

Herencia Resources plc

(“Herencia” or the “Company”)

HALF-YEARLY FINANCIAL REPORT

For the six months ended 30 June 2010

Herencia Resources plc is pleased to announce the unaudited half-yearly accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010.

CHAIRMAN’S STATEMENT

The six months ended 30 June 2010 was a significant period of achievement for Herencia.

Following on from a successful £1.39 million capital raising in late 2009, the Company advanced quickly to initiate a 3,500m diamond drill programme at our flagship Paguanta zinc-silver-lead-gold Project (70% owned and managed by Herencia), located in northern Chile. Almost immediately, we achieved success in identifying a new high grade mineralised vein.

During the same period, the Company was then pleased to announce an investment of £750,000 by Nyrstar, the world's largest zinc smelting company. Nyrstar also exercised its right to take a seat on the Board of Directors.

With the discovery of additional high grades and the support of Nyrstar, the drill programme was expanded by 2,000m (to 5,500m), and drilling was completed on time and on budget in the last days of June 2010. An update to the Mineral Resource Estimate is scheduled for release this month.

The high grade assay results announced to the market support, yet again, our firm belief that Paguanta is shaping up as a near term mine development opportunity for the Company, and one that has significant potential upside. We have pointed previously to the positive technical aspects of the Project. What continues to greatly encourage us is that after four drilling campaigns the mineralisation still remains open along strike (in both directions) and down dip, we continue to intersect high grades at depth, we are still encountering new high grade veins, and gold continues to be reported in nearly every new hole drilled. Worthy of note is that the last hole in the programme, drilled late in June, intersected a mineralised zone of 6.4m grading 10.8% zinc, 3% lead, 150g/t silver and 0.42g/t gold.

Shareholders should be aware that whilst our focus remains, rightly, on advancing the Paguanta Project, the Company also continues to look for ways to add value for shareholders, either through assets currently owned or new project opportunities. This can be demonstrated by the DMS test work currently underway, which if successful could add significantly to the Paguanta Project, and the high grade copper and silver assay results announced from surface sampling at our Doris prospect, located wholly within the Paguanta Project tenements. Added to these 'in-house' opportunities, the Company remains vigilant for new projects in Chile, a country with excellent geological prospectivity and an inviting investment climate.

We believe the Paguanta Project will continue, as it has during 2010, to deliver positive news flow for the Company and we remain confident that increasing zinc and lead prices forecast by some analysts will eventuate, as this could coincide with Paguanta coming on stream. Our goal remains to move the Paguanta Project toward a Feasibility Study phase during the 4th quarter of 2010 to place the Company in a position to take advantage of predicted higher commodity prices as and when they eventuate.

The Board and management thank shareholders for their continued support.

Hon. John Moore AO
Chairman
9 September 2010

HERENCIA RESOURCES PLC

Registered number 5345029

Please refer to the project announcements at the Company's website (www.herenciaresources.com) for further information on the Company operations.

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Notes	6 months ended 30 June 2010 (un-audited)	6 months ended 30 June 2009 (un-audited)	12 months ended 31 December 2009 (audited)
		£	£	£
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Administration expenses		(487,534)	(189,892)	(807,857)
Operating loss		(487,534)	(189,892)	(807,857)
Finance revenue		9,160	468	3,527
Loss before tax		(478,374)	(189,424)	(804,330)
Income tax expenses		-	-	-
Loss for the period		(478,374)	(189,424)	(804,330)
Other comprehensive income/(loss)				
Exchange differences on translating foreign operations		53,003	48,123	513,106
Other comprehensive income net of tax		53,003	48,123	513,106
Total comprehensive income/(loss) for the period		(425,371)	(141,301)	(291,224)
Loss attributable to:				
Equity holders of the Company		(435,465)	(132,990)	(675,036)
Non-controlling interests		(42,909)	(56,434)	(129,294)
		(478,374)	(189,424)	(804,330)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company		(383,433)	(152,283)	(331,750)
Non-controlling interests		(41,938)	10,982	40,526
		(425,371)	(141,301)	(291,224)
Loss per ordinary share – basic and diluted	2	(0.05)p	(0.02)p	(0.10)p

The results shown above relate entirely to continuing operations.

