

Herencia Resources plc
(“Herencia” or the “Company”)

HALF-YEARLY FINANCIAL REPORT
For the six months ended 30 June 2013

Herencia Resources plc is pleased to announce the unaudited half-yearly accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013.

CHAIRMAN’S STATEMENT

The six months ended 30 June 2013 was an exciting period for Herencia, a highlight of which was the successful completion of a Feasibility Study at the Paguanta Project on the Patricia deposit announced by RNS on 31 May 2013. In summary, it is proposed that a total of 3.75 million tonnes at 3.2% zinc, 78g/t silver and 1.2% lead will be mined over an eight year mine life commencing with an open pit operation (three years), followed by an underground operation (at least five years) with excellent potential to expand both production rate and mine life.

Open pit mining is proposed to commence with an initial Run of Mine (ROM) production rate of 400,000tpa with throughput increasing to 460,000tpa with the introduction of underground mining in year four. The Company is targeting first mine production in 2015 subject to Board and JV approvals, funding and the receipt of mining permits. The timing of this would potentially coincide with a forecast shortfall in global zinc supply, as noted recently by industry heavyweight Glencore who are predicting solid growth demand for zinc.

Preparations for the lodgement of a Mine Permit Application also commenced during the period with a view for submission later in the second half of 2013. Herencia was also pleased to announce the signing of a Community Relations Agreement on 29 April 2013 with the Cultane community in relation to the Paguanta Project which will see the Company expand on its existing relationship to develop long term cooperation in the areas of employment, education and the environment. The Agreement will see the Cultane community support ongoing development of the Paguanta Project, future exploration activities and active participation in the development of the Environmental Impact Study. It is anticipated that the Project’s entire workforce will be sourced from Chile due to the highly experienced mining personnel readily available in that country.

Early in 2013, the potential for resource expansion at Paguanta was highlighted following a comprehensive review of all geophysical data and correlating geological data sets by an independent geophysical consultant. The review supported the potential extension of the Patricia mineralisation to over 1,600 metres, identified the potential for a deeper porphyry style mineralising system and identified six targets, three of which are yet to be tested. The Paguanta mineralisation (Patricia deposit) remains open along strike and down dip and high priority areas for potential resource expansion are the focus of further exploration programs in 2H2013.

On 5 March 2013, the Company announced a Board change with Mr Greg McMillan, a Director of the Company and the nominated Board representative for Nyrstar NV, resigning from his position and being replaced by Mr Chris James, Group Manager, Corporate Development for Nyrstar.

Also in March 2013, the Company successfully secured up to US\$15 million in funds to progress the development, permitting and resource/reserve expansion related to the Paguanta Project by the execution of Funding Agreement with The Australian Special Opportunity Fund, a New York-based institutional Investor managed by The Lind Partners.

Herencia also announced that a wholly owned subsidiary of Australia’s OZ Minerals, OZ Exploration Chile Limitada, had commenced a due diligence process on its Guamanga Project with a view to executing a joint venture agreement with the Company. We believe the interest shown in Herencia’s projects by companies such as OZ demonstrates the potential of our projects and the quality of the work undertaken by our first class technical team in Chile.

CHAIRMAN'S STATEMENT (CONTINUED)

Subsequent to 30 June 2013, the Company's 100% owned subsidiary Herencia Resources (Chile) SA entered into an Option Agreement to acquire the advanced Picachos Copper Project in central Chile. This option will add to Herencia's portfolio of first class mining projects in Chile. Small scale mining is presently being undertaken by private miners via open pit and underground mining methods. 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.

Also subsequent to this reporting period, and following completion of their due diligence work, OZ Minerals have confirmed that they wish to commence the Phase 1 site work program in the short term. In addition, they have advised that the Guamanga target area may be larger than first anticipated and had commenced acquiring additional exploration leases not currently owned by Herencia. This will expand the Guamanga Project foot-print and OZ have confirmed to Herencia that these additional leases will form part of the future joint-venture area.

Herencia also announced the acquisition of a large and highly prospective tenement package, totalling 16 square kilometres, located immediately south-west of, and adjoining the Paguanta Project. A large surface colour anomaly measuring approximately three kilometres by two kilometres exists on the tenement package and is located only two kilometre from the Patricia Deposit.

