

# Herencia Resources plc

(“Herencia” or the “Company”)

## Final results for the 12 months ended 31 December 2014 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 2014.

### CHAIRMAN’S STATEMENT

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It is with pleasure that I am able to update shareholders on the Company’s activities and significant milestones achieved by the Company during the calendar year 2014.

Several significant milestones were achieved over this period, including:

- a highly successful drilling campaign at the Company’s new Picachos Copper Project in Chile (Herencia has the option to earn a 100% stake in the Project), resulting in multiple high grade copper intercept over broad areas of mineralisation;
- a follow up drilling campaign in November and December 2014 intersected additional high grade copper mineralisation, paving the way for the publishing of a JORC 2012 Mineral Resource Estimate in early 2015;
- in addition to the two drill programs at Picachos, the Company compiled a revised geological structural model over the Picachos tenements that further highlights the exciting potential of the area;
- at the La Serena Project, negotiations to divest the assets were advanced, resulting in the Company signing an option agreement in January 2015 to sell the project for US\$4 million, with the first option payment of US\$150,000 received on signing; and
- the introduction during the year of two significant shareholders to the register including Shining Capital Management from Hong Kong and the Australian Special Opportunity Fund from New York.

For most of 2014, the Company’s focus was on the Picachos Project, with the aim of moving into production as soon as practicable.

Given the nature of the near surface mineralisation, an open pit scenario is seen as the most likely option given the potential to access ore quickly and at relatively low cost. In addition to near surface mineralisation, the Picachos Project is surrounded by key infrastructure including the nearby town of Andacollo (approximately 6 kilometres away), the city of La Serena and airport (approximately 50kms), and has excellent access and four copper ore processing plants all located within a 40km radius of the Picachos mine. The significance of this to Herencia is that it provides the opportunity to toll-treat ore mined at Picachos, thus removing a major capital cost impost to project development and significantly reducing permitting times.

The two drill programs (3,540m in May/June and 5,998m in November/December) produced exceptionally strong results including:

- 91m at 1.4% copper from 19m including 20m at 3.1% copper
- 45m at 1.7% copper from 95m including 34m at 2.1% copper
- 28m at 2.0% copper from 142m including 23m at 2.3% copper
- 64m at 1.0% copper from 84m including 18m at 1.5% copper
- 117m at 1.1% copper from 182m including multiple +2% copper intercepts

Herencia's target is to advance the Picachos Project toward development, initially via selective open pit mining methods focusing on zones of near surface, high-grade copper mineralisation at the 40M Shaft zone. Over time, the Company will progressively expand drilling to the many other known target areas throughout the tenements and look to expand its resource base.

Looking at 2015, Herencia plans to:

- finalise mining and development studies for mining at Picachos;
- undertake an infill drilling program targeting:
  - high-grade structural mineralisation in the planned open pit hanging-wall zone;
  - extensions to the high grade copper mineralisation, particularly to the north, focussing on an area around holes PP14048 and PP14049 which intersected 9m at 2.22% copper and 19m at 1.83% copper respectively and which lie in the area immediately to the north of what is currently planned to be the open pit at Picachos;
  - depth extension to the current high-grade mineralisation;
  - Infill drilling of the existing high-grade resource area; and
- lodge mine development permitting applications with the authorities and obtain financing to develop Picachos in the shortest practical time-frame.

I would like to again thank Graeme Sloan and his dedicated team in Chile for their long hours and focussed efforts which have led to our initial success at Picachos. Whilst we have a full work program ahead of us in 2015, the goal is very clear to everyone and I believe we have the strategy and the team to deliver a successful outcome at Picachos.

I would also like to thank our shareholders, old and new, for their ongoing support during 2014 as we journey down the path toward the ranks of 'producer'.

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

3 June 2015

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 Tuesday, 30 June 2015 at 3.00 p.m. 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 2014

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The Directors present their Strategic Report for the year ended 31 December 2014.

### 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 copper-silver and zinc-silver-lead-copper-gold properties in Chile, South America. The Group operates through its parent and subsidiary undertakings, details of which are set out in note 15 to these accounts.

