

Speculative BUY

Unchanged

Price 2.47p

Reuters/BBG Index Sector Market Cap	HER.L/HER.LN FTSE AIM Mining £30m
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MORNING COMMENT

Herencia*

Herencia Resources Placing and Progress

Event

Herencia Resources has announced the raising of £2.8m through the placing of 125,000,000 shares at 2.25p. Nyrstar subscribed to 12,750,000 of these shares and the Chilean investment fund, Megeve Investments, subscribed for £625,000 of shares. The funds will add to the company's existing cash balance and enable an accelerated work program on the company's Guamanga copper-gold project (drilling commencement scheduled Q4 2011), engineering and extensional exploration works at Patricia, and the planned drilling of a deep exploration hole at the La Rosa porphyry target.

Subsequent to the placing, Herencia is well financed and has significant exposure to the JORC compliant Patricia zinc-silver-lead-gold development project and several highly promising earlier stage prospects in a world class mineral province in Chile.

Background

Herencia's 24 sq/mile Paguanta project contains the Patricia JORC compliant zinc-silver-lead-gold deposit (first mined in the 19th century), the Doris copper-silver prospect and the La Rosa porphyry copper prospect. Paguanta sits within the northern zone of the Domeyko fault system which is host to a number of world-class copper deposits (and constitutes the world's largest concentration of copper production). The Paguanta area is highly mineralised and is 25 miles from BHP Billiton's Cerro Colorado Mine and in a similar geological setting to major Codelco projects.

The Patricia JORC mineral resource estimate (indicated and inferred) is 3.51Mt at 4.6% Zn, 1.5% Pb, 93 g/t Ag and 0.2 g/t Au (2% Zn cut-off). Herencia's internal economic model shows an **NPV@8% of US\$90.4** for Patricia assuming spot prices and exchange rates at 5 November 2010 and the existing 1.66Mt mining inventory. We highlight there is much scope for extensional exploration at Patricia thus scope for resource additions. A Feasibility Study is currently underway.

The Doris copper-silver prospect has been the subject of a recent 10 hole diamond drilling campaign, the better results yielding 1.7m @ 2.49% Cu/49g/t Ag and 2.05m @ 1.78% Cu/226g/t Ag.

The La Rosa prospect is, *all things equal*, earlier stage than the other Paguanta zones but has the potential to host a very significant porphyry type deposit.

Herencia has recently entered into an agreement to acquire a 51% interest in the 7sq/mile Guamanga copper-gold project with the potential to host an iron oxide copper gold type mineralisation system. This project is 10 miles from Anglo American's Mantoverde iron oxide copper gold mine in Chile and a number of promising copper-gold drill intersections have been recorded as shallow depths.

*WH Ireland acts as Broker and Nomad

MARKETING COMMUNICATION

This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research.

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Investment Opinion

Herencia continues to show good progress in advancing its Paguanta projects, where Patricia hosts a JORC mineral resource estimate (indicated and inferred) of 3.51Mt at 4.6% Zn, 1.5% Pb, 93 g/t Ag and 0.2 g/t Au (2% Zn cut-off). Following the placing Herencia is well funded and has a significant development project in Patricia and promising exploration prospects in Doris, La Rosa and Guamanga. We highlight that although Herencia operates in the mining friendly jurisdiction of Chile it nonetheless faces a number of generic mining development risks. We rate the company a **Speculative Buy**.

Disclosures

WH Ireland Recommendation Definitions

Buy

Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

Outperform

Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

Market Perform

Expected to perform in line with the FTSE All Share over the next 12 months.

Underperform

Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

Sell

Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

Speculative Buy

The stock has considerable level of upside but there is a higher than average degree of risk.

Share Price Target

The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

Stock Rating Distribution

As at the quarter ending 31 March 2011 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	34	67%	26
Speculative Buy	7	13%	7
Outperform	4	8%	1
Market Perform	4	8%	3
Underperform	0	0%	0
Sell	2	4%	0
Total	51	100%	37

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

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