**STATEMENTS OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Notes	30 June 2010 (un-audited) £	30 June 2009 (un-audited) £	31 December 2009 (audited) £
ASSETS				
Non current assets				
Intangible assets and goodwill	4	5,924,618	4,892,203	5,242,131
Property, plant and equipment	5	133,903	100,225	86,686
		<u>6,058,521</u>	<u>4,992,428</u>	<u>5,328,817</u>
Current assets				
Cash and cash equivalents		1,514,099	395,281	1,479,244
Trade and other receivables		626,278	501,137	486,321
Other assets		4,490	2,150	6,631
		<u>2,144,867</u>	<u>898,568</u>	<u>1,972,196</u>
Total assets		<u>8,203,388</u>	<u>5,890,996</u>	<u>7,301,013</u>
LIABILITIES				
Non current liabilities				
Provisions	6	58,588	54,506	58,782
		<u>58,588</u>	<u>54,506</u>	<u>58,782</u>
Current liabilities				
Trade and other payables		401,540	6,275	191,931
		<u>401,540</u>	<u>6,275</u>	<u>191,931</u>
Total liabilities		<u>460,128</u>	<u>60,781</u>	<u>250,713</u>
Net Assets		<u>7,743,260</u>	<u>5,830,215</u>	<u>7,050,300</u>
EQUITY				
Share capital	8	960,932	607,400	860,932
Share premium		7,740,847	6,006,645	7,090,847
Share based payments reserve		114,801	96,985	114,801
Translation reserve		457,489	42,877	405,456
Retained losses		(3,153,555)	(2,190,501)	(2,718,089)
Capital and reserves attributable to equity holders		<u>6,120,514</u>	<u>4,563,406</u>	<u>5,753,947</u>
Minority interests in equity	7	1,622,746	1,266,809	1,296,353
Total equity and reserves		<u>7,743,260</u>	<u>5,830,215</u>	<u>7,050,300</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Notes	Six months ended 30 June 2010 (un-audited) £	Six months ended 30 June 2009 (un-audited) £	Twelve months ended 31 December 2009 (audited) £
Net cash outflow from operating activities		(337,556)	(215,624)	(610,280)
Cash flows from investing activities				
Interest received		9,160	468	3,527
Proceeds from sale of property, plant and equipment		(49,100)	1,595	(9,954)
Cash calls from minority shareholder		359,385	-	2,297
Net funds used for investing in exploration	4	(697,034)	(316,629)	(169,551)
Net cash utilised by investing activities		(377,589)	(314,566)	(173,681)
Cash flows from financing activities				
Proceeds from issue of shares		750,000	-	1,394,428
Issue costs		-	-	(56,694)
Net cash generated from financing activities		750,000	-	1,337,734
Net increase/(decrease) in cash and cash equivalents		34,855	(530,190)	553,773
Cash and cash equivalents at the beginning of the period		1,479,244	925,471	925,471
Cash and cash equivalents at the end of the period		1,514,099	395,281	1,479,244

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Share capital	Share premium	Translation reserve	Share based payments reserve	Accumulated losses	Total	Minority interest	Total equity
	£	£	£	£	£	£	£	£
Balance at 1 January 2010	860,932	7,090,847	405,456	114,801	(2,718,089)	5,753,947	1,296,353	7,050,300
Issue of shares	100,000	650,000	-	-	-	750,000	-	750,000
Total comprehensive income/(loss) for the period	-	-	52,033	-	(435,466)	(383,433)	(41,938)	(425,371)
Movement in minority's interest in share capital of subsidiary	-	-	-	-	-	-	368,331	368,331
Balance at 30 June 2010	960,932	7,740,847	457,489	114,801	(3,153,555)	6,120,514	1,622,746	7,743,260
Balance at 1 January 2009	607,400	6,006,645	62,170	96,985	(2,057,511)	4,715,689	1,255,827	5,971,516
Total comprehensive income/(loss) for the period	-	-	(19,293)	-	(132,990)	(152,283)	10,982	(141,301)
Balance at 30 June 2009	607,400	6,006,645	42,877	96,985	(2,190,501)	4,563,406	1,266,809	5,830,215

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NOTES TO THE UNAUDITED HALF-YEARLY ACCOUNTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010

1. Accounting policies

The condensed half-year accounts have been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU. The condensed half-year accounts have been prepared using the accounting policies which are expected to be applied in the Group's statutory financial statements for the year ending 31 December 2010.