### Review of the business and future prospects

#### *Review of the business*

- (i) Herencia 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) Herencia has entered into an agreement with Cuprum Resources Chile Limitada whereby Cuprum can purchase a 100% interest in the La Serena tenements, located in northern Chile, by paying option payments totalling US\$4 million over 36 months and thereafter a 0.8% NSR royalty.
- (iv) Herencia owns 100% of the Guamanga copper-gold project and is currently seeking a joint venture partner for this project.
- (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 an advanced copper project located close to the major city of La Serena and only eight kilometres from the large Carmen de Andacollo copper mine owned by the Canadian major Teck Resources. The region is a significant mining and resources area in Chile.

High grade copper ore grading of approximately 2.5% copper is currently mined by private miners at Picachos on a small (artisanal) scale. During 2014, the Company undertook two successful drilling campaigns targeting both the high-grade structures and manto-style copper mineralisation that exists at Picachos. Numerous high grade copper intercepts were achieved in both drill programs.

The Company's goal is to develop Picachos into an open pit copper producer in as short a time-frame as possible. This goal is greatly assisted by the presence of four ore processing plants located in the immediate vicinity of the Picachos Project. Ore mined at Picachos can be trucked to these plants for toll-treatment, thus removing the requirement to permit and construct a processing plant and tailings dam on site. This has positive capital cost and permitting implications, via reduced up-front costs and development timetables.

The **Paguanta** Project comprises the:

- 'Patricia' zinc-silver-lead-gold Mineral Resource and extensions to this resource;
- 'Doris' copper/silver prospect;
- 'La Rosa' porphyry-copper prospect; and
- 'Loreto' porphyry-copper style target located immediately south-west of Patricia.

Development of the Paguanta Project is aligned to forecast improvements in the zinc price linked to the closure of several large zinc producing projects.

The **Guamanga** Project is targeting Iron Oxide Copper Gold (IOCG) style mineralisation. A joint venture partner is currently being sought for this project.

In early 2015, the Company entered into an option agreement to sell its 100% interest in a number of key tenements in the **La Serena** area for up to US\$4 million. The first payment under that agreement has been received by the Company.

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

- we have an advanced copper project (Picachos) that is close to entering the open pit development phase;
- the copper grades confirmed at Picachos are significant from both an open pit and underground mining perspective;
- the mineralisation at Picachos is open along strike and down dip, with high grade copper intersected in the drill holes immediately to the north of the 40M Shaft zone where the Company's maiden Resource has been calculated;
- there are numerous 'active' mining areas at Picachos that have yet to be drilled by the Company, yet are today producing high grade ore in excess of 2% copper;
- we have an advanced zinc-silver-lead project at Paguanta which could be developed in parallel with a forecast increase in the global zinc price
- we have other project opportunities in a stable and geologically prospective country;
- we have a locally based management team with significant resources industry experience; and
- we have substantial resource industry shareholders on our register.

#### *Future Prospects*

Herencia's goals for 2015 include:

- advancing the Picachos Copper Project toward production in the near term;
- completing both a Mineral Resource estimate and a Feasibility Study targeting open pit mining initially on the 40M Shaft zone at Picachos;
- conducting a drill campaign to infill and expand the 40M Shaft area in preparation for open pit mining;
- selected drilling of near surface high-grade targets at Picachos; and
- lodgement of permitting applications to facilitate mine development at Picachos.

The Company will also continue to seek new business opportunities in Chile as the opportunities arise.

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.

The Company's strategic plan remains to advance, in a safe and socially and environmentally responsible manner, our advanced resource assets in Chile and to identify, acquire and develop new resource opportunities as and when they present.

Herencia will continue to leverage off our extensive Chilean operating experience and our team of technical and operating personnel, based in our Santiago office.

The project 'criteria' is primarily focusses on:

- copper, copper-gold, and base metals (ie zinc-lead-silver);
- advanced status (ie outcropping mineralisation and/or 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 million to develop (at least the Company's share); and
- close to infrastructure.

