				

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

<b>Date of grant</b>	<b>Number of options</b>	<b>Option price</b>	<b>Exercisable between</b>
<b>Michael Bohm</b>			
2 April 2007	2,400,000	0.75p	Any time until 30/11/2012
6 February 2009	10,000,000	0.75p	Any time until 31/12/ 2013
	<u>12,400,000</u>		
<b>The Hon. John Moore AO.</b>			
30 November 2007	<u>5,000,000</u>	0.75p	Any time until 30/11/2012
<b>John Russell</b>			
30 November 2007	<u>5,000,000</u>	0.75p	Any time until 30/11/2012

The Group recognised a debit of £27,275 (2008: nil) in the income statement in respect of the share-based payment plans.

The share based payments charge 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 48.5%. The risk free rate was taken as 4.01%. The weighted average fair value was nil and the weighted average life of options was taken as 3 years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**20. Share options and share based payments (continued)**

**20.2 Warrants**

After the year end 4,545,454 warrants were issue at 0.55p to WH Ireland Ltd as consideration for a £10,000 discount on Nomad and broker fees for the twelve month period commencing 1 July 2009. The Group recognised a charge of £5,000 (2008: nil) in the income statement in respect of this share based payment, representing the expense for the six months ended 31 December 2009. The remaining £5,000 will be recognised as a charge to the income statement during the six months ended 30 June 2010.

**21. Net cash outflow from operating activities**

	<b>Group 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2009 £</b>	<b>Company 2008 £</b>
Operating loss	(807,857)	(440,006)	(351,734)	(1,338,589)
Increase in trade and other receivables	175	(285,350)	133,002	(852,666)
Increase/(decrease) in trade and other payables	116,359	16,410	35,131	(9,029)
Depreciation of property, plant and equipment	18,716	26,262	332	-
Impairment of intangible assets	-	-	-	-
Impairment of investments	-	-	-	-
Exchange differences on retranslation of foreign operations	30,052	104,374	-	-
Share based payments expense	32,275	-	32,275	-
Net cash outflow from operating activities	<u>(610,280)</u>	<u>(578,310)</u>	<u>(150,994)</u>	<u>(2,200,284)</u>

**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 other than an agreement with Major Drilling Group International Inc. to undertake a 3,500 metre diamond drilling program commencing in late February 2010 at a cost of £401,603.

**24. Related party transactions**

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 £9,838 (2008: £17,453) in respect of legal and secretarial services to the Company.

This related party transaction is based on independent third party commercial rates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**25. Contingent liabilities and capital commitments**

The Group had no contracted capital commitments at 31 December 2009. The Group had no contingent liabilities at 31 December 2009.

**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 £58,782 (2008: £51,822) has been made for any future costs of decommissioning or any environmental damage (see note 16 above).

**27. Financial instruments**

**Capital Risk Management**

The Group manages capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The Group's focus has been to raise sufficient funds through equity to fund exploration activity.

The Group's risk oversight and management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects and ensure that net cash flows are sufficient to support the delivery of the Group's financial targets whilst protecting future financial security. The Group continually monitors and tests its forecast financial position against these objectives.

The Group's activities expose it to a variety of financial risks; market, credit and liquidity. These risks are managed by senior management in line with policies set by the Board. The Group's principal financial instruments comprise cash and short term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

It is, and has been throughout the period under review, Group policy that no speculative trading in financial instruments be undertaken.

**Interest Rate risk**

At 31 December 2009 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:

	<i>Floating interest rate 31 Dec 2009</i>	<i>Non - Interest Bearing 31 Dec 2009</i>	<i>Floating interest rate 31 Dec 2008</i>	<i>Non - Interest Bearing 31 Dec 2008</i>
	£	£	£	£
<i>Financial assets:</i>				
Cash at bank	1,479,244	-	925,471	-
	_____	_____	_____	_____

The effective weighted average interest rate was 3.75%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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**27. Financial instruments (continued)****Financial liabilities:**

At 31 December 2009, 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 Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The functional currency for the Group's operating activities is the British pound and for drilling activities the Chilean Peso and US Dollar. 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.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	<b>Group 2009</b>	<b>Group 2008</b>	<b>Company 2009</b>	<b>Company 2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chilean Peso	13,988	14,721	-	-
US Dollars	744,040	566,136	634,138	6,014
Australian Dollars	544,062	3,528	544,062	3,528

**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.