The Company regrettably advised of the resignation of Michael Bohm from the Board of Herencia due to his increased external work commitments, effective as of 31 August 2013.

In summary, Herencia has successfully progressed the Paguanta Project along the development pipeline and has also demonstrated the potential to extend the proposed mine life through resource expansion. Herencia has also been proactive in seeking opportunities to deliver shareholder value through the advancement of the Guamanga Project via a potential JV agreement with OZ Minerals, and entering into an option agreement to acquire 100% of the exciting Picachos copper project. We look forward to updating investors on progress on all fronts in the coming months.

Hon. John Moore AO

Chairman

25 September 2013

Please refer to the project announcements at the Company's website (www.herenciaresources.com) for further information on the Company operations.

For further information please contact:

Graeme Sloan, Herencia Resources plc
Katy Mitchell, WH Ireland Limited
Simon Courtenay, Broker Profile

Tel: +61 8 9481 4204
Tel: +44 161 832 2174
Tel: +44 207 448 3244

The information in this report that relates to the 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.

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 15 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.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	Notes	6 months ended 30 June 2013 (unaudited) £	6 months ended 30 June 2012 (unaudited) £	12 months ended 31 December 2012 (audited) £
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Administration expenses		(1,596,183)	(1,320,680)	(2,497,551)
Operating loss		(1,596,183)	(1,320,680)	(2,497,551)
Finance revenue		1,296	14,793	17,642
Loss before tax		(1,594,887)	(1,305,887)	(2,479,909)
Income tax expenses		-	-	-
Loss for the period		(1,594,887)	(1,305,887)	(2,479,909)
Other comprehensive income/(loss)				
Exchange differences on translating foreign operations		303,109	444,362	417,357
Other comprehensive income, net of tax		303,109	444,362	417,357
Total comprehensive loss for the period, net of tax		(1,291,778)	(861,525)	(2,062,552)
Loss attributable to:				
Equity holders of the Company		(1,300,043)	(1,127,976)	(2,047,566)
Non-controlling interests		(294,844)	(177,911)	(432,343)
		(1,594,887)	(1,305,887)	(2,479,909)
Total comprehensive loss attributable to:				
Equity holders of the Company		(1,065,706)	(831,381)	(1,770,865)
Non-controlling interests		(226,072)	(30,144)	(291,687)
		(1,291,778)	(861,525)	(2,062,552)
Loss per share				
Loss per ordinary share – basic and diluted	2	(0.08)p	(0.07)p	(0.13)p

The results shown above relate entirely to continuing operations.

STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2013

	Notes	30 June 2013 (unaudited) £	30 June 2012 (unaudited) £	31 December 2012 (audited) £
ASSETS				
Non current assets				
Receivables		437,010	-	358,138
Intangible assets and goodwill	4	18,508,033	14,430,066	15,768,018
Property, plant and equipment	5	146,959	191,218	183,036
		<u>19,092,002</u>	<u>14,621,284</u>	<u>16,309,192</u>
Current assets				
Cash and cash equivalents		690,190	1,485,414	1,629,772
Trade and other receivables		162,942	1,879,266	194,865
Other assets		23,907	11,916	16,784
		<u>877,039</u>	<u>3,376,596</u>	<u>1,841,421</u>
Total assets		<u>19,969,041</u>	<u>17,997,880</u>	<u>18,150,613</u>
LIABILITIES				
Non current liabilities				
Provisions	6	63,101	62,276	62,932
Loans and borrowings	7	388,750	-	-
		<u>451,851</u>	<u>62,276</u>	<u>62,932</u>
Current liabilities				
Trade and other payables		987,480	486,381	358,450
Provisions	6	21,299	91,430	14,579
		<u>1,008,779</u>	<u>577,811</u>	<u>373,029</u>
Total liabilities		<u>1,460,630</u>	<u>640,087</u>	<u>435,961</u>
Net Assets		<u>18,508,411</u>	<u>17,357,793</u>	<u>17,714,652</u>
EQUITY				
Share capital	9	1,889,416	1,522,114	1,672,114
Share premium		19,270,206	17,209,316	18,208,977
Share based payments reserve		761,360	564,019	593,850
Translation reserve		990,958	776,514	756,620
Shares to be issued	7	147,910	-	-
Other reserve	7	112,048	-	-
Retained losses		(9,187,800)	(6,968,166)	(7,887,756)
Capital and reserves attributable to equity holders		<u>13,984,098</u>	<u>13,103,797</u>	<u>13,343,805</u>
Minority interests in equity	8	4,524,313	4,253,996	4,370,847
Total equity and reserves		<u>18,508,411</u>	<u>17,357,793</u>	<u>17,714,652</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	Notes	6 months ended 30 June 2013 (unaudited) £	6 months ended 30 June 2012 (unaudited) £	12 months ended 31 December 2012 (audited) £
Net cash outflow from operating activities		(582,911)	(1,992,949)	(2,134,405)
Cash flows from investing activities				
Interest received		1,296	14,793	17,642
Payments for property, plant and equipment	5	(7,025)	(13,522)	(28,604)
Cash calls from minority shareholder		379,538	603,748	982,142
Proceeds from sale of plant and equipment		-	-	262
Net funds used for investing in exploration	4	(2,185,265)	(2,269,488)	(3,499,758)
Net cash used by investing activities		(1,811,456)	(1,664,469)	(2,528,316)
Cash flows from financing activities				
Proceeds from issue of shares		148,451	-	1,200,000
Proceeds from funding agreement		657,626	-	-
Proceeds from issue of convertible note		500,798	-	-
Share issue costs		-	-	(50,339)
Cash received in advance of issue of shares under the funding agreement		147,910	-	-
Net cash generated from financing activities		1,454,785	-	1,149,661
Net decrease in cash and cash equivalents		(939,582)	(3,657,418)	(3,513,060)
Cash and cash equivalents at the beginning of the period		1,629,772	5,142,832	5,142,832
Cash and cash equivalents at the end of the period		690,190	1,485,414	1,629,772