The objective is for the Company to achieve the level of 'producer-status' as soon as possible. The focus is on the Picachos 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 at:

- Picachos (copper-silver) – an advanced project (currently in small scale production producing high grade copper ore from underground), 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. Significant high grade copper mineralisation confirmed in two drilling campaigns during 2014 with work now focussed on developing and open pit mining operation at Picachos in as short a time frame as possible.
- Paguanta (zinc-silver-lead) - an advanced project with a projected initial eight year mine-life with both open pit and underground phases. Significant resource upside with all mineralisation open both along strike and down-dip. Development of the project is dependent on commodity pricing, especially the zinc price permitting, approvals and funding.
- Guamanga (copper-gold) - seeking a joint venture partner targeting an Iron Oxide Copper Gold (IOCG).

By order of the board

**Graeme Sloan**  
**Managing Director**

3 June 2015

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

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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 2014.

### **Results and dividends**

The loss of the Group for the year ended 31 December 2014 was £1,919,780 (2013: £3,443,061), of which the amount attributable to the equity holders of the Company, was £2,038,055 (2013: £2,826,407).

The Directors do not recommend any distribution by way of a dividend for the year ended 31 December 2014.

### **Going Concern**

The activities in the year and future prospects of the Group are discussed in the Strategic Report.

In addition, note 28 of the Annual Report details the Group's objectives, policies and processes for managing its capital financial risk, including exposures to credit and liquidity risk. The Group's capital management policy has been to raise sufficient funds through equity to fund exploration activity and development activities. During the year, the Group raised a total (net of costs) of £4,141,477 in equity funding.

At 31 December 2014 the Group had cash balances of £1,049,516 and the Group is expected to need to raise additional funds in 2015 in order to maintain sufficient cash resources for its working capital needs and its planned exploration and development activities for the next twelve months. These activities include completion of the Pre Feasibility Study at Picachos and an infill drilling programme.

The Directors are currently in a number of negotiations to secure further funding and are confident that they can raise sufficient funds to ensure the Company can continue as a going concern. As a consequence, the Directors believe that both the Group and Company are well placed to manage their business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Group has adequate access to resources to continue in operational existence for the foreseeable future and continue to meet, as and when they fall due, its planned exploration and development activities and other liabilities for at least the next twelve months from the date of approval of these financial statements. For this reason the Directors continue to adopt the going concern basis in preparing these financial statements.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe, consequently a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report.

### **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 members of the committee are The Hon. John Moore AO and Chris James.

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
John Russell	Non-Executive Director
Seng Ming (Jimmy) Lim	Non-Executive Director (appointed 12 February 2015)

## 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 2014 Number of ordinary shares of £0.001	31 December 2013 Number of ordinary shares of £0.001
Graeme Sloan <sup>1</sup>	26,488,905	5,188,905
The Hon. John Moore AO. <sup>2</sup>	29,374,080	8,074,080
Christopher James	-	-
John Russell <sup>3</sup>	31,907,413	7,407,413
Jimmy Lim (appointed 12 February 2015) <sup>4</sup>	-	N/A

<sup>1</sup> 26,488,905 shares are held directly and indirectly by Graeme Sloan (31 December 2013: 5,188,905).

<sup>2</sup> 29,374,080 shares are held by Ralsten Pty Ltd (31 December 2013: 8,074,080). The Hon. John Moore AO. is a director and shareholder of that company.

<sup>3</sup> 31,907,413 shares are held directly and indirectly by John Russell (31 December 2013: 7,407,413).

<sup>4</sup> As at the date of appointment, 10,000,000 shares are held by Forinvest Capital Ltd. This is a private company controlled by Jimmy Lim's family members.

