



# Herencia Resources

Jun 18<sup>th</sup> 2013

## Broker: Herencia Resources could be worth five times current value

An exciting month just gone for Herencia Resources (LON:HER) has led broker WH Ireland to kick off coverage of the AIM-listed Chilean miner with a speculative buy' rating.

Analyst Paul Smith has a 1.12p target price for the shares after the company's feasibility study for its Patricia deposit, which underlined the economics of the zinc-silver-lead asset. The recent joint venture deal announced with OZ Minerals for its Guamanga copper-gold project is also behind his upbeat stance.

The target price could rise to 2.8p if the broker increases its long-term zinc, lead and silver prices by 20% and if another four years is added to the mine life. This is almost five times the current market price of 0.58p, which values the company at under £10mln, despite the recent positive feasibility study outcome and JV.

Smith is among those who are bullish on the zinc market over the medium-term; rising demand and a number of large mine closures are two reasons why analysts are tipping the zinc price to recover by 2015.

"Upside potential at Patricia is marked, with the deposit open along strike and at depth and there may be further value in the copper and copper-gold exploration in Chile," he said.

"Chile is a very prospective country and a good jurisdiction to operate in. Herencia has a defined time line to development and we believe has options to fund the development of Patricia."

Patricia could produce on average 12,500 tonnes of zinc, 4,500 tonnes of lead and 1.1 million ounces of silver in concentrate every year over a period of eight years, with a "significant probability" of extending the mine life, according to Smith.

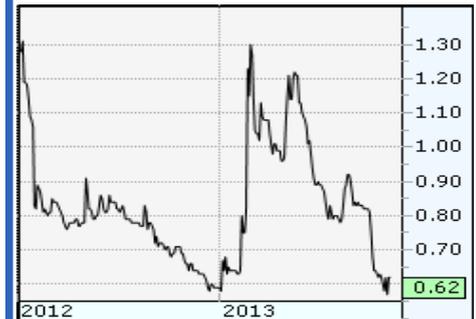
He adds that the deal with OZ Minerals is an "important indicator" that the company has a good and prospective exploration portfolio, pointing out that Guamanga lies just 25 kilometres down the road from Anglo American's Mantoverde mine in a very prolific copper belt. The deal means Guamanga could reach production without Herencia having to fork out any cash.

The ability to complete project funding remains a risk, adds Smith, but the analyst remains confident of more positive news flow to come in 2013.

**Price:** 0.62p

**Market Cap:** £10.96M

### 1 Year Share Price Graph



### Share Information

**Code:** HER

**Listing:** AIM

**Sector:** General Mining - Zinc, Lead and Tin

**Website:** [www.herenciaresources.com](http://www.herenciaresources.com)

### Company Synopsis:

*Herencia Resources plc is a multi-commodity development company listed on the Alternative Investment Market (AIM) of the London Stock Exchange with a primary focus on developing its Paguanta Project in northern Chile. Herencia is progressing a Feasibility Study into the proposed Patricia Mine (zinc, silver, lead) within the Paguanta Project, with the goal of bringing the mine into production.*

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