

# Herencia Resources plc

("Herencia" or "the Company")

## Paguanta Update

### 2.2 Million Ounce Increase in Silver Resource and Further Promising Metallurgical Testwork Results at Paguanta

Herencia Resources plc, an AIM quoted exploration and development company operating in Chile, is pleased to provide an update in relation to its flagship Paguanta Project ("the Project"). The Project, which is 70% owned and managed by Herencia, is a high grade silver-zinc-lead deposit located in northern Chile. The Company has recently undertaken a number of work programmes aimed at incorporating an open pit mine into the Paguanta Feasibility Study.

## Highlights

### Increased Silver Resource

The Company is pleased to announce that the total Silver Resource for the Paguanta Project has increased to 15.6 million ounces, an increase of approximately 2.2 million ounces compared to the June 2012 Mineral Resource estimate of silver. This increase is a result of the identification of near-surface silver mineralisation ("Silver Halo") up-dip from existing resources following recent sampling programmes. The new Silver Resource is located close to the surface with the potential for extraction by open pit mining methods.

### Promising Metallurgical Testwork Results

Metallurgical testwork to evaluate silver (Ag) and gold (Au) recoveries from the oxide mineralisation (typically between 0 and 50 metres below surface) at the Paguanta Project has returned very encouraging preliminary results using an agitated leach process. Testwork is ongoing and initial results show agitated leach recoveries for the oxide zone to be approximately:

- Oxide silver recovery 75%
- Oxide gold recovery 70%

These oxide zone results are in addition to the high recoveries already achieved in the primary sulphide zones previously announced on 26 September 2012 and presented as part of Table 1 below.

Table 1: Primary, Transition and Oxide Zone Recoveries from Metallurgical Testwork

| Metal  | Primary-Transition-Oxide Zone Recoveries |                    |                 |
|--------|--|--------------------|-----------------|
|        | Primary                                  | Transition         | Oxide           |
| Silver | 90 <sup>2</sup>                          | 60-80 <sup>3</sup> | 75 <sup>1</sup> |
| Gold   |  | 75 <sup>1</sup>    | 70 <sup>1</sup> |
| Lead   | 80 <sup>2</sup>                          | 40 <sup>2</sup>    |                 |
| Zinc   | 80 <sup>2</sup>                          | 60-84 <sup>2</sup> |                 |

Notes

<sup>1</sup> Metallurgical recovery using the agitated leach process

<sup>2</sup> Metallurgical recovery using the sulphide flotation process

<sup>3</sup> Metallurgical recovery using combined Agitated Leach and flotation process

### New Silver Halo Resource

As announced on 26 July 2012, the Company commenced work on a comprehensive and systematic surface sampling programme to test the surface expression of the Patricia mineralisation and to undertake a re-logging and re-sampling program for selected near surface drill holes. This work was aimed at defining further high-grade silver and lead mineralisation up-dip and near-surface from existing resources, to support the potential development of an open pit operation.

This work has resulted in the identification of further Mineral Resources in the Silver Halo totalling 1.1 million tonnes at an average grade of 64 grams per tonne silver, above a cut-off of 20g/t silver for approximately 2.2 million ounces of silver bringing the total Mineral Resource of silver for the Paguanta Project to 15.69 million ounces (see Tables 2, 3 and 4). The majority of the new 2.2 million ounces is located close to the surface and therefore potentially accessible via open pit mining methods.

The December 2012 Silver Halo Mineral Resource Estimate was completed by international consultancy firm, Golder Associates S.A, an independent mining consultancy group with offices in Santiago. This estimate has been reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves [2004] (the JORC Code).

A geological reinterpretation by Herencia of the surface sampling and near surface drill holes not only identified the new Silver Halo zone but also identified other areas of interest that could potentially contain significant additional silver, zinc and lead resources. These areas are mostly close to the surface and could add further to the current open pit Mineral Resource inventory. A plan to drill test these new areas is currently being developed. These new areas of interest and the large IP potential to the east of the Paguanta Project provide the Company with the confidence that the current Paguanta Mineral Resource can be expanded with further drilling.

### **Promising Initial Leach Recoveries for Oxide Mineralisation**

Metallurgical test work to evaluate the recovery of silver and gold from the 'Oxide Zone' material at the Paguanta Project has returned very encouraging initial metallurgical recoveries.

Oxide Zone material is described as primary ore that has been fully oxidised via natural weathering mechanisms which, in this case, have increased leach recoveries for silver and gold. Conventional agitated cyanidation leach testwork was completed at SGS Laboratories in Santiago, Chile.

