

Herencia Resources plc

(“Herencia” or the “Company”)

HALF-YEARLY FINANCIAL REPORT

For the six months ended 30 June 2014

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 2014.

CHAIRMAN’S STATEMENT

The six months ended 30 June 2014 coincided with the successful completion of Herencia’s first drilling program at our Picachos Copper Project in Chile and the announcement of excellent high-grade copper assay results located very close to surface.

The results are a vindication of our belief that the Picachos Project is indeed a game changer for the Company as it has the potential to be brought into production within 12 to 18 months and with a minimal capital cost. It is not every day that one can drill a hole and report 91m grading 1.42% copper from only 19m down-hole, but this is exactly what Herencia did in May this year. This was followed up by numerous additional broad high grade copper intercepts, and indeed the majority of holes drilled in the Picachos program intersected high grades at shallow depths.

The secret to Picachos lies in the fact that i) the high grade mineralisation is located at very shallow depths and indeed outcrops in several locations, and ii) there are a number of processing plants located within very close proximity to Picachos which are all potentially suitable to treat the proposed Picachos production on a toll treating arrangement. Under this scenario, there would be no need for Herencia to finance, permit and construct a processing plant or tailings dam.

In addition, we believe the operating costs would be low as the mineralisation is very shallow with almost no pre-stripping likely required and a low strip ratio anticipated, given the broad widths of mineralisation seen to date.

Herencia also announced, late in the half, that a wholly owned subsidiary of Australia’s OZ Minerals, OZ Exploration Chile Limitada, had commenced drilling at the Guamanga Project in central Chile, the subject of a joint venture between the companies. The drilling is targeting a potential Iron Oxide Copper Gold (IOCG) system, similar to Anglo American’s large Mantoverde copper mine located less than 20km away.

At the Company’s 70% owned Pagaunta Project, management continues to progress the permitting process, which culminated in the approval, in August, for the next drill program. We see this as significant as approval of our drilling EIS is another important step along the path toward full Project EIS approval. Much of the data collected, and the process followed, has enhanced our understanding of the protocols necessary for project approval.

The development timetable for the Paguanta Project is tied to the zinc price and the Company views the recent strong gains in the price of zinc and the significant falls in warehouse zinc supply inventories as positive markers for the Project. The closure of several major zinc mines, along with the planned closure in 2015 of the Century Zinc Mine in Australia (one of the world’s largest zinc producers), has highlighted the upcoming zinc supply constraints facing customers. The zinc price will continue to be closely monitored given the very advanced stage of the Paguanta Project.

On the corporate front, in early 2014 the Company secured the second tranche of investment from our new cornerstone investor, Shining Capital Management (Shining). Shining is now the Company’s major shareholder and we look forward to continuing our relationship with them as we progress the Company toward producer status in the near future.

In summary, much has been achieved in the last 6 months by the management team in Perth and Chile. Given the excellent drill results at Picachos, Herencia is focussing attention on this advanced copper project as we believe that it is the Picachos Project which can be brought into production very quickly (within the next 12 to 18 months) and with minimal capital outlay (a result of the Company’s intention to toll treat the ore mined at Picachos at a nearby third party owned processing plant).

We thank shareholders for their continued support and management for their hard work and we look forward to updating investors on the progress of our projects as we progress them towards production.

Hon. John Moore AO
Chairman
26 September 2014

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:

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References in this announcement to exploration results and potential have been approved for release by Mr. Graeme Sloan (BAppSc Mining Engineering WASM) and Mr. Antonio Valverde (Bsc Geology Universidad Complutense de Madrid), 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 2014**

	Notes	6 months ended 30 June 2014 (unaudited) £	6 months ended 30 June 2013 (unaudited) £	12 months ended 31 December 2013 (audited) £
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Administration expenses		(1,604,027)	(1,296,139)	(2,770,662)
Foreign exchange gains/(losses)		918,874	(300,044)	(674,221)
Operating loss		(685,153)	(1,596,183)	(3,444,883)
Finance revenue		1,651	1,296	1,822
Loss before tax		(683,502)	(1,594,887)	(3,443,061)
Income tax expenses		-	-	-
Loss for the period		(683,502)	(1,594,887)	(3,443,061)
Other comprehensive income/(loss)				
Exchange differences on translating foreign operations		(2,102,012)	303,109	(1,435,346)
Other comprehensive income, net of tax		(2,102,012)	303,109	(1,435,346)
Total comprehensive loss for the period, net of tax		(2,785,514)	(1,291,778)	(4,878,407)
Loss attributable to:				
Equity holders of the Company		(698,867)	(1,300,043)	(2,826,407)
Non-controlling interests		15,365	(294,844)	(616,654)