1.1. Basis of preparation and going concern

Herencia Resources plc ('the Company') is incorporated in England and Wales. The half-yearly accounts for the six months ended 30 June 2010 is un-audited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The half-yearly accounts includes unaudited comparative figures for the half year ended 30 June 2009. The comparatives for the period ended 31 December 2009 are not the Company's full statutory accounts for that period but have been extracted from the statutory accounts for that period which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, included references to the going concern note in the accounts to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) – (3) of the Companies Act 2006.

The financial reports have been prepared using the historical cost convention and are presented in UK pounds sterling. The half-yearly accounts for the six months ended 30 June 2010 has been prepared in accordance with IAS 34, 'Interim financial reporting'.

The half-yearly accounts for the six months ended 30 June 2010 has been prepared pursuant to AIM Rule 18, which states "An AIM company must prepare a half-yearly report in respect of the six month period from the end of the financial period for which financial information has been disclosed in its admission document and at least every subsequent six months thereafter (apart from the final period of six months preceding its accounting reference date for its annual audited accounts)."

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 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 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.

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NOTES TO THE UNAUDITED HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010**2. Loss per share**

The basic loss per ordinary share of (0.05)p (30 June 2009; (0.02)p, 31 December 2009; (0.10)p) for the Group has been calculated by dividing the loss for the period attributable to equity holders of £435,465 (30 June 2009; £132,990, 31 December 2009; £675,036) by the weighted average number of ordinary shares in issue of 896,844,072 (30 June 2009; 607,399,999, 31 December 2009; 655,284,220).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 896,844,072 (30 June 2009; 607,399,999, 31 December 2009; 655,284,220). 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

3. Segmental information

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
	£	£	£
6 months ended 30 June 2010			
Administration expenses	(250,433)	(264,960)	(515,393)
Finance revenue	-	9,160	9,160
Non-cash expenditure:			
Depreciation expense	-	(1,626)	(1,626)
Foreign exchange (loss)/gain	32,943	(3,458)	29,485
Segment result	(217,490)	(260,884)	(478,374)
As at 30 June 2010			
Segment assets	7,344,735	858,653	8,203,388
Segment liabilities	(456,688)	(3,440)	(460,128)
Net assets	6,888,047	855,213	7,743,260
6 months ended 30 June 2009			
Administration expenses	(162,850)	(174,209)	(337,059)
Finance revenue	468	-	468
Non-cash expenditure:			
Foreign exchange (loss)/gain	(1,188)	148,355	147,167
Segment result	(163,570)	(25,854)	(189,424)
As at 30 June 2009			
Segment assets	1,003,327	4,887,669	5,890,996
Segment liabilities	(1,363)	(59,418)	(60,781)
Net assets	1,001,964	4,828,251	5,830,215

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NOTES TO THE UNAUDITED HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010**3. Segmental information (continued)**

Segment information by operating segment	Mineral Exploration	Central Costs	Total
12 months ended 31 December 2009	£	£	£
Administration expenses	(338,612)	(344,815)	(683,427)
Finance revenue	-	3,527	3,527
Non-cash expenditure:			
Depreciation expense	(18,384)	(332)	(18,716)
Share based payments expense	-	(32,275)	(32,275)
Foreign exchange (loss)/gain	(99,129)	25,690	(73,439)
Segment result	(456,125)	(348,205)	(804,330)
As at 31 December 2009			
Segment assets	5,978,442	1,322,571	7,301,013
Segment liabilities	(178,150)	(72,563)	(250,713)
Net assets	5,800,292	1,250,008	7,050,300

