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## **Herencia Resources plc**

(“Herencia” or the “Company”)

### **DMS test work to commence on Paguanta Ore**

**(Paguanta Zinc-Lead-Silver-Gold Project in Northern Chile)**

Herencia Resources Plc (AIM: HER) is pleased to advise that independent laboratory Mintek, of South Africa, have been engaged to conduct Heavy Liquid Separation (HLS) test work to determine if the Paguanta ore types are amenable to a Dense Media Separation (DMS) process (also referred to as Heavy Media Separation or HMS).

HLS is used to simulate the process of DMS which could be undertaken on a commercial scale if and when Paguanta entered production. The HLS technique separates ore particles using variances in specific gravity (SG), where particles either sink or float through a fluid of intermediate density. A large proportion of low density waste may be ‘floated’ and discarded during the DMS process, hence increasing the metal content per tonne of ore presented to the grinding and flotation plant.

Test work will be conducted on drill core obtained from the current 2010 diamond drill program and it is anticipated that the test work will commence in July 2010 with results expected to be available by September 2010.

The DMS process route will be evaluated prior to commencement a Feasibility Study possibly set to commence in 4Q2010. Subject to the results, a DMS circuit may be included within the final processing flow-sheet.

The potential benefits of DMS for the Paguanta Project include:

- A significantly smaller grinding and flotation circuit as a higher proportion of waste would be rejected prior to grinding and flotation. This could ultimately enhance the Paguanta deposit as the foot-wall and hanging-wall contact zones (the source of both planned and unplanned mining dilution) are known to be mineralised.
- Cost effective beneficiation of lower grade sections of the mineral resource are possible to the point where lower grade mineralisation could become economic to mine and process.
- A more consistent floatation feed grade resulting in improved metallurgical efficiencies.
- Higher feed grade to the flotation plant.
- Options for the location of the grinding and flotation circuit (i.e. where the grinding/flotation plant is physically installed and operated) as a DMS upgraded ore may be economically attractive to transport for processing (i.e. to a location closer to cheaper power sources)
- Reduction in capital and operating costs (i.e. smaller plant, lower power requirements)

Commenting on the DMS potential, Managing Director Michael Bohm stated:

*“DMS is used extensively in the resources sector for the cost-effective processing of a variety of ore types, including coal, diamonds, nickel, chromite and zinc/lead ores. If it were to prove applicable to Paguanta ore, the opportunity to build a smaller grinding and flotation circuit may present itself - providing significant capital and operating cost savings - along with a number of other potential benefits as outlined above.*

*To give an example, if we were to treat 50tph of ore (roughly equivalent to 350,000tpa at 85% plant availability and 95% utilisation), we would normally require a 50tph crusher, grinding mill and flotation plant. Now assuming that DMS was successful in rejecting say 70% of material as waste (an assumption that has yet to be tested or quantified), you could install a 50tph crusher, a 40-50tph DMS plant (as some of the crusher fines do not report to the DMS), and a then build a much smaller 10-20tph grinding and floatation circuit. The capital cost savings in*

*the grinding and floatation circuit could potentially be significant, with only a modest capital spend of US\$1.0 to 2.0 million for a DMS plant.*

*Depending on the test results, there may also be the opportunity to truck a DMS concentrate and hence build the grinding/flotation circuit 'off-site', closer to the port and in a location close to grid power. This could result in lower operating costs (through cheaper power costs and labour/administration costs) and potentially even further capital cost savings as the size of the mine camp and offices required to house the mine workforce could be reduced.*

*Obviously there are many assumptions here that will need to be properly tested, including any potential loss of metal in utilising a DMS circuit, however there may be many potential benefits that could flow from adopting this simple and well established technology.*

*By conducting initial testwork over the coming months, we can test assumptions and possibly save valuable time in a Study timetable as we would be able to incorporate the results into the Feasibility Study, planned to potentially commence later this year.*

*It is important to note that the application of DMS is not critical to the success of the Project, but could be a potential benefit subject to successful testwork.*

*The Company and management group will continue to look at alternatives and options to optimise our Paguanta Project to achieve the best outcome for shareholders".*

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