		(683,502)	(1,594,887)	(3,443,061)
Total comprehensive loss attributable to:				
Equity holders of the Company		(2,223,506)	(1,065,706)	(3,784,902)
Non-controlling interests		(576,008)	(226,072)	(1,093,505)
		(2,785,514)	(1,291,778)	(4,878,407)
Loss per share				
Loss per ordinary share – basic and diluted	2	(0.03)p	(0.08)p	(0.15)p

The results shown above relate entirely to continuing operations.

STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	30 June 2014 (unaudited) £	30 June 2013 (unaudited) £	31 December 2013 (audited) £
ASSETS				
Non current assets				
Receivables		300,208	437,010	454,837
Intangible assets and goodwill	4	15,596,440	18,508,033	16,410,430
Property, plant and equipment	5	99,616	146,959	100,770
		<u>15,996,264</u>	<u>19,092,002</u>	<u>16,966,037</u>
Current assets				
Cash and cash equivalents		988,168	690,190	945,491
Trade and other receivables		445,534	162,942	129,958
Other assets		14,131	23,907	18,701
		<u>1,447,833</u>	<u>877,039</u>	<u>1,904,150</u>
Total assets		<u>17,444,097</u>	<u>19,969,041</u>	<u>18,060,187</u>
LIABILITIES				
Non current liabilities				
Provisions	6	51,833	63,101	56,155
Loans and borrowings	7	378,264	388,750	354,345
		<u>430,097</u>	<u>451,851</u>	<u>410,500</u>
Current liabilities				
Trade and other payables		884,549	987,480	435,856
Provisions	6	33,179	21,299	25,686
		<u>917,728</u>	<u>1,008,779</u>	<u>461,542</u>
Total liabilities		<u>1,347,825</u>	<u>1,460,630</u>	<u>872,042</u>
Net Assets		<u>16,096,272</u>	<u>18,508,411</u>	<u>17,188,145</u>
EQUITY				
Share capital	9	2,443,960	1,889,416	2,143,960
Share premium	9	21,812,851	19,270,206	20,252,851
Share based payments reserve		761,360	761,360	761,360

Translation reserve		(1,726,514)	990,958	(201,875)
Shares to be issued	11	428,531	147,910	-
Other reserve	7	112,048	112,048	112,048
Retained losses		(11,413,030)	(9,187,800)	(10,714,163)
Capital and reserves attributable to equity holders		12,419,206	13,984,098	12,354,181
Minority interests in equity	8	3,677,066	4,524,313	4,833,964
Total equity and reserves		16,096,272	18,508,411	17,188,145

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	6 months ended 30 June 2014 (unaudited) £	6 months ended 30 June 2013 (unaudited) £	12 months ended 31 December 2013 (audited) £
Net cash outflow from operating activities		(1,512,927)	(582,911)	(2,785,994)
Cash flows from investing activities				
Interest received		1,651	1,296	1,822
Payments for property, plant and equipment	5	(41,358)	(7,025)	(9,424)
Cash calls from minority shareholder		137,949	379,538	1,556,624
Net funds used for investing in exploration	4	(402,638)	(2,185,265)	(1,895,153)
Net cash used by investing activities		(304,396)	(1,811,456)	(346,131)
Cash flows from financing activities				
Proceeds from issue of shares	9	1,860,000	148,451	805,318
Proceeds from funding agreement		-	657,626	1,141,728
Proceeds from issue of convertible note		-	500,798	500,798
Cash received in advance of issue of shares under the funding agreement		-	147,910	-
Net cash generated from financing activities		1,860,000	1,454,785	2,447,844
Net increase/(decrease) in cash and cash equivalents		42,677	(939,582)	(684,281)
Cash and cash equivalents at the beginning of the period		945,491	1,629,772	1,629,772
Cash and cash equivalents at the end of the period		988,168	690,190	945,491