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	Share capital £	Share premium £	Translation reserve £	Share-based payments reserve £	Other reserves £	Shares to be issued £	Retained losses £	Total £	Minority interest £	Total equity £
Balance at 1 January 2013	1,672,114	18,208,977	756,620	593,850	-	-	(7,887,756)	13,343,805	4,370,847	17,714,652
Issue of shares	217,302	1,444,820	-	-	-	-	-	1,662,122	379,538	2,041,660
Shares to be issued	-	-	-	-	-	147,910	-	147,910	-	147,910
Share issue costs	-	(383,591)	-	-	-	-	-	(383,591)	-	(383,591)
Share based payments	-	-	-	167,510	-	-	-	167,510	-	167,510
Compound instrument equity component	-	-	-	-	112,048	-	-	112,048	-	112,048
Total comprehensive income/(loss) for the period	-	-	234,338	-	-	-	(1,300,044)	(1,065,706)	(226,072)	(1,291,778)
Balance at 30 June 2013	1,889,416	19,270,206	990,958	761,360	112,048	147,910	(9,187,800)	13,984,098	4,524,313	18,508,411
Balance at 1 January 2012	1,520,114	17,187,316	479,919	560,633	-	24,000	(5,840,190)	13,931,792	3,680,392	17,612,184
Issue of shares	2,000	22,000	-	-	-	(24,000)	-	-	603,748	603,748
Share based payments	-	-	-	3,386	-	-	-	3,386	-	3,386
Total comprehensive income/(loss) for the period	-	-	296,595	-	-	-	(1,127,976)	(831,381)	(30,144)	(861,525)
Balance at 30 June 2012	1,522,114	17,209,316	776,514	564,019	-	-	(6,968,166)	13,103,797	4,253,996	17,357,793

**NOTES TO THE UNAUDITED HALF-YEARLY ACCOUNTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013**

1. Accounting policies

The condensed half-year accounts have been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board as adopted for use in the EU. The condensed half-year accounts have been prepared using the accounting policies which are expected to be applied in the Group's statutory financial statements for the year ending 31 December 2013.

1.1. Basis of preparation and going concern

Herencia Resources plc ('the Company') is incorporated in England and Wales. The half-yearly accounts for the six months ended 30 June 2013 is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The half-yearly accounts include unaudited comparative figures for the half year ended 30 June 2012. The comparatives for the year ended 31 December 2012 are not the Company's full statutory accounts for that period but have been extracted from the statutory accounts for that period which have been delivered to the Registrar of Companies.

The financial reports have been prepared using the historical cost convention and are presented in UK pounds sterling. The half-yearly accounts for the six months ended 30 June 2013 has been prepared in accordance with IAS 34 'Interim financial reporting'.

