

# Herencia Resources plc

(“Herencia” or the “Company”)

## Final results for the 12 months ended 31 December 2013 and Notice of AGM

The Directors present the audited results of the Group (Herencia Resources plc and its subsidiary undertakings) and the Company for the 12 months ended 31 December 2013.

### CHAIRMAN’S STATEMENT

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I am delighted to update shareholders on the progress achieved and activities undertaken by the Company during what has been a very busy 2013.

Several significant milestones were attained by the Company, including:

- the Company acquired an option to earn a 100% stake in the advanced high-grade Picachos Copper Project in Chile, the Picachos Project;
- geological sampling and mapping confirmed the presence of pervasive copper mineralisation at Picachos, in addition to the high grade ore currently being mined at Picachos;
- the Patricia Feasibility Study (part of the Paguanta Project) was completed which identified the opportunity for an eight year mine life at Patricia involving both open pit and underground mining techniques. Work also continued on both the permitting and logistical components of the project with the aim of advancing Patricia toward production in as short a timeframe as possible;
- at the Guamanga Project, an agreement was entered into with OZ Minerals, one of Australia’s leading copper producers, the terms of which will see OZ Minerals potentially spend up to \$8 million to earn 80% of this exciting project;
- the signing of an agreement for a share placement to raise over £2.48 million from the issue of 400,000,000 new ordinary shares with Shining Capital Management (“Shining”) of Hong Kong. This placement was subsequently completed in January 2014 with Shining becoming Herencia’s largest shareholder.

This last point is of particular relevance to Herencia. Funding of junior resources companies remains one of the bigger challenges to be faced and it was very significant that in November 2013 the Company secured this substantial funding package from a leading Hong Kong private equity firm. The investment, completed in two tranches and at a premium to the prevailing share price, saw Shining Capital Management become Herencia’s largest shareholder in early 2014.

The funds raised are to be directed primarily to advance the very exciting Picachos Copper Project through an initial drilling phase commencing in the first half of 2014 and then on to what we hope will become a fast-track toward production of open pit copper ore at Picachos.

In that same vein it is worth highlighting just how good a jurisdiction Chile is, on a number of levels. In addition to geological prospectivity, this stable and developed country is arguably one of the best mining jurisdictions in the world with excellent infrastructure and a highly skilled workforce available to those companies, including Herencia, intent on building successful mining operations.

Looking toward 2014 then, the primary goals for Herencia are:

- to commence an RC drilling program at the Picachos Copper Project targeting both the high grade and manto-style copper mineralisation;
- to undertake a subsequent resource drill-out at Picachos targeting a maiden mineral resource estimate;
- to lodge the necessary permitting applications with the relevant authorities to advance the Paguanta silver-zinc-lead Project;
- to continue to work with OZ Minerals to advance the Guamanga Copper Project;
- to potentially undertake some early and low cost exploration work on the highly prospective La Serena porphyry-copper targets; and
- to seek to identify new business opportunities in Chile.

I would like to thank Graeme Sloan and our hard working and dedicated teams in Chile and Perth for their on-going commitment to the Company. Graeme has done an outstanding job navigating Herencia through a challenging period for the industry - a new copper project and a large funding package are a testament to this.

I would also like to welcome Shining onto the Company's register and, along with the rest of the board, look forward to working with them as we continue to move Herencia forward.

In closing, and on behalf of the Herencia Board, I do thank all our shareholders for their on-going and loyal support for the Company.

**Hon. John Moore AO**  
**Chairman**

22 May 2014

The Company's Annual Report will be sent to shareholders shortly and will be available on the Company's website ([www.herenciaresources.com](http://www.herenciaresources.com)).

The Company's Annual General Meeting (AGM) will be held on Friday, 27 June 2014 at 4.00pm at the offices of SGH Martineau Company Secretarial LLP, 5<sup>th</sup> Floor, One America Square, Crosswall, London, UK, EC3N 2SG.

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

For further information please contact:

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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The Directors present their Strategic Report for the year ended 31 December 2013.

### Principal Activity and Business Review

The Company is registered in England and Wales, having been incorporated on 27 January 2005 under the Companies Act with registered number 05345029 as a public limited company.

The principal activity of the Group is mineral exploration and development and it owns a portfolio of zinc-silver-lead-copper-gold exploration properties in Chile, South America. The Group operates through its parent and subsidiary undertakings.

### Review of the business and future prospects

#### *Review of the business*

- (i) Herencia Resources plc holds an option to acquire 100% of the currently producing Picachos Copper Project in north-central Chile.
- (ii) Herencia also holds a 70% interest in the Paguanta Project in northern Chile.
- (iii) In addition, Herencia has entered into an agreement with OZ Minerals of Australia whereby OZ Minerals can earn an 80% interest in the Guamanga Copper-Gold Project, located in northern Chile, by spending up to \$8 million on the project.
- (iv) Herencia owns 100% of several highly prospective porphyry-copper style targets located north-east of the regional centre of La Serena.
- (v) In addition, Herencia is also active in seeking new development opportunities with a focus on Chilean projects, given its significant expertise and resources in Chile.

