

7 August 2013

Herencia Resources plc
("Herencia" or "the Company")

Herencia executes Option Agreement to acquire an advanced Copper Project in Chile.

Herencia Resources plc (AIM:HER), the Chile-focussed mineral exploration and development Company, is pleased to announce that its 100% owned subsidiary Herencia Resources (Chile) SA ("HER Chile") has entered into an Option Agreement to acquire the advanced Picachos Copper Project ("Picachos or the "Project") in central Chile (the "Option"). This option will add to Herencia's portfolio of first class mining projects in Chile.

Highlights:

- **Zero Issue of Equity** - The Agreement is currently non-dilutive to existing shareholders, with zero issue of equity in Herencia Resources plc
- **Herencia's Cash Position Preserved** - HER Chile has secured private equity investment funds to meet the initial cash payment of US\$200,000 for Picachos
- **Potential for Zero Ongoing Costs to Herencia** - To fund Picachos, Herencia is focused on securing an asset-level transaction with zero dilution to existing Herencia shareholders. Discussions with multiple groups are currently in progress
- **Large Tonnage, High Grade Potential** - Two styles of mineralisation present, "structural or vein" and "lithographical or mantos" representing an opportunity for bulk high-grade tonnages
- **Significant Mineralisation Evident** - There is potential for up to five mineralised trends, with a combined strike length of over eight kilometres
- **Proven Operating History** - The owners of Picachos currently produce copper ore using private miners with the ore processed by the Chilean government operated ENAMI processing plant
- **Historic Mining** - Mining to date has focused predominantly on the vein style mineralisation, however in some instances where the mantos has been mined, mining widths in excess of 50 metres are evident
- **Long-life Open Pit Potential** - With mineralisation outcropping in numerous areas and evidence of wide zones of mineralisation currently being mined, there is excellent potential for long life open pit mining
- **Excellent Location** - Picachos is located within eight kilometres of Teck Resources large Carmen de Andacollo Copper-Gold Mine and 10 kilometres from the Tambillos mine, with outstanding infrastructure on the doorstep and only 50 kilometres from the city of La Serena and its airport, and is near to the bulk port of Coquimbo
- **Complements the Paguanta Project** - The addition of the Picachos project will not impact on the development of the Paguanta Project with possible synergies adding value to both projects

The Picachos Project

The Picachos Project [pronounced “Pee-car-sos”] is located approximately 50km south east of the coastal city of La Serena, 8km west of the existing large Andacollo copper-gold project operated by Teck Resources (Carmen de Andacollo) and the mining town of Andacollo (population approximately 10,000 people), and 10km south of the privately owned Tambillos copper mine.

The Project is at an altitude of approximately 800m above sea level and is well positioned for infrastructure with existing HV power approximately 3km east of the Project area and is serviced from two all-weather access roads.

Small scale mining of approximately 4,000 to 10,000 tonnes per month is presently being undertaken by private miners via small open pit and underground mining operations (this limited scale production will be permitted to continue during the Option period with the revenue remaining with the owners and with all production and geological data made available to Herencia).

A review of available data and recent site visits have identified up to five separate zones of mineralisation with a combined strike length of over 8km contained within the Project area. In some areas the close relationship of these zones coupled with multiple occurrences of out-cropping wide zones of mineralisation, highlights the excellent potential for large scale open pit mining to take place.

Two distinct styles of mineralisation have been identified:

1. A high grade “structural” style of mineralisation referred to as “vein” (typically 1 – 5m wide) and
2. A “lithological” related style of mineralisation or “mantos” (up to 50m wide and potentially wider in some areas). Preliminary geological studies estimate up to two separate zones of mantos mineralisation.

Historic mining has focused mainly around the high grade vein, however in some areas the mantos has been mined up to 50m wide. Mineralisation generally occurs from one to five metres below the surface. In 1994 a small drilling campaign was conducted, by Shell Chile – Division Metales, in the north-west section of the Project area resulting in a number of high grade intersections including *6m at 3.5% Cu and 30.9g/t Ag from 41m* and *9m at 1.6% Cu and 9.6g/t Ag from 46m*. A channel sampling program was also undertaken by the current owners on the main Leoncito decline which resulted in an average grade of *1.3% Cu along its entire 110m length*.

Ore is currently being trucked approximately 35km to a Chilean government owned processing plant (ENAMI Delta plant) where it is processed. Historic records provided by the owners and not independently verified, indicate typical average mine grades achieved from processing the Picachos ore include:

- Oxide Ore – 1.7% copper
- Sulphide Ore – 2.5% copper

Further details on the Picachos Project are available on the Company’s website www.herenciaresources.com.