The half-yearly accounts for the six months ended 30 June 2013 has been prepared pursuant to AIM Rule 18, which states "An AIM company must prepare a half-yearly report in respect of the six month period from the end of the financial period for which financial information has been disclosed in its admission document and at least every subsequent six months thereafter (apart from the final period of six months preceding its accounting reference date for its annual audited accounts)."

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

On 8 March 2013, the Company executed a Funding Agreement for up to US\$14.25 million investment and issued a Convertible Security Instrument of US\$0.75 million to the Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners.

As at 30 June 2013, the Company received a total of US\$1.99 million (£1.3 million) represented by a US\$0.75 million (£0.5 million) convertible security note and US\$1.24 million (£0.8 million) towards the purchase of ordinary shares in the Company. Refer to Note 7 for further details.

This Funding Agreement provides the Group with access of up to US\$15.0 million in funding in regular tranches and importantly, does not restrict the Company's future ability to raise additional capital from private and public placings nor the ability to enter into strategic industry partnerships or off-take agreements.

The Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group will be able to raise the required funding to carry out the planned activities and provide working capital to enable it to meet its liabilities as they fall due, for the foreseeable future, and for at least the next twelve months from the date of approval of these financial statements. The directors therefore believe that the use of the going concern basis is appropriate.

**NOTES TO THE UNAUDITED HALF-YEARLY ACCOUNTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013**

2. Loss per share

The basic loss per ordinary share of (0.08)p (30 June 2012: (0.07)p; 31 December 2012: (0.13)p) for the Group has been calculated by dividing the loss for the period attributable to equity holders of £1,300,043 (30 June 2012: £1,127,976; 31 December 2012: £2,047,566) by the weighted average number of ordinary shares in issue of 1,712,963,094 (30 June 2012: 1,521,971,393; 31 December 2012: 1,593,354,687).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 1,801,208,950 (30 June 2012: 1,577,614,250; 31 December 2012: 1,651,185,288). The diluted loss per share has been kept the same as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

3. Segmental information

The activities of the Group are broken down into the operating segments of Mineral Exploration and Central Costs. Segment information by operating segment and by region is as follows:

Segment information by operating segment	Mineral Exploration £	Central Costs £	Total £
6 months ended 30 June 2013			
Administration expenses (excluding non-cash items)	(791,610)	(446,111)	(1,237,721)
Finance revenue	329	967	1,296
Non-cash expenditure:			
Depreciation expense	(42,298)	(2,796)	(45,094)
Share based payments	-	(15,004)	(15,004)
Foreign exchange gain/(loss)	(301,560)	3,196	(298,364)
Segment result	(1,135,139)	(459,748)	(1,594,887)
As at 30 June 2013			
Segment assets	18,715,825	1,253,216	19,969,041
Segment liabilities	(1,024,202)	(436,428)	(1,460,630)
Net assets	17,691,623	816,788	18,508,411
6 months ended 30 June 2012			
Administration expenses (excluding non-cash items)	(852,256)	(464,744)	(1,317,000)
Finance revenue	760	14,033	14,793
Non-cash expenditure:			
Depreciation expense	(35,497)	(3,094)	(38,591)
Share based payments	-	(3,386)	(3,386)
Foreign exchange gain/(loss)	87,369	(49,072)	38,297
Segment result	(799,624)	(506,263)	(1,305,887)
As at 30 June 2012			
Segment assets	16,650,450	1,347,430	17,997,880
Segment liabilities	(519,427)	(120,660)	(640,087)
Net assets	16,131,023	1,226,770	17,357,793

NOTES TO THE UNAUDITED HALF-YEARLY FINANCIAL REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

3. Segmental information (continued)

Segment information by operating segment	Mineral Exploration £	Central Costs £	Total £
12 months ended 31 December 2012			
Administration expenses (excluding non-cash items)	(1,700,953)	(804,456)	(2,505,409)
Finance revenue	686	16,956	17,642
Non-cash expenditure:			
Depreciation expense	(61,525)	(6,161)	(67,686)
Share based payments expense	-	(33,217)	(33,217)
Foreign exchange gain/(loss)	194,387	(85,626)	108,761
Segment result	(1,567,405)	(912,504)	(2,479,909)
As at 31 December 2012			
Segment assets	16,783,483	1,367,130	18,150,613
Segment liabilities	(403,045)	(32,916)	(435,961)
Net assets	16,380,438	1,344,214	17,714,652