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

Name	31 December 2014 Number of options over ordinary shares of £0.001	31 December 2013 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
Christopher James	-	-
John Russell	-	5,000,000
Jimmy Lim (appointed 12 February 2015)	-	N/A

## 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 2014

	Fees/basic salary £	Employer's NI £	Pension costs £	Bonus £	Share based payments £	2014 Total £
<b>Executive</b>						
Graeme Sloan	188,939	-	21,548	53,914	-	264,401
<b>Non-Executive</b>						
The Hon. John Moore AO.	25,000	-	-	-	-	25,000
Christopher James	-	-	-	-	-	-
John Russell	21,000	4,870	-	-	-	25,870
	<u>234,939</u>	<u>4,870</u>	<u>21,548</u>	<u>53,914</u>	<u>-</u>	<u>315,271</u>

Graeme Sloan's fees/basic salary amount of £188,939 represents base salary together with annual leave entitlement. The salaries of Graeme Sloan and The Hon. John Moore AO are paid in Australian dollars and converted to GBP£'s for the purposes of these accounts. There has been no change to the AUD\$ base salary of Graeme Sloan, and the variance between 2013 fees/basic salary of £220,962 and 2014 of £188,939 is due to exchange differences only.

### 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 (resigned 31 August 2013)	14,014	-	1,271	-	-	15,285
Greg McMillan (resigned 5 March 2013)	-	-	-	-	-	-
	<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 held by John Russell in 2011.

## 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 12 May 2015:

	Number of Ordinary shares	% of Share Capital
The Australian Special Opportunity Fund	530,841,206	14.60
Shining Capital Management Ltd	400,000,000	11.00
Oriental Darius Co Ltd	200,000,000	5.50
Nyrstar International BV	194,099,734	5.34

## Subsequent events

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

- On 30 January 2015, Herencia announced that it had entered into an option agreement with Cuprum Resources Chile Limitada to divest the La Serena Project for US\$4 million over 36 months and thereafter a 0.8% NSR royalty on further production. An initial non-refundable payment of US\$150,000 was received, thereafter the following payments to Herencia are scheduled in the event Cuprum proceeds to fully exercise the option:
  - After 12 months US\$ 350,000
  - After 24 months US\$ 500,000
  - After 36 months US\$ 3,000,000

La Serena has been deemed non-core to its future plans and a decision to divest was made by the Board. The current book value of La Serena is £223,859.

- On 11 February 2015, pursuant to the Equity Drawdown Agreement and Convertible Loan Note (the "Note") with The Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners ("Lind"), Lind Partners served notice to convert US\$575,000 of the Note resulting in the issue of 379,137,545 ordinary shares at a price of 0.1p.
- On 5 March 2015, Lind Partners served their final notice to convert US\$25,000 of the Note resulting in the issue of 16,216,917 ordinary shares at a price of 0.1p. This concluded shares to be issued pursuant to this Note.
- Following the above share issues, the number of ordinary shares in issue is 3,634,981,939.

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 adequate 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**

3 June 2015

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HERENCIA RESOURCES PLC  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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We have audited the financial statements of Herencia Resources plc for the year ended 31 December 2014 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 10, 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 2014 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.

**Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure (made in note 1.1) to the financial statements concerning the Group's ability to continue as a going concern. Along with similar sized exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. As discussed in note 1.1 the Company will need to raise further funds in order to meet its budgeted operating and planned exploration costs for the next year.

These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result (such as impairment of assets) if the Group and Company were unable to continue as a going concern.

