

Herencia Resources

SPECULATIVE BUY

21/03/2012 Ben Jaglom

Chile-focused zinc explorer Herencia Resources (HER) continues to intrigue mining mavens.

The AIM-quoted minnow has two main projects in Chile- one of the more stable regions to operate a mine in with a well-educated workforce and democratic government. Herencia operates the Paguanta project in the northernmost tip of the country and to the south the Guamanga copper-gold project. The company's head office is in the Chilean capital of Santiago.

Patricia itself is currently undergoing a feasibility study with expected start up costs for the mine of \$60 million and with a 'hypothetical' net present value of \$150.6 million according to broker WH Ireland. Earnings before interest and taxation of \$30.2 million are forecast for its second year.

Herencia also runs the Guamange copper gold project and recently declared results from seven holes which showed that one intersection had cut five metres at 1.4 per cent copper, with 0.38 grams per tonne of gold and 168 parts per million of cobalt and 136 parts per million of molybdenum also reported.

A company still in the early stages of its life, the key test for the company will be in its ability to continue to secure funding for Patricia. Operating in one of the more stable areas of the world, the shares remain speculative fare. Speculative buy.