Segment information by region

	External Revenue			Non-current assets		
	30 June 2013 (unaudited) £	30 June 2012 (unaudited) £	31 December 2012 (audited) £	30 June 2013 (unaudited) £	30 June 2012 (unaudited) £	31 December 2012 (audited) £
Australia	-	-	-	11,420	8,968	7,975
Chile	-	-	-	19,080,582	14,612,316	16,301,217
Group	-	-	-	19,092,002	14,621,284	16,309,192

At the end of the financial period, the Group had not commenced commercial production from its exploration sites and therefore had no turnover in the period.

**NOTES TO THE UNAUDITED HALF-YEARLY FINANCIAL REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013**

4. Intangible assets and goodwill	Goodwill	Exploration & evaluation costs	Total
	£	£	£
Cost			
As at 1 January 2013	1,000,000	15,440,151	16,440,151
Additions	-	2,810,226	2,810,226
Effect of foreign currency exchange differences	-	(70,211)	(70,211)
At 30 June 2013	<u>1,000,000</u>	<u>18,180,166</u>	<u>19,180,166</u>
Impairment			
As at 1 January 2013	(125,000)	(547,133)	(672,133)
Impairment during the period	-	-	-
As at 30 June 2013	<u>(125,000)</u>	<u>(547,133)</u>	<u>(672,133)</u>
Carrying amount			
As at 30 June 2013	<u>875,000</u>	<u>17,633,033</u>	<u>18,508,033</u>
As at 31 December 2012	<u>875,000</u>	<u>14,893,018</u>	<u>15,768,018</u>

The goodwill and exploration and evaluation costs as at 31 December 2012 relate entirely to the Paguanta, Guamanga and La Serena projects located in Chile, South America.

Based on the progression of a Feasibility Study and the potential to further extend the mine life, the Directors believe that there has not been any impairment of goodwill and exploration and development costs in respect of the Paguanta project as at 30 June 2013.

During the period, additions of £624,959 were financed by the issue of shares. This represents part consideration of the 100% acquisition of the Guamanaga Project from Inversions Santa Patricia Limitada.

5. Property, plant and equipment	30 June 2013 (unaudited) £	30 June 2012 (unaudited) £	31 December 2012 (audited) £
At cost	411,014	376,698	402,228
Accumulated depreciation	(264,055)	(185,480)	(219,192)
Total property and equipment	<u>146,959</u>	<u>191,218</u>	<u>183,036</u>

Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the financial period:

Balance at the beginning of the period	183,036	210,680	210,680
Additions at cost	7,025	13,522	28,604
Disposals	-	-	(262)
Depreciation expense	(45,094)	(38,591)	(67,686)
Effect of foreign currency exchange differences	1,992	5,607	11,700
Carrying amount at the end of the period	<u>146,959</u>	<u>191,218</u>	<u>183,036</u>

**NOTES TO THE UNAUDITED HALF-YEARLY FINANCIAL REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013**

6. Provisions	30 June 2013 (unaudited) £	30 June 2012 (unaudited) £	31 December 2012 (audited) £
Decommissioning expenditure			
Balance at the beginning of the period	62,932	60,601	60,601
Effect of foreign currency exchange differences	169	1,675	2,331
Balance at the end of the period	<u>63,101</u>	<u>62,276</u>	<u>62,932</u>
Employee benefits			
Balance at the beginning of the period	14,579	39,157	39,157
Arising during the year	8,383	52,273	63,098
Utilised during the year	-	-	(87,676)
Effect of foreign currency exchange difference	(1,663)	-	-
Balance at the end of the period	<u>21,299</u>	<u>91,430</u>	<u>14,579</u>
Comprising			
Current	21,299	91,430	14,579
Non-current	63,101	62,276	62,932
Balance at the end of the period	<u>84,400</u>	<u>153,706</u>	<u>77,511</u>
7. Loans and borrowings			
	30 June 2013 (unaudited) £	30 June 2012 (unaudited) £	31 December 2012 (audited) £
Non-current			
Convertible note	<u>388,750</u>	-	-

On 8 March 2013, the Company executed a Funding Agreement for up to US\$14.25 million investment and issued a convertible security instrument of US\$0.75 million to the Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners (“Lind”). Under the Agreement, the Company paid an execution fee of US\$0.35 million which has been satisfied by the issue of 24,071,407 ordinary shares in the Company in March 2013 at a price of 0.96p. Furthermore, 25,000,000 options were issued and details are contained in Note 10.