The **Picachos** Project is a very advanced copper project located close to the major city of La Serena and only eight kilometres from the very large Carmen de Andacollo copper mine owned by the Canadian major Teck Resources.

High grade copper ore grading approximately 2.5% copper is currently mined by private miners at Picachos at a rate of some 4,000 tonnes per month. It is both this high grade mineralisation and the evidently larger manto-style copper mineralisation that is the Company's immediate target for drilling. The goal is to develop Picachos into an open pit copper producer in as short a time-frame as possible.

The **Paguanta** Project comprises the:

- 'Patricia' zinc-silver-lead-gold Mineral Resource;
- The 'Patricia East' zone where several drill holes encountered high grade silver-zinc mineralisation;
- 'Doris' copper/silver prospect;
- 'La Rosa' porphyry-copper prospect; and
- 'Loreto' porphyry-copper style target located immediately south-west of Patricia.

The **Guamanga** Project has an agreement with Australian copper major OZ Minerals, targeting a large Iron Oxide Copper Gold (IOCG) style of mineralisation.

The Company also has 100% interest in a number of key tenements in the **La Serena** area that have potential for both IOCG and porphyry copper-gold type mineral systems.

At this time the directors believe that the Company is well positioned given:

- we have advanced, multi-commodity project opportunities in a stable and geologically prospective country;
- the project opportunities have both near-term production potential and strong growth potential;
- at Picachos the copper mineralisation is located at or very near surface and the opportunity exists to drill the area quickly and cost effectively;
- the Picachos Project is well located with existing mines and infrastructure located in the immediate vicinity;
- at Paguanta the feasibility study on the Patricia mineral resource has been completed and preparations for initiating the permitting process are well advanced;
- the mineralisation at Patricia is open in all directions;
- one of Australia's leading copper producers has entered into an agreement to advance the Guamanga copper-gold project by funding up to \$8 million in expenditure for an 80% equity stake in the project;
- we have a locally based management team with significant resources industry experience; and
- we have attracted a new cornerstone shareholder who sees value not only in our projects but also our highly experienced management team.

#### *Future Prospects*

Herencia's goals for 2014 include:

- commencing an RC drilling program at the Picachos Copper Project targeting both the high grade and manto-style copper mineralisation and, subject to confirmation of the high grades identified to date, undertaking a subsequent resource drill-out at Picachos targeting a maiden mineral resource estimate;
- lodgement of permitting applications with the relevant authorities to advance the Paguanta Project;
- continuing to work with OZ Minerals to advance the Guamanga Copper Project; and
- potentially undertaking some early and low cost exploration work on the highly prospective La Serena porphyry-copper targets.

The Company will also seek to identify new business opportunities in Chile as and when the opportunities arise.

Given the funding arrangements initiated in late-2013 and completed in early-2014, the Company believes it is well positioned to advance its work programs in Chile.

Due to the progressing state of all the projects, the Directors' consider that no impairment provision is required, at this time, with respect to the goodwill, exploration and evaluation expenditure and investment associated with the Picachos, Paguanta, Guamanga and La Serena Projects.

The Group's primary business remains mineral exploration and development which is subject to risks including discovery of economic mineral resources, delays in work programme plans and schedules, changes in market conditions affecting the resources industry or commodity price levels, the outcome of commercial negotiations and technical or operating factors, political, environmental and regulatory controls and approvals, and availability and retention of suitable employees and consultants. Any one or more of these risk factors could have a materially adverse impact on the value of the Company.

Due to the early stage of the development of the Group and the nature of its activities, it is not meaningful to consider a review of the key financial performance indicators in respect of the year.

## Strategy Review

The key theme behind the Company's strategic plan is to advance, in a safe and socially responsible manner, its current group of resource assets in Chile and to identify, acquire and develop new resource opportunities. Herencia will leverage off our extensive experience operating in Chile and our excellent team of technical and operating personnel based there.

The project 'criteria' is primarily focusses on:

- copper, copper-gold, base metals (ie zinc-lead) and silver;
- advanced status (ie outcropping mineralisation and previous drilling or historic production as a minimum) and where production could be achieved within a typically three-year timeframe;
- where future capital costs would be less than \$50-70 million to develop (at least the Company's share);
- close to infrastructure; and
- preferably at altitudes below 4,000m ASL (ie less than 4,000m above sea level).

The objective is for the Company to achieve the level of 'producer status' in as quick a time frame as practical with one operating project in the short term, building to a stage where production (and hence cash flow) would be generated from three projects in the medium to long term. The projects may be wholly owned by the Company or may be joint ventures whereby the Company is either the major partner and operator, or the minor partner where an experienced miner and operator is the majority partner.