Key results obtained for the agitated leach testwork programme show an average silver dissolution in the order of 75% with some results ranging up to 90%. Gold dissolution was also very encouraging averaging 70%. The agitated leaching process involves crushing and grinding the oxide ore then leaching via agitated leach tanks prior to the recovery of silver dore using a conventional Merrill Crowe process. Of particular importance, the leach kinetics for silver dissolution were relatively fast which favours short residence times and reduced capital requirements.

Graeme Sloan, Managing Director of Herencia said:

*"The addition of a Silver Halo Mineral Resource close to the surface and some very encouraging silver, zinc and lead recoveries via an agitated leaching process, certainly augurs well for the open pit concept. This is a significant development for the Paguanta Project and highlights the excellent work being undertaken by the team.*

*"The latest Resource work also highlighted a number of additional zones of interest that are close to the surface which could contain significant amounts of silver, lead and zinc and could potentially be mined via open pit methods. These results coupled with the IP anomaly to the east of Patricia demonstrate the significant potential to be realised at Paguanta.*

*The Feasibility Study remains on track to be completed by the end of next quarter".*

### **Project Location**

The Paguanta Project is a silver-zinc-lead deposit located in the north of Chile approximately 190 kilometres north-east of the coastal city of Iquique and 30 kilometres west of the Chile-Bolivia border. The Project is in the Andes, 3,400 to 3,700 metres above sea level on the north end of the Oligocene Porphyry Copper Belt of Chile that includes the world class deposits of Escondida, Chuquicamata, Collahuasi and Cerro Colorado. Cerro Colorado is a large operating copper mine, operated by BHP Billiton, and is located approximately 35 kilometres south of Paguanta.

For further information, please contact:

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|---|------------------|
| Graeme Sloan, Herencia Resources plc          | +61 8 9481 4204  |
| Katy Mitchell, WH Ireland Limited             | +44 161 832 2174 |
| Simon Courtenay/Abigail Genis, Broker Profile | +44 207 448 3244 |

References in this announcement to exploration results and potential have been approved for release by Mr Graeme Sloan (BAppSc Mining Engineering WASM) and Mr Antonio Valverde (Bsc Geology Universidad Complutense de Madrid), both with more than 20 years relevant experience in the field of activity concerned. Mr Sloan is a Member of the Australasian Institute of Mining and Metallurgy. Both Mr Sloan and Mr Valverde have consented to the inclusion of the material in the form and context in which it appears.

**Further background details on the Company can be found at [www.herenciaresources.com](http://www.herenciaresources.com)**

**\*\*ENDS\*\***

**Table 2: December 2012 Silver Halo Mineral Resource Estimate**

| Silver Cut-off grade | Measured Resource |          |          |          |          | Indicated Resource |            |            |           |            | Inferred Resource |            |            |           |            | Total Resource |            |            |           |            |             |
|----------------------|-------------------|----------|----------|----------|----------|--------------------|------------|------------|-----------|------------|-------------------|------------|------------|-----------|------------|----------------|------------|------------|-----------|------------|-------------|
|                      | Zn                | Pb       | Ag       | Au       |          | Zn                 | Pb         | Ag         | Au        |            | Zn                | Pb         | Ag         | Au        |            | Zn             | Pb         | Ag         | Au        | Ag         |             |
|                      | Mt                | %        | %        | g/t      | g/t      | Mt                 | %          | %          | g/t       | g/t        | Mt                | %          | %          | g/t       | g/t        | Mt             | %          | %          | g/t       | g/t        | Moz         |
| <b>20 g/t</b>        | <b>0</b>          | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>0.3</b>         | <b>0.8</b> | <b>0.7</b> | <b>45</b> | <b>0.1</b> | <b>0.8</b>        | <b>0.7</b> | <b>1.1</b> | <b>71</b> | <b>0.1</b> | <b>1.1</b>     | <b>0.7</b> | <b>1.0</b> | <b>64</b> | <b>0.1</b> | <b>2.26</b> |
| 30 g/t               | 0                 | -        | -        | -        | -        | 0.2                | 0.8        | 0.7        | 52        | 0.1        | 0.6               | 0.6        | 1.2        | 80        | 0.1        | 0.8            | 0.7        | 1.1        | 74        | 0.1        | 1.90        |
| 40 g/t               | 0                 | -        | -        | -        | -        | 0.1                | 0.8        | 0.9        | 64        | 0.1        | 0.4               | 0.6        | 1.6        | 101       | 0.2        | 0.6            | 0.6        | 1.4        | 93        | 0.2        | 1.79        |
| 50 g/t               | 0                 | -        | -        | -        | -        | 0.1                | 0.7        | 1.1        | 74        | 0.1        | 0.3               | 0.5        | 1.9        | 120       | 0.2        | 0.4            | 0.6        | 1.8        | 112       | 0.2        | 1.44        |