Segment information by region

	External Revenue			Non-current assets		
	30 June 2010 (un- audited) £	30 June 2009 (un- audited) £	31 December 2009 (audited) £	30 June 2010 (un- audited) £	30 June 2009 (un- audited) £	31 December 2009 (audited) £
Australia	-	-	-	9,632	-	8,749
Chile	-	-	-	6,048,889	4,992,428	5,320,068
Group	-	-	-	6,058,521	4,992,428	5,328,817

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

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NOTES TO THE UNAUDITED HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010

	30 June 2010 (un-audited) £	30 June 2009 (un-audited) £	31 December 2009 (audited) £
4. Intangible assets			
	Goodwill	Exploration and development costs	Total
Cost			
As at 1 January 2010	1,000,000	4,914,264	5,914,264
Additions	-	697,034	697,034
Effect of foreign currency exchange differences		(14,547)	(14,547)
At 30 June 2010	<u>1,000,000</u>	<u>5,596,751</u>	<u>6,596,751</u>
Impairment			
As at 1 January 2010	(125,000)	(547,133)	(672,133)
Impairment during the period	-	-	-
As at 30 June 2010	<u>(125,000)</u>	<u>(547,133)</u>	<u>(672,133)</u>
Carrying amount			
As at 30 June 2010	<u>875,000</u>	<u>5,049,618</u>	<u>5,924,618</u>

The goodwill and exploration and development costs as at 30 June 2010 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 a 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.

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NOTES TO THE UNAUDITED HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010**4. Intangible assets (continued)**

As 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 as the Directors decided to withdraw from the Iquique project to focus on the Group's 70% owned Paguanta project. 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 30 June 2010.

	30 June 2010 (un-audited) £	30 June 2009 (un-audited) £	31 December 2009 (audited) £
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5. Property, plant and equipment**Plant and equipment**

At cost	197,561	143,541	148,718
Accumulated depreciation	(63,658)	(43,316)	(62,032)
Total property and equipment	133,903	100,225	86,686

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	86,686	111,698	111,698
Additions at cost	49,100	617	9,954
Disposals	-	(6,546)	(31,252)
Depreciation expense	(1,626)	-	(18,716)
Exchange difference on translation of foreign operations	(257)	(5,544)	15,002
Carrying amount at the end of the period	133,903	100,225	86,686

6. Provisions

	30 June 2010 (un-audited) £	30 June 2009 (un-audited) £	31 December 2009 (audited) £
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Decommissioning expenditure

Balance at the beginning of the period	58,782	51,822	51,822
Effect of foreign currency exchange differences	(194)	2,684	6,960
Arising during the year	-	-	-
Balance at the end of the period	58,588	54,506	58,782

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NOTES TO THE UNAUDITED HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010**7. Minority interest**

	30 June 2010 (un-audited) £	30 June 2009 (un-audited) £	31 December 2009 (audited) £
Called up share capital	1,617,994	1,249,663	1,249,663
Accumulated losses	(200,777)	(85,007)	(157,868)
Translation reserve	205,529	102,153	204,558
	<u>1,622,746</u>	<u>1,266,809</u>	<u>1,296,353</u>

	30 June 2010 (un-audited) £	30 June 2009 (un-audited) £	31 December 2009 (audited) £
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8. Called up share capital

Authorised:

10,000,000,000 ordinary shares of £0.001 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
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Allotted, issued and fully paid:

960,932,470 ordinary shares

(30 June 2009: 607,399,999 ordinary shares,

31 December 2009: 860,932,470)

	<u>960,932</u>	<u>607,400</u>	<u>860,932</u>
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9. Control

No one party is identified as controlling the Company.

10. 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.

11. Contingent liabilities and capital commitments

The Group had no contracted capital commitments at 30 June 2010.

The Group had no contingent liabilities at 30 June 2010.

12. 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 £58,588 has been made for any future costs of decommissioning or environmental damage.