The Company is seeking to achieve this strategy as can be demonstrated in its suite of current main project assets:

- Paguanta – Zinc-silver-lead project located at 3,700m ASL. An advanced project with JORC-compliant mineral resource estimate and feasibility study. Initial eight (8) year mine-life with both open pit and underground phases. Significant resource upside with all mineralisation open both along strike and down-dip. Company's share of estimated capital costs less than \$50 million and subject to project and funding milestones and commodity/equity markets the project could be brought into production very quickly.
- Picachos – Copper, advanced project with historic and current ore production, located near infrastructure and with a number of existing copper processing plants located within close proximity to the Project (providing opportunity for very low project capital costs), located at 800m ASL and with both open pit and underground potential.
- Guamanga – Copper-gold, advanced project with previous drilling and strong geophysical anomaly, JV with large and very well-funded Australian copper miner, close to existing and large copper mine and national highway and situated at less than 1,000m ASL and with both large open pit and underground potential.

By order of the board

**Graeme Sloan**  
**Director**

22 May 2014

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013**

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The Directors present their Directors' report together with the audited accounts of the Group ("Herencia Resources plc and its subsidiary undertakings") and the Company ("Herencia Resources plc") for the year ended 31 December 2013.

### **Results and dividends**

The loss of the Group for the year ended 31 December 2013 was £3,443,061 (2012: £2,479,909), of which the amount attributable to the equity holders of the Company, was £2,826,407 (2012: £2,047,566).

The Directors do not recommend any distribution by way of a dividend for the year ended 31 December 2013.

### **Audit Committee**

The Audit Committee meets twice each year to discuss the half yearly and annual results. For the annual results the independent auditors, UHY Hacker Young, are invited to discuss the results and their assessment of internal controls. The Chairman of the Audit Committee is John Russell and the other participating member of the committee is The Hon. John Moore AO.

The Company has adopted an Audit Committee Charter which addresses the mandate of the Committee, the composition, independence, expertise of the members, frequency of meetings, roles and responsibilities, external audit function, internal controls, financial reporting, annual and interim financial statements, release of financial information, non-audit services, delegation of authority, reporting responsibilities, resources and authority of the Committee, and compliance with laws and regulations.

### **Remuneration Committee**

The Company does not, at present, have a Remuneration Committee.

### **Information to shareholders - Web site**

The Company has its own web site ([www.herenciaresources.com](http://www.herenciaresources.com)) for the purposes of improving information flow to shareholders as well as to potential investors.

### **Group structure and changes in share capital**

Details of the movements in share capital during the year are set out in note 4 to these accounts.

### **Directors**

The following Directors held office during or since the end of the year and until the date of this report. Directors were in office for this entire period unless otherwise stated.

Graeme Sloan	Managing Director
The Hon. John Moore AO.	Non-Executive Chairman
Christopher James	Non-Executive Director (appointed 5 March 2013)
John Russell	Non-Executive Director
Michael Bohm	Non-Executive Director (resigned 31 August 2013)
Greg McMillan	Non-Executive (resigned 5 March 2013)

## Directors' interests

The beneficial and non-beneficial interests in the Company's shares of the Directors and their families were as follows:

Name	31 December 2013	31 December 2012
	Number of ordinary shares of £0.001	Number of ordinary shares of £0.001
Graeme Sloan <sup>1</sup>	5,188,905	2,888,905
The Hon. John Moore AO. <sup>2</sup>	8,074,080	8,074,080
Christopher James (appointed 5 March 2013)	-	N/A
John Russell <sup>3</sup>	7,407,413	7,407,413
Michael Bohm (resigned 31 August 2013) <sup>4</sup>	N/A	38,876,249
Greg McMillan (resigned 5 March 2013) <sup>5</sup>	N/A	-

<sup>1</sup> 5,188,905 shares are held by Graeme Sloan.

<sup>2</sup> 8,074,080 shares are held by Ralsten Pty Ltd (31 December 2012: 8,074,080). The Hon. John Moore AO. is a director and shareholder of that company.

<sup>3</sup> 7,407,413 shares are held by John Russell (31 December 2012: 7,407,413). As at the date of this report 11,907,413 shares are held directly and indirectly by John Russell.

<sup>4</sup> As at the date of resignation, 38,426,249 shares were held by Michael Bohm's wife, Charmaine Lobo (31 December 2012: 38,426,249) and 450,000 shares were held by Michael Bohm (31 December 2012: 450,000).

<sup>5</sup> As at the date of resignation, nil shares were held by Greg McMillan (31 December 2012: Nil).

The beneficial and non-beneficial interests in the Company's options of the Directors and their families were as follows:

Name	31 December 2013	31 December 2012
	Number of options over ordinary shares of £0.001	Number of options over ordinary shares of £0.001
Graeme Sloan	20,000,000	20,000,000
The Hon. John Moore AO.	5,000,000	10,000,000
Christopher James (appointed 5 March 2013)	-	N/A
John Russell	5,000,000	10,000,000
Michael Bohm (resigned 31 August 2013) <sup>1</sup>	N/A	20,500,000
Greg McMillian (resigned 5 March 2013) <sup>2</sup>	N/A	-

<sup>1</sup> As at the date of resignation, 20,500,000 options were held by Michael Bohm.