### **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.

**Subarna Banerjee (Senior Statutory Auditor)**

**For and on behalf of UHY Hacker Young**

Chartered Accountants

Statutory Auditor

Quadrant House  
4 Thomas More Square  
London E1W 1YW

3 June 2015

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	Year ended 31 December 2014 £	Year ended 31 December 2013 £
<b>Revenue</b>		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administration expenses		(2,547,261)	(2,770,662)
Foreign exchange gains/(losses)		625,408	(674,221)
<b>Operating loss</b>		(1,921,853)	(3,444,883)
Finance revenue		2,073	1,822
<b>Loss before tax</b>		(1,919,780)	(3,443,061)
Income tax expenses		-	-
<b>Loss for the year</b>		<b>(1,919,780)</b>	<b>(3,443,061)</b>
<b>Other Comprehensive Loss</b>			
Exchange differences on translating foreign operations		(1,959,246)	(1,435,346)
Other comprehensive loss for the year, net of tax		(1,959,246)	(1,435,346)
<b>Total Comprehensive Loss for the year</b>		<b>(3,879,026)</b>	<b>(4,878,407)</b>
<b>Loss attributable to:</b>			
Equity holders of the Company		(2,038,055)	(2,826,407)
Non-controlling interests		118,275	(616,654)
		<b>(1,919,780)</b>	<b>(3,443,061)</b>
<b>Total Comprehensive Loss attributable to:</b>			
Equity holders of the Company		(3,454,830)	(3,784,902)
Non-controlling interests		(424,196)	(1,093,505)
		<b>(3,879,026)</b>	<b>(4,878,407)</b>
<b>Loss per share</b>			
Loss per ordinary share – basic and diluted	2	(0.08)p	(0.15)p

The results shown above relate entirely to continuing operations.

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

	Notes	Group 31 December 2014 £	Group 31 December 2013 £	Company 31 December 2014 £	Company 31 December 2013 £
<b>ASSETS</b>					
<b>Non-current assets</b>					
Receivables		423,147	454,837	18,878,901	15,620,840
Intangible assets and goodwill	3	16,781,212	16,410,430	-	-
Property, plant and equipment		70,360	100,770	5,926	10,207
Investments in subsidiaries		-	-	1,250,000	1,250,000
		<b>17,274,719</b>	<b>16,966,037</b>	<b>20,134,827</b>	<b>16,881,047</b>
<b>Current assets</b>					
Cash and cash equivalents		1,049,516	945,491	401,305	88,719
Trade and other receivables		56,560	129,958	159,679	124,525
Other assets		17,045	18,701	17,045	18,701
		<b>1,123,121</b>	<b>1,094,150</b>	<b>578,029</b>	<b>231,945</b>
<b>Total assets</b>		<b>18,397,840</b>	<b>18,060,187</b>	<b>20,712,856</b>	<b>17,112,992</b>
<b>LIABILITIES</b>					
<b>Non current liabilities</b>					
Provisions for liabilities		51,672	56,155	-	-
Loans and borrowings		-	354,345	-	354,345
		<b>51,672</b>	<b>410,500</b>	<b>-</b>	<b>354,345</b>
<b>Current liabilities</b>					
Trade and other payables		598,140	435,856	61,565	142,024
Provisions for liabilities		37,926	25,686	37,926	25,686
Loans and borrowings		402,182	-	402,182	-
		<b>1,038,248</b>	<b>461,542</b>	<b>501,673</b>	<b>167,710</b>
<b>Total liabilities</b>		<b>1,089,920</b>	<b>872,042</b>	<b>501,673</b>	<b>522,055</b>
<b>Net Assets</b>		<b>17,307,920</b>	<b>17,188,145</b>	<b>20,211,183</b>	<b>16,590,937</b>
<b>EQUITY</b>					
Share capital	4	3,239,627	2,143,960	3,239,627	2,143,960
Share premium		23,298,661	20,252,851	23,298,661	20,252,851
Shares to be issued		299,698	-	299,698	-
Share based payments reserve		761,360	761,360	761,360	761,360
Other reserve		112,048	112,048	112,048	112,048
Translation reserve		(1,618,650)	(201,875)	-	-
Retained losses		(12,752,218)	(10,714,163)	(7,500,211)	(6,679,282)
<b>Capital and reserves attributable to equity holders</b>		<b>13,340,526</b>	<b>12,354,181</b>	<b>20,211,183</b>	<b>16,590,937</b>
Non-controlling interests		3,967,394	4,833,964	-	-
<b>Total equity and reserves</b>		<b>17,307,920</b>	<b>17,188,145</b>	<b>20,211,183</b>	<b>16,590,937</b>

The financial statements of Herencia Resources plc, company number 05345029, were approved by the Board of Directors and authorised for issue on 3 June 2015. They were signed on its behalf by:

**Graeme Sloan**  
Director

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>Group 2014 £</b>	<b>Group 2013 £</b>	<b>Company 2014 £</b>	<b>Company 2013 £</b>
<b>Net cash outflow from operating activities</b>	(2,278,955)	(2,785,994)	(872,601)	(819,140)
<b>Cash flows from investing activities</b>				
Interest received	2,073	1,822	2,073	1,470
Payments for property, plant and equipment	(41,102)	(9,424)	-	(8,675)
Cash calls and proceeds of shares issued to minority shareholder	(142,677)	1,556,624	-	-
Cash calls from subsidiary	-	-	(2,958,363)	(1,994,776)
Net funds used for investing in exploration	(1,576,791)	(1,895,153)	-	-
<b>Net cash used by investing activities</b>	(1,758,497)	(346,131)	(2,956,290)	(2,001,981)
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	4,247,001	805,318	4,247,001	805,318
Proceeds from funding agreement	-	1,141,728	-	1,141,728
Proceeds from issue of convertible note	-	500,798	-	500,798
Issue costs	(105,524)	-	(105,524)	-
<b>Net cash from financing activities</b>	4,141,477	2,447,844	4,141,477	2,447,844
<b>Net increase/(decrease) in cash and cash equivalents</b>	104,025	(684,281)	312,586	(373,277)
Cash and cash equivalents at the beginning of the year	945,491	1,629,772	88,719	461,996
<b>Cash and cash equivalents at the end of the year</b>	<b>1,049,516</b>	<b>945,491</b>	<b>401,305</b>	<b>88,719</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital £	Share premium £	Translation reserve £	Share-based payments reserve £	Other reserve £	Shares to be issued £	Retained losses £	Total £	Non- controlling interests £	Total equity £
<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>
<b>Balance at 1 January 2014</b>	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	1,095,667	3,151,334	-	-	-	-	-	4,247,001	208,724	4,455,725
Share issue costs	-	(105,524)	-	-	-	-	-	(105,524)	-	(105,524)
Shares to be issued	-	-	-	-	-	299,698	-	299,698	-	299,698
Other transactions with non-controlling interests	-	-	-	-	-	-	-	-	(651,098)	(651,098)
Total comprehensive income/(loss) for the year	-	-	(1,416,775)	-	-	-	(2,038,055)	(3,454,830)	(424,196)	(3,879,026)
<b>Balance at 31 December 2014</b>	<b>3,239,627</b>	<b>23,298,661</b>	<b>(1,618,650)</b>	<b>761,360</b>	<b>112,048</b>	<b>299,698</b>	<b>(12,752,218)</b>	<b>13,340,526</b>	<b>3,967,394</b>	<b>17,307,920</b>



**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital £	Share premium £	Share-based payments reserve £	Other reserves £	Shares to be issued £	Retained losses £	Total equity £
<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>
<b>Balance at 1 January 2014</b>	2,143,960	20,252,851	761,360	112,048	-	(6,679,282)	16,590,937
Issue of shares	1,095,667	3,151,334	-	-	-	-	4,247,001
Share issue costs	-	(105,524)	-	-	-	-	(105,524)
Shares to be issued	-	-	-	-	299,698	-	299,698
Total comprehensive income/(loss) for the year	-	-	-	-	-	(820,929)	(820,929)
<b>Balance at 31 December 2014</b>	<b>3,239,627</b>	<b>23,298,661</b>	<b>761,360</b>	<b>112,048</b>	<b>299,698</b>	<b>(7,500,211)</b>	<b>20,211,183</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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### 1. Accounting policies

The principal accounting policies, all of which have been applied consistently to all the periods are set out below.

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

The Group's consolidated financial statements for the year ended 31 December 2014, from which this financial information has been extracted, and for the comparative year ended 31 December 2013 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 2013 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 2014 have been extracted from the Group's 2014 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.

The activities in the year and future prospects of the Group are discussed in the Strategic Report.

In addition, note 28 of the Annual Report details the Group's objectives, policies and processes for managing its capital financial risk, including exposures to credit and liquidity risk. The Group's capital management policy has been to raise sufficient funds through equity to fund exploration activity and development activities. During the year, the Group raised a total (net of costs) of £4,141,477 in equity funding.