Under the Agreement, the Company initially received US\$0.45 million and thereafter can draw down monthly investments of up to US\$0.3 million (which may be increased to US\$0.6 million by mutual consent) for a maximum of 24 months, subject to the terms of the agreement. The initial and all subsequent monthly drawdowns, will be issued at 91.5% of the average three consecutive daily volume weighted average share price (VWAP), chosen by Lind during a specified period prior to the issuance of shares. However, for one draw down, the VWAP will be at 130%.

The Share to be issued at 30 June 2013 of £147,910 was satisfied by the issue of 36,977,386 ordinary shares in the Company on 23 July 2013 at a price of 0.40p (refer Note 10).

The convertible note issued by the Company has a face value of US\$0.75 million and a term of 24 months at a 0.0 % interest rate. The note may be converted in whole or in increments of no less than US\$50,000 at a conversion price of 100% of the average three consecutive daily VWAP, during the 20 trading days prior to conversion.

As at 30 June 2013, the convertible note has a carrying amount of £388,750 with £112,048 being classified as equity.

HERENCIA RESOURCES PLC

Registered number 05345029

**NOTES TO THE UNAUDITED HALF-YEARLY FINANCIAL REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013**

8. Minority interest	30 June 2013 (unaudited) £	30 June 2012 (unaudited) £	31 December 2012 (audited) £
Called up share capital	5,496,677	4,738,745	5,117,139
Accumulated losses	(1,377,311)	(828,035)	(1,082,467)
Translation reserve	404,947	343,286	336,175
	<u>4,524,313</u>	<u>4,253,996</u>	<u>4,370,847</u>

9. Share capital	30 June 2013 (unaudited) £	30 June 2012 (unaudited) £	31 December 2012 (audited) £
<i>Authorised:</i> 10,000,000,000 ordinary shares of £0.001 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
<i>Allotted, issued and fully paid:</i> 1,889,415,676 ordinary shares (30 June 2012: 1,522,144,250 ordinary shares, 31 December 2012: 1,672,114,250 ordinary shares)	<u>1,889,416</u>	<u>1,522,114</u>	<u>1,672,114</u>

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9. Share capital (continued)

Movement in Share capital during the period comprises"	Number of shares	Share Capital £	Share Premium £
Issued and fully paid			
As at 1 January 2013	1,672,114,250	1,672,114	18,208,977
Allotments during the period			
15 March 2013 – 0.96p per share ⁱ	24,071,407	24,071	207,014
15 March 2013 – 0.96p per share ⁱⁱⁱ	2,684,713	2,685	23,089
18 April 2013 – 0.80p per share ⁱⁱ	36,923,986	36,924	258,468
26 April 2013 – 0.80p per share ⁱⁱⁱ	4,118,176	4,118	28,827
23 May 2013 – 0.70p per share ⁱⁱ	25,655,941	25,656	153,936
23 May 2013 – 0.70p per share ⁱⁱⁱ	2,861,438	2,861	17,169
26 June 2013 – 0.50p per share ⁱⁱ	36,528,465	36,529	146,113
26 June 2013 – 0.8225p per share ^{iv}	75,982,843	75,983	548,976
26 June 2013 – 0.8225p per share ⁱⁱⁱ	8,474,457	8,475	61,228
Share issue costs ^v	-	-	(383,591)
Balances as at 30 June 2013	1,889,415,676	1,889,416	19,270,206

ⁱ Shares issued in accordance with the Funding Agreement entered into on 8 March 2013 to The Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners as satisfaction of the execution fee of USD\$0.35 million. Refer Note 7 for further details.

ⁱⁱ Shares issued in accordance with the Funding Agreement entered into on 8 March 2013 to The Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners as satisfaction of the initial and subsequent monthly draw downs. Refer Note 7 for further details.

ⁱⁱⁱ Shares issued in accordance with Nyrstar International B.V. original investment agreement with the Company dated 16 April 2010 to subscribe for sufficient shares to maintain their percentage shareholding in the Company.