<sup>2</sup> As at the date of resignation, nil options were held by Greg McMillan.

## Directors' service contracts

The service contracts of all the existing Non-Executive Directors are subject to a one month termination period.

## Pensions

The Group does not operate a pension scheme for Directors or employees.

## Directors' remuneration

Remuneration of Directors for the year was as follows:

### 31 December 2013

	Fees/basic salary £	Employer's NI £	Pension costs £	Bonus £	Share based payments £	2013 Total £
<b>Executive</b>						
Graeme Sloan	220,962	-	13,168	14,303	15,002	263,435
<b>Non-Executive</b>						
The Hon. John Moore AO.	25,000	-	-	-	-	25,000
Christopher James	-	-	-	-	-	-
John Russell	21,000	9,858	-	-	-	30,858
Michael Bohm	14,014	-	1,271	-	-	15,285
Greg McMillan	-	-	-	-	-	-
	<u>280,976</u>	<u>9,858</u>	<u>14,439</u>	<u>14,303</u>	<u>15,002</u>	<u>334,578</u>

Graeme Sloan's fees/basic salary amount of £220,962 represents base salary together with annual leave entitlement. The salaries of Graeme Sloan, The Hon. John Moore AO and Michael Bohm are paid in Australian dollars and converted to GBP£'s for the purposes of these accounts. The share based payments are non-cash payment, and is a 'calculated' fair value for share options expensed during the year. Included in the Employer's NI cost of £9,858 is £8,280 which represents the amount payable in respect of the exercise of options by John Russell in 2011.

### 31 December 2012

	Fees/basic salary £	Employer's NI £	Pension costs £	Long service leave £	Share based payments £	2012 Total £
<b>Executive</b>						
Graeme Sloan	148,118	-	10,698	-	29,830	188,646
Michael Bohm	117,875	-	18,345	49,389	-	185,609
<b>Non-Executive</b>						
The Hon. John Moore AO.	25,000	-	-	-	-	25,000
Michael Bohm	10,456	-	941	-	-	11,397
John Russell	21,000	1,880	-	-	-	22,880
Greg McMillan	-	-	-	-	-	-
	<u>322,449</u>	<u>1,880</u>	<u>29,984</u>	<u>49,389</u>	<u>29,830</u>	<u>433,532</u>

Graeme Sloan was appointed Managing Director on 1 July 2012 and his fees/basic salary amount of £148,118 represents base salary together with annual leave entitlement (no bonus was paid during the year). Michael Bohm's executive fees/basic salary amount of £117,875 represents the period 1 January 2012 to 1 July 2012 following his step down from Managing Director to Non-Executive Director. The salaries of Graeme Sloan, The Hon. John Moore AO and Michael Bohm are paid in Australian dollars and converted to GBP£'s for the purposes of these accounts.

## Value of options exercised by Directors

No options were exercised by the Directors during the year.

## Substantial shareholders

The Company has been notified, in accordance with Section 792 of the Companies Act 2006, of the following interests in its ordinary shares as at 13 May 2014:

	Number of Ordinary shares	% of Share Capital
Shining Capital Management	400,000,000	16.37
Nyrstar International BV	194,099,734	7.94
The Australian Special Opportunity Fund	146,236,744	5.98
Inversiones Santa Patricia Limitada	75,982,843	3.11

## Subsequent events

The following subsequent events have arisen since the end of the reporting date to the date of this report:

- On 15 January 2014, in pursuant with the Subscription Agreement and successful due diligence with Shining Capital Management, an additional 300 million ordinary shares were issued at a price of 0.62p for a total consideration of £1.86 million.
- Following the above share issues, the number of ordinary shares in issue is 2,443,960,817.

No other matter or circumstances have arisen since the end of the reporting date to the date of this report which significantly affect the results of the operations of the Company.

## Environment Policy Statement

The Group is an Operator of exploration projects. It closely monitors activities to ensure, to the best of its knowledge, there is no potential for any breach of environment's regulations. There have been no convictions in relation to breaches of the local Chilean regulations recorded against the Group during the reporting period.

## Statement of responsibilities of those charged with governance

The Directors are responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards ("IFRS"), as adopted by the European Union. Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and hence for taking steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

## **Statement of disclosure to auditors**

So far as all of the Directors at the time of approval of this report are aware:

1. there is no relevant audit information of which the Company's auditors are unaware; and
2. the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

## **Auditors**

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that UHY Hacker Young be re-appointed as auditors of the Company and that the Directors be authorised to fix their remuneration will be put to the next Annual General Meeting.