At 31 December 2014 the Group had cash balances of £1,049,516 and the Group is expected to need to raise additional funds in 2015 in order to maintain sufficient cash resources for its working capital needs and its planned exploration and development activities for the next twelve months. These activities include completion of the Pre Feasibility Study at Picachos and an infill drilling programme.

The Directors are currently in a number of negotiations to secure further funding and are confident that they can raise sufficient funds to ensure the Company can continue as a going concern. As a consequence, the Directors believe that both the Group and Company are well placed to manage their business risks successfully despite the current uncertain economic outlook.

Directors have a reasonable expectation that the Group has adequate access to resources to continue in operational existence for the foreseeable future and continue to meet, as and when they fall due, its planned exploration and development activities and other liabilities for at least the next twelve months from the date of approval of these financial statements. For this reason the Directors continue to adopt the going concern basis in preparing these financial statements.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe, consequently a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report.

## **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 (0.08p (2013: (0.15)p) for the Group has been calculated by dividing the loss for the year attributable to equity holders of £2,038,055 (2013: £2,826,407) by the weighted average number of ordinary shares in issue of 2,610,013,783 (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 2,676,211,044 (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. Intangible assets

	<b>Goodwill</b>	<b>Exploration &amp; evaluation costs</b>	<b>Total</b>
	£	£	£
<b>Cost</b>			
As at 1 January 2014	1,000,000	16,082,563	17,082,563
Additions	-	1,576,791	1,576,791
Effect of foreign currency exchange differences	-	(1,206,009)	(1,206,009)
At 31 December 2014	<u>1,000,000</u>	<u>16,453,345</u>	<u>17,453,345</u>
<b>Impairment</b>			
As at 1 January 2014	(125,000)	(547,133)	(672,133)
Impairment loss	-	-	-
At 31 December 2014	<u>(125,000)</u>	<u>(547,133)</u>	<u>(672,133)</u>
<b>Carrying amount</b>			
As at 31 December 2014	<u>875,000</u>	<u>15,906,212</u>	<u>16,781,212</u>
As at 31 December 2013	<u>875,000</u>	<u>15,535,430</u>	<u>16,410,430</u>

The exploration and evaluation costs as at 31 December 2014 relate entirely to the Paguanta (£12,946,748), Guamanga (£1,518,410), La Serena (£223,859) and Picachos (£1,217,195) projects located in Chile, South America. In accordance with Accounting Policy note 1.3, these projects are translated into Sterling at the rates of exchange ruling at the end of the year.

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 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.

#### 4. Share capital

		<b>Company 2014</b>	<b>Company 2013</b>
		£	£
<i>Authorised:</i>			
10,000,000,000 ordinary shares of £0.001 each		10,000,000	10,000,000
<i>Allotted, issued and fully paid:</i>			
3,239,627,477 ordinary shares (2013: 2,143,960,817 ordinary shares)		3,239,627	2,143,960
<b>Movement in Share capital during the year comprises</b>	<b>Number of shares</b>	<b>Share Capital £</b>	<b>Share Premium £</b>
<b>Issued and fully paid</b>			
As at 1 January 2014	2,143,960,817	2,143,960	20,252,851
<b>Allotments during the period</b>			
21 January 2014 – 0.62p per share <sup>i</sup>	300,000,000	300,000	1,560,000
3 October 2014 – 0.30p per share <sup>ii</sup>	440,666,661	440,667	881,334
14 October 2014 – 0.30p per share <sup>ii</sup>	354,999,999	355,000	710,000
Share issue costs	-	-	(105,524)
<b>Balances as at 31 December 2014</b>	<b>3,239,627,477</b>	<b>3,239,627</b>	<b>23,298,661</b>

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

<sup>ii</sup> On 30 September 2014, the Company announced the completion of private placement raising a capital sum (net of costs) of £2,281,477 from the issue of a total 795,666,660 ordinary shares at a price of 0.30p per share.