

# Herencia Rapidly Moving Forward Targeting Copper Production in 2015

## *Highlights*

- ✓ *3D and cross-section modelling completed at the '40m Shaft Zone' at the Picachos Project*
- ✓ *Toll treatment negotiations for Picachos have commenced with local process plant owners*
- ✓ *An internal evaluation of Picachos mining options (Preliminary Economic Assessment Study) currently underway, targeting rapid and cost efficient open pit mining commencement within 12-18 months*
- ✓ *Planning for an in-fill drill program for resource definition to support Preliminary Economic Assessment now underway*
- ✓ *Potential use of open pit mining and ore haulage contractors in conjunction with toll treatment to keep upfront capital costs to a minimum.*
- ✓ *Guamanga Project drilling ongoing, fully funded by Australia's OZ Minerals copper group*
- ✓ *Permitting process at the Paguanta Project continues, as market interest in both the zinc price and advanced projects such as Paguanta increases with the closure of several large zinc mines starting to put upward pressure on the zinc price*

Herencia Resources plc (AIM:HER), the Chile-focussed mineral exploration and development Company, is pleased to provide an update on the progress of its projects and of the significant project activities and advancement.

As previously announced to the market in June and July 2014, the recent Picachos drill program achieved numerous outstanding copper assay results including **91m at 1.42% copper** from only 19m downhole (within this intersection included 60m at 1.94% copper and 20m at 3.10% copper) and **45m at 1.70% copper** from 95m (including 34m at 2.09% copper) - examples of only two, of many, high grade intersections.

Geological cross-sections and 3D models have now been prepared for the '40m Shaft Zone', which at this time is the main zone of high grade mineralisation.

This work has confirmed both outcropping and shallow copper mineralisation ideal for bringing an open pit into production at low capital and operating costs. In addition, it has identified key targets for potential future resource expansion adjacent to, at depth, and to the east of this high-grade area.

Given the significance of these shallow and high-grade results, Herencia has commenced negotiations with the owners of a number of local processing plants in relation to toll treatment opportunities for Picachos production. The local processing plants have significant throughput capacities, some of which is under-utilised, and Herencia have indicated a potential supply target of up to one million tonnes per annum (1Mtpa), potentially commencing within 12 to 18 months - these totals are obviously subject to further work and the results of the Company's economic assessment which is being undertaken by the Company's experienced technical team with assistance from external contractors.

The importance of the toll treatment development scenario for Picachos should not be underestimated as it would result in the Company not being required to construct its own processing plant, saving significant time and capital cost. Under this development scenario, once the necessary permits are in place, the Company would commence open pit mining and transporting of the production to the third party plant for processing. The Company would look to retain ownership of any concentrate production from toll treatment for future off-take agreements with other parties.

Herencia has also commenced discussions with contract mining and haulage companies to obtain costings for potential open pit mining at Picachos and haulage costs from mine to treatment plant. Internal studies have shown mine production is possible within 12 to 18 months if toll treatment agreements and permitting is in place.

Importantly, the presence of out-cropping and shallow mineralisation (and hence no requirement for any large scale costly pre-stripping of waste overburden) and the utilisation of mining contractors (common in the open pit mining industry), whilst subject to an economic assessment, is expected to support a low operating cost for Picachos.

At the Guamanga Project our partner, OZ Minerals, one of Australia's largest copper producers, has advised that drilling is progressing according to schedule and we anticipate results by the end of this quarter.

In other development opportunities, whilst the Picachos Project has taken the lead in the production timetable at Herencia due to both the high copper grades and the significantly lower expected capital costs, the Paguanta Project is still very much an active part of Herencia's future revenue plans.

The price of zinc has been below US\$1.00 per pound for some time and hence few new zinc projects have had the capacity to move into the production phase. Despite this, management have at minimal cost continued to progress with the permitting process at Paguanta, as the goal remains to be able to quickly make a development decision in an appropriate zinc price environment. Once we and the necessary project financing groups such as banks can anticipate a stable and sustained zinc price environment then a decision to move to construction can be quickly made, which we believe would allow rapid progress into the production phase as the majority of the 'legwork' such as permitting, will have been well advanced.