^{iv} Shares issued to Inversions Santa Patricia Limitada as part consideration of the 100% acquisition of the Guamanaga Project.

^v Shares issue costs represent the execution fee of USD\$0.35 million (refer above) and the fair value of 25.0 million options issued (refer Note 10) as part of the Funding Agreement entered into on 8 March 2013 to The Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners.

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10. Share-based payment

Under the Funding Agreement (refer Note 7), the Company issued 25,000,000 options exercisable at 130% of the average daily VWAP per share for the twenty consecutive trading days immediately prior to the date of the execution of the Agreement to the Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners.

The fair value of options granted during the six months ended 30 June 2013 was calculated using a Black-Scholes option pricing model using the following significant inputs to the model:

Grant date	8/03/2013
Grant date share price	1.21p
Fair value of options	0.61p
Volatility	101%
Risk-free interest rate	0.44%
Dividend yield	0.0%
Expected life	2.0 years

The total expense of £152,506 has been recognised as a share issue cost in the Statement of Changes in Equity.

11. Control

No one party is identified as controlling the Company.

12. Subsequent events

- In accordance with Nyrstar International B.V. original investment agreement with the Company dated 16 April 2010 to subscribe for sufficient shares to maintain their percentage shareholding in the Company, the following ordinary shares were issued:

Date of Issue	No. of Ordinary Shares	Issue Price
5 July 2013	4,074,063	0.50p
23 July 2013	4,124,132	0.40p

- In accordance with the Funding Agreement entered into on 8 March 2013, the following ordinary shares were issued to The Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners:

Date of Issue	No. of Ordinary Shares	Issue Price
23 July 2013	36,977,386	0.40p
29 August 2013	25,321,499	0.38p
29 August 2013 *	24,055,424	0.40p

- * These shares were issued following receipt of a conversion notice to convert US\$150,000 of the convertible note (refer Note 7).

Following the above share issues, the number of ordinary shares in issue is 1,983,968,180.

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12. Subsequent events (continued)

- On 7 August 2013, the Company announced that its 100% owned subsidiary Herencia Resources (Chile) SA entered into an Option Agreement to acquire the advanced Picachos Copper Project in central Chile. Under the terms of the Agreement, for Herencia Resources (Chile) SA to earn 100% of the project, US\$200,000 was paid on signing which was funded by private equity investors with further payments due as follows:

After 12 months	US\$0.4 million
After 24 months	US\$0.6 million
After 36 months	US\$1.6 million
After 48 months	US\$5.7 million

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 USD\$5.7 million).

Other than the above, there has not been any other matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affect the results of the operations of the Company.

13. Contingent liabilities and capital commitments

On 5 June 2013 the Company announced that a wholly owned subsidiary of Australia's OZ Minerals, OZ Exploration Chile Limitada, had commenced a due diligence process on the Guamanga Project with a view to executing a joint venture agreement with the Company. The key terms of the agreement are as follows:

- Phase 1 - OZ Minerals will sole fund an initial US\$3 million over 20 months to earn a 51% stake in the Guamanga Project.
- Phase 2 - OZ Minerals will sole fund an additional US\$5 million over 24 months to increase their stake to 80%.
- Phase 3 - at the completion of Phase 2, Herencia can either remain at 20% (by co-contributing 20% of funds spent) or may opt for OZ Minerals to fund a further US\$5M to increase the OZ Minerals equity to 90%.
- At the completion of Phase 3, Herencia can then elect to fund its share of project development costs or OZ Minerals, at their election, may consider the provision of providing debt funding to Herencia with the funding to be repaid to OZ Minerals from Herencia's share of profits.

To facilitate this process, Herencia acquired 100% of the Guamanga Project from Inversiones Santa Patricia Limitada. The consideration outstanding at 30 June 2013 is US\$175,100 which will be settled in the next six months.

On 23 September 2013, the Company announced that OZ Minerals had completed their due diligence work and will seek to commence the Phase 1 work in late September 2013.

Other than the above, there have been no changes to the capital commitments as disclosed in the most recent annual financial report.

The Group had no contingent liabilities at 30 June 2013.

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14. Decommissioning expenditure

The Directors have considered the environmental issues and the need for any necessary provision for the cost of rectifying any environmental damage, as might be required under local legislation. A provision of £63,101 has been made for any future costs of decommissioning or environmental damage.