By order of the board

**Graeme Sloan**  
**Director**

22 May 2014

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HERENCIA RESOURCES PLC  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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We have audited the financial statements of Herencia Resources plc for the year ended 31 December 2013 which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of financial position, the Consolidated and Parent Company statements of changes in equity, the Consolidated and Parent Company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and Auditors**

As explained more fully in the Statement of responsibilities of those charged with governance, set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Colin Wright (Senior Statutory Auditor)**  
**For and on behalf of UHY Hacker Young**  
Chartered Accountants  
Statutory Auditor

Quadrant House  
4 Thomas More Square  
London E1W 1YW

22 May 2014

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	Year ended 31 December 2013 £	Year ended 31 December 2012 £
<b>Revenue</b>		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administration expenses		(2,770,662)	(2,606,109)
Foreign exchange (losses)/gains		(674,221)	108,558
<b>Operating loss</b>		(3,444,873)	(2,497,551)
Finance revenue		1,822	17,642
<b>Loss before tax</b>		(3,443,061)	(2,479,909)
Income tax expenses		-	-
<b>Loss for the year</b>		<b>(3,443,061)</b>	<b>(2,479,909)</b>
<b>Other Comprehensive Income/(Loss)</b>			
Exchange differences on translating foreign operations		(1,435,346)	417,357
Other comprehensive income for the year, net of tax		(1,435,346)	417,357
<b>Total Comprehensive Loss for the year</b>		<b>(4,878,407)</b>	<b>(2,062,552)</b>
<b>Loss attributable to:</b>			
Equity holders of the Company		(2,826,407)	(2,047,566)
Non-controlling interests		(616,654)	(432,343)
		<b>(3,443,061)</b>	<b>(2,479,909)</b>
<b>Total Comprehensive Loss attributable to:</b>			
Equity holders of the Company		(3,784,902)	(1,770,865)
Non-controlling interests		(1,093,505)	(291,687)
		<b>(4,878,407)</b>	<b>(2,062,552)</b>
<b>Loss per share</b>			
Loss per ordinary share – basic and diluted	2	(0.15)p	(0.13)p

The results shown above relate entirely to continuing operations.

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

	Notes	Group 31 December 2013 £	Group 31 December 2012 £	Company 31 December 2013 £	Company 31 December 2012 £
<b>ASSETS</b>					
<b>Non-current assets</b>					
Receivables		454,837	358,138	15,620,840	13,001,105
Intangible assets and goodwill	3	16,410,430	15,768,018	-	-
Property, plant and equipment		100,770	183,036	10,207	7,975
Investments in subsidiaries		-	-	1,250,000	1,250,000
		<b>16,966,037</b>	<b>16,309,192</b>	<b>16,881,047</b>	<b>14,259,080</b>
<b>Current assets</b>					
Cash and cash equivalents		945,491	1,629,772	88,719	461,996
Trade and other receivables		129,958	194,865	124,525	48,268
Other assets		18,701	16,784	18,701	16,784
		<b>1,094,150</b>	<b>1,841,421</b>	<b>231,945</b>	<b>527,048</b>
<b>Total assets</b>		<b>18,060,187</b>	<b>18,150,613</b>	<b>17,112,992</b>	<b>14,786,128</b>
<b>LIABILITIES</b>					
<b>Non current liabilities</b>					
Provisions for liabilities		56,155	62,932	-	-
Loans and borrowings		354,345	-	354,345	-
		<b>410,500</b>	<b>62,932</b>	<b>354,345</b>	<b>-</b>
<b>Current liabilities</b>					
Trade and other payables		435,856	358,450	142,024	18,335
Provisions for liabilities		25,686	14,579	25,686	14,579
		<b>461,542</b>	<b>373,029</b>	<b>167,710</b>	<b>32,914</b>
<b>Total liabilities</b>		<b>872,042</b>	<b>435,961</b>	<b>522,055</b>	<b>32,914</b>
<b>Net Assets</b>		<b>17,188,145</b>	<b>17,714,652</b>	<b>16,590,937</b>	<b>14,753,214</b>
<b>EQUITY</b>					
Share capital	4	2,143,960	1,672,114	2,143,960	1,672,114
Share premium		20,252,851	18,208,977	20,252,851	18,208,977
Share based payments reserve		761,360	593,850	761,360	593,850
Other reserve		112,048	-	112,048	-
Translation reserve		(201,875)	756,620	-	-
Retained losses		(10,714,163)	(7,887,756)	(6,679,282)	(5,721,727)
<b>Capital and reserves attributable to equity holders</b>		<b>12,354,181</b>	<b>13,343,805</b>	<b>16,590,937</b>	<b>14,753,214</b>
Minority interests in equity		4,833,964	4,370,847	-	-
<b>Total equity and reserves</b>		<b>17,188,145</b>	<b>17,714,652</b>	<b>16,590,937</b>	<b>14,753,214</b>

The financial statements of Herencia Resources plc, company number 05345029, were approved by the Board of Directors and authorised for issue on 22 May 2014. They were signed on its behalf by:

**Graeme Sloan**  
**Director**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<b>Group 2013 £</b>	<b>Group 2012 £</b>	<b>Company 2013 £</b>	<b>Company 2012 £</b>
<b>Net cash outflow from operating activities</b>	(2,785,994)	(2,134,405)	(819,140)	(950,266)
<b>Cash flows from investing activities</b>				
Interest received	1,822	17,642	1,470	16,956
Payments for property, plant and equipment	(9,424)	(28,604)	(8,675)	(3,066)
Cash calls and proceeds of shares issued to minority shareholder	1,556,624	982,142	-	-
Cash calls from subsidiary	-	-	(1,994,776)	(2,879,690)
Proceeds from sale of plant and equipment	-	262	-	262
Net funds used for investing in exploration	(1,895,153)	(3,499,758)	-	-
<b>Net cash used by investing activities</b>	(346,131)	(2,528,316)	(2,001,981)	(2,865,538)
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	805,318	1,200,000	805,318	1,200,000
Proceeds from funding agreement	1,141,728	-	1,141,728	-
Proceeds from issue of convertible note	500,798	-	500,798	-
Issue costs	-	(50,339)	-	(50,339)
<b>Net cash from financing activities</b>	2,447,844	1,149,661	2,447,844	1,149,661
<b>Net decrease in cash and cash equivalents</b>	(684,281)	(3,513,060)	(373,277)	(2,666,143)
Cash and cash equivalents at the beginning of the year	1,629,772	5,142,832	461,996	3,128,139
<b>Cash and cash equivalents at the end of the year</b>	<b>945,491</b>	<b>1,629,772</b>	<b>88,719</b>	<b>461,996</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Share capital £	Share premium £	Translation reserve £	Share-based payments reserve £	Other reserve £	Shares to be issued £	Retained losses £	Total £	Minority interest £	Total equity £
<b>Balance at 1 January 2012</b>	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	152,000	1,072,000	-	-	-	(24,000)	-	1,200,000	982,142	2,182,142
Share issue costs	-	(50,339)	-	-	-	-	-	(50,339)	-	(50,339)
Share based payments	-	-	-	33,217	-	-	-	33,217	-	33,217
Total comprehensive income/(loss) for the year	-	-	276,701	-	-	-	(2,047,566)	(1,770,865)	(291,687)	(2,062,552)
<b>Balance at 31 December 2012</b>	<b>1,672,114</b>	<b>18,208,977</b>	<b>756,620</b>	<b>593,850</b>	<b>-</b>	<b>-</b>	<b>(7,887,756)</b>	<b>13,343,805</b>	<b>4,370,847</b>	<b>17,714,652</b>
<b>Balance at 1 January 2013</b>	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	471,846	2,427,465	-	-	-	-	-	2,899,311	1,556,622	4,455,933
Share issue costs	-	(383,591)	-	-	-	-	-	(383,591)	-	(383,591)
Share based payments	-	-	-	167,510	-	-	-	167,510	-	167,510
Convertible loan equity component	-	-	-	-	112,048	-	-	112,048	-	112,048
Total comprehensive income/(loss) for the year	-	-	(958,495)	-	-	-	(2,826,407)	(3,784,902)	(1,093,505)	(4,878,407)
<b>Balance at 31 December 2013</b>	<b>2,143,960</b>	<b>20,252,851</b>	<b>(201,875)</b>	<b>761,360</b>	<b>112,048</b>	<b>-</b>	<b>(10,714,163)</b>	<b>12,354,181</b>	<b>4,833,964</b>	<b>17,188,145</b>

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Share capital £	Share premium £	Share-based payments reserve £	Other reserves £	Shares to be issued £	Retained losses £	Total equity £
<b>Balance at 1 January 2012</b>	1,520,114	17,187,316	560,633	-	24,000	(4,809,224)	14,482,839
Issue of shares	152,000	1,072,000	-	-	(24,000)	-	1,200,000
Share issue costs	-	(50,339)	-	-	-	-	(50,339)
Share based payments	-	-	33,217	-	-	-	33,217
Total comprehensive income/(loss) for the year	-	-	-	-	-	(912,503)	(912,503)
<b>Balance at 31 December 2012</b>	<b>1,672,114</b>	<b>18,208,977</b>	<b>593,850</b>	<b>-</b>	<b>-</b>	<b>(5,721,727)</b>	<b>14,753,214</b>
<b>Balance at 1 January 2013</b>	1,672,114	18,208,977	593,850	-	-	(5,721,727)	14,753,214
Issue of shares	471,846	2,427,465	-	-	-	-	2,899,311
Share issue costs	-	(383,591)	-	-	-	-	(383,591)
Convertible loan equity component	-	-	-	112,048	-	-	112,048
Share based payments	-	-	167,510	-	-	-	167,510
Total comprehensive income/(loss) for the year	-	-	-	-	-	(957,555)	(957,555)
<b>Balance at 31 December 2013</b>	<b>2,143,960</b>	<b>20,252,851</b>	<b>761,360</b>	<b>112,048</b>	<b>-</b>	<b>(6,679,282)</b>	<b>16,590,937</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 1. Accounting policies

The Group's consolidated financial statements for the year ended 31 December 2013, from which this financial information has been extracted, and for the comparative year ended 31 December 2012 are prepared on a going concern basis and in accordance with IFRS as adopted by the EU ("IFRS"), and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 but it is derived from those accounts.