Managing Director, Graeme Sloan, commented as follows:

*“We continue to push all our projects forward, recognising the desire to move the Company into a production and revenue generating phase as quickly, and as cost effectively, as possible.*

*For this reason our focus has been on Picachos, where we believe a requirement to undertake a costly and time consuming Feasibility Study for Picachos is not necessary, given the potential for a toll treatment option which negates the need to finance (and then build) our own processing plant. Also not to be forgotten, Picachos is already in production, albeit at a modest scale via private miners who demonstrate that the ongoing mining and treatment of Picachos ore through the local ENAMI (government owned) plant is a viable production route.*

*Once our Picachos resource has been established and the project economics evaluated, we see it as a straightforward process of commencing low cost open pit mining targeting the outcropping and shallow high grade copper mineralisation*

*Our overall aim is quite simply to be in production as soon as possible, at the lowest possible cost to shareholders and to generate robust cash-flows. I believe even at this relatively early stage of the Picachos project, it is very much the project that will support this strategy and has potential for production within the next 12 to 18 months.*

*With the positive drill results to date, especially around the 40M Shaft area, and the proximity and potential availability of local processing plants, all our efforts are clearly focussed on achieving this production and revenue generating target within the specified timeframe.”*

### **About the Picachos Project**

The Picachos Project is located approximately 50km south east of the coastal city of La Serena, 8km west of both the existing Andacollo copper-gold project operated by Teck Resources and the mining town of Andacollo (population approximately 10,000 people), and 10km south of the privately owned Tambillos copper mine. The Project is very well positioned for infrastructure with existing high voltage power located approximately 3km east of the Project area and serviced by two all-weather access roads.

Small scale mining is currently being undertaken by private miners via small open pit and underground mining operations. Ore is being trucked to a Chilean government owned processing plant (ENAMI plant) for processing. This mining will continue up until such time as the Option to fully acquire Picachos is exercised (at Herencia’s discretion) and is seen by the Company as an excellent mechanism to achieve geological and grade data across many zones of mineralisation.

A review of available data and Herencia’s own geological programs has confirmed multiple 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 outcropping wide zones of mineralisation, highlights the excellent potential for large scale open pit mining to take place at Picachos. Historic mining has focused mainly around the high grade structures, however in some areas the mantos have been mined up to 50m wide. Mineralisation generally commences from one to five metres below the surface and appears open at depth.

## **About the Guamanga Project**

The Guamanga Project is located approximately 750 kilometres north of Santiago in Region III in Chile. Access to the Project site is excellent with the Pan-American Highway located only 30 kilometres to the west and a major airport a 60 minute drive to the south. The Project mineralisation style appears to correspond to a potential Iron Oxide Copper Gold (IOCG) system, an example of which is Anglo American's large Mantoverde Mine, located only 15 kilometres to the north of the Guamanga Project.

## **About the Paguanta Project**

The Paguanta Project is an advanced zinc-silver-lead project located in the north of Chile, approximately 120 kilometres north-east of the coastal city of Iquique and 30 kilometres west of the Chile-Bolivia border. The Project is on the north end of the Oligocene Porphyry Copper Belt of Chile that includes the world class deposits of Escondida, Chuquicamata, Collahuasi and Cerro Colorado. Cerro Colorado is a large operating copper mine, operated by BHP Billiton, located approximately 35 kilometres south of Paguanta. The Company has completed a Feasibility Study and is now advancing with items related to the permitting process.

## **About Herencia**

Herencia Resources plc, is an AIM quoted exploration and development company operating in Chile. In addition to the Picachos Copper Project, the Company has a Joint Venture with OZ Minerals at the Guamanga Project where drilling has commenced and it has 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's corporate office is located in Perth and the main technical and management office is located in Santiago, Chile where it has been operating for over eight years.

For further information, please contact:

Graeme Sloan, Herencia Resources plc	+61 8 9481 4204
Katy Mitchell, WH Ireland Limited	+44 161 832 2174

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

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