**Table 3: June 2012 Total Mineral Resource Estimate**

| Zinc Cut-off grade | Measured Resource |            |            |           |            | Indicated Resource |            |            |           |            | Inferred Resource |            |            |           |            | Total Resource |            |            |             |            |              |
|--------------------|-------------------|------------|------------|-----------|------------|--------------------|------------|------------|-----------|------------|-------------------|------------|------------|-----------|------------|----------------|------------|------------|-------------|------------|--------------|
|                    | Zn                | Pb         | Ag         | Au        |            | Zn                 | Pb         | Ag         | Au        |            | Zn                | Pb         | Ag         | Au        |            | Zn             | Pb         | Ag         | Au          | Ag         |              |
|                    | Mt                | %          | %          | g/t       | g/t        | Mt                 | %          | %          | g/t       | g/t        | Mt                | %          | %          | g/t       | g/t        | Mt             | %          | %          | g/t         | g/t        | Moz          |
| <b>1%</b>          | <b>0.6</b>        | <b>5.0</b> | <b>1.8</b> | <b>98</b> | <b>0.2</b> | <b>3.5</b>         | <b>3.2</b> | <b>1.1</b> | <b>70</b> | <b>0.2</b> | <b>1.7</b>        | <b>2.7</b> | <b>1.0</b> | <b>67</b> | <b>0.2</b> | <b>5.8</b>     | <b>3.2</b> | <b>1.2</b> | <b>72.0</b> | <b>0.2</b> | <b>13.43</b> |
| 2%                 | 0.5               | 5.9        | 2.1        | 115       | 0.2        | 2.6                | 3.7        | 1.3        | 81        | 0.2        | 1.3               | 3.1        | 1.2        | 80        | 0.2        | 4.4            | 3.7        | 1.4        | 84.0        | 0.2        | 11.88        |
| 3%                 | 0.3               | 8.1        | 2.8        | 153       | 0.3        | 1.1                | 5.6        | 1.9        | 116       | 0.2        | 0.5               | 4.2        | 1.6        | 127       | 0.2        | 1.8            | 5.6        | 2.0        | 125.0       | 0.2        | 7.23         |
| 4%                 | 0.2               | 8.9        | 3.1        | 169       | 0.3        | 0.7                | 6.9        | 2.2        | 131       | 0.3        | 0.1               | 6.2        | 1.8        | 111       | 0.4        | 1.0            | 7.3        | 2.4        | 137.0       | 0.3        | 4.40         |

**Table 4: June 2012 and December 2012 Mineral Resource Estimates and total Silver Resource**

|            |       | Measured Resource |     |     |     |     | Indicated Resource |     |     |     |     | Inferred Resource |     |     |     |     | Total Resource |     |     |      |     |              |
|------------|-------|-------------------|-----|-----|-----|-----|--------------------|-----|-----|-----|-----|-------------------|-----|-----|-----|-----|----------------|-----|-----|------|-----|--------------|
|            |       | Zn                | Pb  | Ag  | Au  |     | Zn                 | Pb  | Ag  | Au  |     | Zn                | Pb  | Ag  | Au  |     | Zn             | Pb  | Ag  | Au   | Ag  |              |
|            |       | Mt                | %   | %   | g/t | g/t | Mt                 | %   | %   | g/t | g/t | Mt                | %   | %   | g/t | g/t | Mt             | %   | %   | g/t  | g/t | Moz          |
| Ag cut-off | 20g/t | 0                 | -   | -   | -   | -   | 0.3                | 0.8 | 0.7 | 45  | 0.1 | 0.8               | 0.7 | 1.1 | 71  | 0.1 | 1.1            | 0.7 | 1.0 | 64   | 0.1 | <b>2.26</b>  |
| Zn cut-off | 1%    | 0.6               | 5.0 | 1.8 | 98  | 0.2 | 3.5                | 3.2 | 1.1 | 70  | 0.2 | 1.7               | 2.7 | 1.0 | 67  | 0.2 | 5.8            | 3.2 | 1.2 | 72.0 | 0.2 | <b>13.43</b> |

|   |                 |
|---|-----------------|
| <b>Total Silver Mineral Resource Estimate</b> | <b>15.69Moz</b> |
|---|-----------------|

The information in this report that relates to the December 2012 Silver Halo Mineral Resource estimate is based on information compiled by Dr Bill Shaw. Dr Shaw is a full time employee of Golder Associates, a Fellow of the Australasian Institute of Mining and Metallurgy, a Fellow of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Shaw consents to the inclusion in the report of this information in the form and context in which it appears.

The information in this report that relates to the June 2012 Mineral Resource estimate is based on information compiled by Dr Marcelo Godoy. Dr Godoy is a full time employee of Golder Associates, a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. The Mineral Resource estimate complies with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). Dr Godoy consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the June 2012 Mineral Resource estimate was previously announced on 22 June 2012.