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	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 2014	2,143,960	20,252,851	(201,875)	761,360	112,048	-	(10,714,163)	12,354,181	4,833,964	17,188,145
Issue of shares	300,000	1,560,000	-	-	-	-	-	1,860,000	137,949	1,997,949
Adjustment to minority interest capital including the reclassification of shares to be issued (note 11)	-	-	-	-	-	428,531	-	428,531	(732,839)	(304,308)
Total comprehensive income/(loss) for the period	-	-	(1,524,639)	-	-	-	(698,867)	(2,223,506)	(562,008)	(2,785,514)
Balance at 30 June 2014	2,443,960	21,812,851	(1,726,514)	761,360	112,048	428,531	(11,413,030)	12,419,206	3,677,066	16,086,272
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

NOTES TO THE UNAUDITED HALF-YEARLY ACCOUNTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

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 2014.

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 2014 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 2013. The comparatives for the year ended 31 December 2013 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 2014 has been prepared in accordance with IAS 34 'Interim financial reporting'.

The half-yearly accounts for the six months ended 30 June 2014 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.

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.

2. Loss per share

The basic loss per ordinary share of (0.03)p (30 June 2013: (0.08)p; 31 December 2013: (0.15)p) for the Group has been calculated by dividing the loss for the period attributable to equity holders of £698,867 (30 June 2013: £1,300,043; 31 December 2013: £2,826,407) by the weighted average number of ordinary shares in issue of 2,409,154,187 (30 June 2013: 1,712,963,094; 31 December 2013: 1,856,288,943).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 2,475,551,997 (30 June 2013: 1,801,208,950; 31 December 2013: 1,944,938,258). 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 2014 (unaudited)			
Administration expenses (excluding non-cash items)	(1,215,354)	(362,782)	(1,578,136)
Finance revenue	-	1,651	1,651
Non-cash expenditure:			
Depreciation expense	(23,751)	(2,140)	(25,891)
Share based payments	-	-	-
Foreign exchange gain/(loss)	947,238	(28,364)	918,874
Segment result	(291,867)	(391,635)	(683,502)
As at 30 June 2014			
Segment assets	15,884,192	1,559,905	17,444,097
Segment liabilities	(881,413)	(466,412)	(1,347,825)
Net assets	15,002,779	1,093,493	16,096,272
6 months ended 30 June 2013 (unaudited)			
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
Segment information by operating segment			
	Mineral Exploration £	Central Costs £	Total £
12 months ended 31 December 2013 (audited)			
Administration expenses (excluding non-cash items)	(1,742,261)	(930,123)	(2,672,384)
Finance revenue	352	1,470	1,822
Non-cash expenditure:			
Depreciation expense	(76,831)	(6,443)	(83,274)
Share based payments expense	-	(15,004)	(15,004)
Foreign exchange gain/(loss)	(666,766)	(7,455)	(674,221)
Segment result	(2,485,506)	(957,555)	(3,443,061)
As at 31 December 2013			
Segment assets	17,038,684	1,021,503	18,060,187
Segment liabilities	(349,987)	(522,055)	(872,042)
Net assets	16,688,697	499,448	17,188,145

Segment information by region

	External Revenue			Non-current assets		
	30 June 2014 (unaudited) £	30 June 2013 (unaudited) £	31 December 2013 (audited) £	30 June 2014 (unaudited) £	30 June 2013 (unaudited) £	31 December 2013 (audited) £
Australia	-	-	-	8,066	11,420	10,207
Chile	-	-	-	15,988,198	19,080,582	16,955,830
Group	-	-	-	15,996,264	19,092,002	16,966,037

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.