The financial information for the year ended 31 December 2012 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The financial information for the year ended 31 December 2013 have been extracted from the Group's 2013 statutory financial statements which will be delivered to the Registrar in due course and upon which the auditor's opinion is unqualified and does not include any statement under s498(2) or s498(3) of the Companies Act 2006.

#### 1.1. Basis of preparation and going concern

The financial statements have been prepared using the historical cost convention and are presented in UK pounds sterling. In addition, the financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") including IFRS 6 'Exploration for and Evaluation of Mineral Resources', as adopted by the European Union ("EU") and in accordance with the provisions of the Companies Act 2006.

In accordance with the provision of Section 408 of the Companies Act 2006, the Parent Company has not presented an Income Statement. The Parent Company's loss for the year ended 31 December 2013 of £957,555 (31 December 2012: £912,503 (loss)) has been included in the consolidated statement of comprehensive income.

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 (£0.5 million) to the Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners.

On 15 November 2013, the agreement was terminated by mutual consent, however during the year the Company received a total of US\$2.52 million (£1.64 million) represented by a US\$0.75 million (£0.5 million) convertible security note and US\$1.77 million (£1.14 million) towards the purchase of ordinary shares in the Company.

On 13 November 2013, the Company announced that it has secured a new cornerstone investor, Shining Capital Management ("Shining"), a Hong-Kong based investment fund for up to £2.48 million in funding.

Under the terms of the agreement, on 2 December 2013, Shining subscribed for 100 million ordinary shares at a price of 0.62p (represented approximately 15% premium to the 45 day VWAP and 25% premium to the current issue share price) for a total consideration of £0.62 million. Following successful due diligence, on 15 January 2014, Shining subscribed for an additional 300 million ordinary shares at price of 0.62p for a total consideration of £1.86 million.

The activities in the year and future prospects of the Group are discussed in the Directors' Report. The Group has not yet earned revenue as it is still in the exploration phase of its business.

The Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group will be able 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.

## **1.2. Basis of consolidation**

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is capitalised as an intangible asset and in accordance with IFRS3 'Business Combinations' it is not amortised but tested for impairment on an annual basis. As such, goodwill is stated at cost less any provision for impairment in value. If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit and loss on sale.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

All the companies over which the Company has control, apply, where appropriate, the same accounting policies as the Company.

## **1.3. Foreign currency translation**

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange gain or loss is dealt with in the profit and loss account.

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statement the assets and liabilities of the foreign subsidiary undertakings are translated into Sterling at the rates of exchange ruling at the year end and their results are translated at the average exchange rate for the year. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings are treated as movements of reserves.

## **1.4. Cash and cash equivalents**

The Company considers all highly liquid investments, with a maturity of 90 days or less to be cash equivalents, carried at the lower of cost or market value.

## 1.5. Property, plant and equipment

Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The depreciation rates used for each class of depreciable assets are:

Leasehold improvements	50%
Computers & office equipment	33.33%
Office furniture	25%
Motor vehicles	25%
Plant & equipment	25%

### *Impairment*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### *Disposals*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

## 1.6. Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred tax is realised or the deferred liability is settled. Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

## **1.7. Exploration and evaluation costs**

All costs associated with mineral exploration and investments are capitalised on a project by project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general corporate overheads. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished or project abandoned, the related costs are written off. Where the Group maintains an interest in a project, but the value of the project is considered to be impaired, a provision is made against the relevant capitalised costs.

The recoverability of all exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposition thereof.

Amounts recorded for these assets represent costs and are not intended to reflect present or future values.

## **1.8. Impairment of exploration and evaluation costs**

The carrying value of exploration and evaluation is assessed on at least an annual basis or when there has been an indication that impairment in value may have occurred. The impairment of exploration and evaluation is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and future development.

## **1.9. Share based payments**

The Company made share-based payments to certain directors and employees by way of issue of share options. The fair value of these payments is calculated by the Company using the Black Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest. Where equity instruments are granted to persons other than directors or employees, the consolidated statement of comprehensive income is charged with the fair value of any goods or services received.