Picachos Option Agreement (“Agreement”)

The terms of the Agreement for Herencia Resources (Chile) SA to earn 100% of the Project were negotiated to minimise up-front expenditure and to provide sufficient time to un-lock the significant potential of the area. Key terms of the Agreement are as follows:

- On signing US\$200,000
- After 12 months US\$400,000
- After 24 months US\$600,000
- After 36 months US\$1.6 million
- After 48 months US\$5.7 million

Herencia Resources (Chile) SA will acquire a 100% interest in the Project if all of the Option payments have been made.

In addition to these Option payments, a US1.5c per pound copper royalty will be paid on a JORC defined measured resource being published following a minimum of 6,000m and maximum of 9,000m drilling, (minus the 48 month payment of US\$5.7M). The 9,000m of drilling effectively acts as a cap on this minor royalty.

The Option terms, entered into with Rocio del Pilar Alba Ramirez Yagnam and Sociedad Legal Minera Prodigia Uno del Cobre, are as outlined above.

Herencia may exit the Option Agreement at any time of its choosing.

To fund the ongoing exploration and development of Picachos, Herencia is focused on securing an asset-level transaction with zero dilution to existing Herencia shareholders. Discussions with multiple groups are currently in progress.

Initial Private Equity Investment

To fund the first year payment and initial exploration costs, the Company is negotiating an agreement with a number of private equity investors to purchase a minority equity holding, anticipated to be in the range of 10% to 20%, in Herencia Resources (Chile) SA. By undertaking this approach, the Agreement is therefore currently non-dilutive to shareholders.

The terms of the private equity investment in Herencia Resources (Chile) SA offered are as follows:

- Herencia Resources (Chile) SA, a local Chilean subsidiary Company 100% owned by Herencia Resources plc, will hold the Option Agreement to acquire 100% of the Picachos Project
- A group of private equity investors will acquire a minority equity stake anticipated to be in the range 10% to 20% in the local subsidiary company Herencia Resources (Chile) SA. The amount of equity is dependent on the amount of financing required by Herencia
- Herencia Resources plc will retain majority ownership, management and control of the local Chilean subsidiary company Herencia Resources (Chile) SA

The funds raised from the private equity investors to acquire a minority equity stake in Herencia Resources (Chile) SA will be used by Herencia to cover the initial US\$200,000 payment of the Option Agreement and initial exploration. This then provides Herencia 6-12 months to examine the most appropriate value adding option for shareholders, which could include securing a joint-venture ("JV") partner for the Picachos Project with the intention of Herencia retaining a substantial free-carried stake in Picachos.

The Company believes the Project will be very attractive to a number of existing mid-tier mining companies given its many positive characteristics and potential for early production.

Why the Picachos Project?

The Picachos Project provides the Company with additional flexibility and optionality, important in an ever changing market place.

The directors also believe that the Project:

- Is of a size and grade potential to attract major joint venture interest
- Is significantly de-risked from an operating perspective with:
 - an operating track record from existing mining operations
 - the treatment of both oxide and sulphide ore from current and historic mining providing positive metallurgical results
 - the mineralisation outcrops on the surface providing potential for substantial open pit mining operations
 - historic drilling confirming high grade mineralisation

- Has potential for near-term copper production and cash flow

The Benefits to Shareholders

The Directors believe the benefits of this proposal are:

- Non-dilutive entry cost to Herencia shareholders with zero equity issued to secure the Agreement
- Provides potential for Herencia to maintain a substantial free-carry interest
- Conserves Herencia's cash – private equity to cover initial entry costs and future JV partners to cover future costs
- Attractive to potential joint venture partners – Herencia prepared to offer a majority stake in the Project
- Importantly, the new Agreement will not impact on our continued advancement of the Paguanta silver-zinc-lead Project

Herencia's Managing Director, Graeme Sloan, commented:

“This is a terrific result for Herencia that could potentially lead to a significant equity ownership in a long-life producing copper project with enormous upside. Should Picachos prove to be as good as we believe, it will provide the Company the flexibility and optionality required in today's operating environment.

It is important to note that for existing Herencia shareholders this Option Agreement comes at zero cash cost and zero issuance of equity to enter into this Agreement.

It is further evidence of how the Company continues to look at innovative ways to add value to shareholders, by leveraging off our access to deal-flow and our excellent management and technical credentials.

This is a tremendous opportunity for the Company and has the potential to be a relatively quick entry into the copper producing ranks. I believe that Chile is certainly the place to do business and Herencia is well positioned to be the 'partner of choice' in the country.”

About Herencia

Herencia Resources plc, is an AIM quoted exploration and development company operating in Chile. In addition to the above, the Company has recently completed a Feasibility Study in relation to its 70% owned Paguanta Project, a high grade silver-zinc-lead project located in northern Chile. The Company is looking to complete project permitting for Paguanta, whilst investigating a number of potential funding alternatives in parallel with the permitting process before a development decision is made, potentially in the second half of 2014. In addition, the Company is also seeking to advance the Guamanga Project after signing an MOU with a wholly owned subsidiary of one of Australia's largest copper miners OZ Minerals.

For further information, please contact:

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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), who have 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. 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

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