4. Intangible assets and goodwill

	Goodwill £	Exploration & evaluation costs £	Total £
Cost			
As at 1 January 2014	1,000,000	16,082,563	17,082,563
Additions	-	402,638	402,638
Effect of foreign currency exchange differences	-	(1,216,628)	(1,216,628)
At 30 June 2014	1,000,000	15,268,573	16,268,573
Impairment			
As at 1 January 2014	(125,000)	(547,133)	(672,133)
Impairment during the period	-	-	-
As at 30 June 2014	(125,000)	(547,133)	(672,133)
Carrying amount			
As at 30 June 2014	875,000	14,721,440	15,596,440
As at 31 December 2013	875,000	15,535,430	15,768,018

The exploration and evaluation costs as at 30 June 2014 relate entirely to the Paguanta (£12,506,437), Guamanga (£1,516,190), La Serena (£223,859) and Picachos (£474,954) 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 30 June 2014. 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.

5. Property, plant and equipment

	30 June 2014 (unaudited) £	30 June 2013 (unaudited) £	31 December 2013 (audited) £
At cost	347,242	411,014	368,281
Accumulated depreciation	(247,626)	(264,055)	(267,511)
Total property and equipment	99,616	146,959	100,770

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	100,770	183,036	183,036
Additions at cost	41,358	7,025	9,424
Disposals	(3,035)	-	-
Depreciation expense	(25,891)	(45,094)	(83,274)
Effect of foreign currency exchange differences	(13,586)	1,992	(8,416)
Carrying amount at the end of the period	99,616	146,959	100,770

6. Provisions

	30 June 2014 (unaudited) £	30 June 2013 (unaudited) £	31 December 2013 (audited) £
Decommissioning expenditure			
Balance at the beginning of the period	56,155	62,932	62,932
Effect of foreign currency exchange differences	(4,322)	169	(6,777)
Balance at the end of the period (note 13)	51,833	63,101	56,155
Employee benefits			
Balance at the beginning of the period	25,686	14,579	14,579
Arising during the year	6,682	8,383	15,503
Effect of foreign currency exchange difference	811	(1,663)	(4,396)
Balance at the end of the period	33,179	21,299	25,686
Comprising			
Current	33,179	21,299	25,686
Non-current	51,833	63,101	56,155
Balance at the end of the period	85,012	84,400	81,841

7. Loans and borrowings

	30 June 2014 (unaudited) £	30 June 2013 (unaudited) £	31 December 2013 (audited) £
Non-current			
Convertible note	378,264	388,750	354,345

The convertible note issued by the Company has an original 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.

On 4 September 2013, US\$150,000 of the outstanding convertible security was converted into 24,055,424 ordinary shares in the Company at a price of 0.4p.

As at 30 June 2014, the convertible note has a carrying value of £378,264 with £112,048 being classified as 'other reserve' in equity.

8. Minority interest

	30 June 2014 (unaudited) £	30 June 2013 (unaudited) £	31 December 2013 (audited) £
Called up share capital	6,078,870	5,496,677	6,673,761
Accumulated losses	(1,683,756)	(1,377,311)	(1,699,121)
Translation reserve	(718,048)	404,947	(140,676)
	3,677,066	4,524,313	4,833,964

9. Share capital	30 June 2014 (unaudited) £	30 June 2013 (unaudited) £	31 December 2013 (audited) £
<i>Authorised:</i>			
10,000,000,000 ordinary shares of £0.001 each	10,000,000	10,000,000	10,000,000
<i>Allotted, issued and fully paid:</i>			
2,443,960,817 ordinary shares			
(30 June 2013: 1,889,415,676 ordinary shares, 31 December 2013: 2,143,960,817 ordinary shares)	2,443,960	1,889,416	2,143,960
<i>Movement in share capital during the period comprises:</i>	Number of shares	Share Capital £	Share Premium £
Issued and fully paid			
As at 1 January 2014	2,143,960,817	2,143,960	20,252,851
Allotments during the period			
21 January 2014 – 0.62p per share ⁱ	300,000,000	300,000	1,560,000
Balances as at 30 June 2014	<u>2,443,960,817</u>	<u>2,443,960</u>	<u>21,812,851</u>

ⁱ Shares issued to Shining Capital Management as satisfaction for Tranche Two funding of £1,860,000.

10. Control

No one party is identified as controlling the Company.

11 Subsequent events

No 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.

12. Contingent liabilities and capital commitments

There have been no changes to the contingent liabilities capital commitments as disclosed in the most recent annual financial report.

13. 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 £51,833 (note 6) has been made for any future costs of decommissioning or environmental damage.