## **1.10. Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employees benefits to be settled within twelve months are measured at their nominal values using the remuneration rates expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

## 2. Loss per share

The basic loss per ordinary share of (0.15)p (2012: (0.13)p) for the Group has been calculated by dividing the loss for the year attributable to equity holders of £2,826,407 (2012: £2,047,566) by the weighted average number of ordinary shares in issue of 1,856,288,943 (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 1,944,938,258 (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. Intangible assets

	<b>Goodwill</b>	<b>Exploration &amp; evaluation costs</b>	<b>Total</b>
	£	£	£
<b>Cost</b>			
As at 1 January 2013	1,000,000	15,440,151	16,440,151
Additions <sup>i</sup>	-	2,520,112	2,520,112
Effect of foreign currency exchange differences	-	(1,877,700)	(1,877,700)
At 31 December 2013	<u>1,000,000</u>	<u>16,082,563</u>	<u>17,082,563</u>
<b>Impairment</b>			
As at 1 January 2013	(125,000)	(547,133)	(672,133)
Impairment loss	-	-	-
At 31 December 2013	<u>(125,000)</u>	<u>(547,133)</u>	<u>(672,133)</u>
<b>Carrying amount</b>			
As at 31 December 2013	<u>875,000</u>	<u>15,535,430</u>	<u>16,410,430</u>
As at 31 December 2012	<u>875,000</u>	<u>14,893,018</u>	<u>15,768,018</u>

<sup>i</sup> Includes the issue of shares to acquire the Guamanga project of £624,959. Refer note 4 for further details.

The exploration and evaluation costs as at 31 December 2013 relate entirely to the Paguanta (£13,465,100), Guamanga (£1,620,359), La Serena (£242,525) and Picachos (£207,446) projects located in Chile, South America.

Based on the 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 31 December 2013. Furthermore, due to the progressing state of all the other projects, the Directors' consider that no impairment provision is required, at this time, with respect to the exploration and evaluation expenditure associated with the Picachos, Guamanga and La Serena Projects.

## 4. Share capital

	<b>Company 2013</b>	<b>Company 2012</b>
	£	£
<i>Authorised:</i>		
10,000,000,000 ordinary shares of £0.001 each	<u>10,000,000</u>	<u>10,000,000</u>
<i>Allotted, issued and fully paid:</i>		
2,143,960,817 ordinary shares (2012: 1,672,114,250 ordinary shares)	<u>2,143,960</u>	<u>1,672,114</u>

Movement in Share capital during the year comprises	Number of shares	Share Capital £	Share Premium £
<b>Issued and fully paid</b>			
As at 1 January 2013	1,672,114,250	1,672,114	18,208,977
<b>Allotments during the period</b>			
15 March 2013 – 0.96p per share <sup>i</sup>	24,071,407	24,071	207,014
15 March 2013 – 0.96p per share <sup>iii</sup>	2,684,713	2,685	23,089
18 April 2013 – 0.80p per share <sup>ii</sup>	36,923,986	36,924	258,468
26 April 2013 – 0.80p per share <sup>iii</sup>	4,118,176	4,118	28,827
23 May 2013 – 0.70p per share <sup>ii</sup>	25,655,941	25,656	153,936
23 May 2013 – 0.70p per share <sup>iii</sup>	2,861,438	2,861	17,169
26 June 2013 – 0.50p per share <sup>ii</sup>	36,528,465	36,529	146,113
26 June 2013 – 0.8225p per share <sup>iv</sup>	75,982,843	75,983	548,976
26 June 2013 – 0.8225p per share <sup>iii</sup>	8,474,457	8,475	61,228
11 July 2013 – 0.50p per share <sup>iii</sup>	4,074,063	4,074	16,296
29 July 2013 – 0.40p per share <sup>ii</sup>	36,977,386	36,977	110,932
29 July 2013 – 0.40p per share <sup>iii</sup>	4,124,132	4,124	12,372
4 September 2013 – 0.38p per share <sup>ii</sup>	25,321,499	25,322	70,900
4 September 2013 – 0.40p per share <sup>v</sup>	24,055,424	24,055	72,166
9 October 2013 – 0.40p per share <sup>ii</sup>	28,834,165	28,834	86,503
8 November 2013 – 0.40p per share <sup>ii</sup>	31,158,472	31,158	93,476
2 December 2013 – 0.62p per share <sup>vi</sup>	100,000,000	100,000	520,000
Share issue costs <sup>vii</sup>	-	-	(383,591)
<b>Balances as at 31 December 2013</b>	<b>2,143,960,817</b>	<b>2,143,960</b>	<b>20,252,851</b>

<sup>i</sup> 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.

<sup>ii</sup> 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..

<sup>iii</sup> 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.

<sup>iv</sup> Shares issued to Inversions Santa Patricia Limitada as part consideration of the 100% acquisition of the Guamanga Project.

<sup>v</sup> Shares issued to The Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners as satisfaction of the part conversion of the convertible note.

<sup>vi</sup> Shares issued to Shining Capital Management as satisfaction for Tranche One funding of £620,000.

<sup>vii</sup> Shares issue costs represent the execution fee of USD\$0.35 million (refer above) and the fair value of 25.0 million options issued 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.