

Herencia Resources plc

Registered number 05345029

(“Herencia” or the “Company”)

HALF-YEARLY FINANCIAL REPORT

For the six months ended 30 June 2015

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 2015.

CHAIRMAN’S STATEMENT

The six months ended 30 June 2015 was a busy period for Herencia which included the achievement of a significant milestone for the Company with the announcement of a maiden resource for the Picachos Copper Project in northern Chile.

The results of the second drilling program at Picachos confirmed the excellent high-grade copper assay results achieved in mid-2014. Not only were the earlier high copper grades confirmed, they were also extended and allowed a maiden Mineral Resource Estimate, compliant with the JORC Code, to be published.

The Mineral Resource estimate announced on 26 February 2015 (for the 40M Shaft area only) stands at 10.7Mt at 0.61% copper and 5.6g/t silver (at 0.1% Cu cut-off) and 7.1Mt at 0.85% copper and 7.6g/t silver (at 0.2% Cu cut-off).

The Resource includes a higher grade core of 3.4Mt at 1.12% copper and 9.6g/t silver (at 0.85% Cu cut-off) with 56% of the high grade core in the Measured and Indicated categories.

It is important to point out that the maiden resource at Picachos covers only a small portion of the Picachos tenements, with most drilling less than 100 metres deep (vertically). The resource remains open in all directions and the mineralisation looks to extend for several kilometres. One drill hole (PP14049) approx. 200 metres north of the resource area returned **19m at 1.83% copper and 17.9g/t silver** from close to the surface highlights the potential extension to the current resource.

As previously emphasised, the Picachos Project has many appealing factors, the high grade mineralisation is located at very shallow depths and outcrops in many areas, there are a number of processing plants located in close proximity to Picachos which are all potentially suitable to treat the proposed Picachos production, and we believe the operating costs would be low given the initial open-pit nature of the mineralisation and the broad widths of copper mineralisation confirmed in drilling programs.

It is worth noting that Picachos was further advanced just after the period end with the announcement of a proposed Tambillos-Herencia Joint Venture (“THJV”) Memorandum of Understanding (“MoU”) looking to combine the current Tambillos mining operations with the Company’s Picachos Project. The THJV would consist of Tambillos’ two underground mines and their nominal 1Mtpa treatment plant and Herencia’s proposed Picachos open pit operations. The business combination would look to schedule and blend ore from both projects mines to optimise the production of copper, silver and gold.

Both companies have commenced due diligence and subject to that process and approval by both Boards, the aim would be to execute a formal agreement by year-end.

Outside of Picachos, during the period the Company also announced the sale of its La Serena Project. An initial non-refundable payment of US\$150,000 was received by Herencia with three further payments scheduled, in the event the buyer proceeds to fully exercise the option, after 12 months (US\$350,000), 24 months (US\$500,000) and 36 months (US\$3,000,000). La Serena is part of the original portfolio of assets when the Company was first admitted to trading on AIM. It is an exploration prospect that contains several targets, all of which will require drilling and expenditure commitments to fully test. Given that the Company’s current development strategy is on Picachos, La Serena was deemed ‘non-core’ and given the favourable payment terms on offer, a divestment decision was made by the Board.

At the Company’s Paguanta Project (70% owned and managed by Herencia), management continues to keep this project in a state of readiness as the development timetable is closely tied to the zinc price. The Company continues to see a positive outlook for the medium term zinc price, with the 2015 closure of the Century Zinc Mine in Australia (one of the world’s largest zinc producers) likely to impact on global supply.

Much has been achieved in the last 6 months by the team in a challenging environment for resources juniors. Given the significant advancement at Picachos, Herencia is seeking to achieve production as soon as possible and with the proposed THJV, with as little capital outlay as possible.

Subsequent to 30 June 2015, the Company successfully completed a private placing which raised approximately £0.5 million from the issue of 512,000,000 new ordinary shares of 0.1p each.

Finally, we thank shareholders for their continued support as we progress the Company's development plan.

Hon. John Moore AO
Chairman
30 September 2015

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

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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) who has 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 has 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 2015

	Notes	6 months ended 30 June 2015 (unaudited) £	6 months ended 30 June 2014 (unaudited) £	12 months ended 31 December 2014 (audited) £
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Administration expenses		(1,052,305)	(1,604,027)	(2,547,261)
Foreign exchange (losses)/gains		(487,302)	918,874	625,408
Operating loss		(1,539,607)	(685,153)	(1,921,853)
Finance revenue		173	1,651	2,073
Loss before tax		(1,539,434)	(683,502)	(1,919,780)
Income tax expenses		-	-	-
Loss for the period		(1,539,434)	(683,502)	(1,919,780)
Other comprehensive income/(loss)				

Exchange differences on translating foreign operations		117,341	(2,102,012)	(1,959,246)
Other comprehensive income, net of tax		117,341	(2,102,012)	(1,959,246)
Total comprehensive loss for the period, net of tax		(1,422,093)	(2,785,514)	(3,879,026)
Loss attributable to:				
Equity holders of the Company		(1,465,600)	(698,867)	(2,038,055)
Non-controlling interests		(73,834)	15,365	118,275
		(1,539,434)	(683,502)	(1,919,780)
Total comprehensive loss attributable to:				
Equity holders of the Company		(1,333,104)	(2,223,506)	(3,454,830)
Non-controlling interests		(88,989)	(576,008)	(424,196)
		(1,422,093)	(2,785,514)	(3,879,026)
Loss per share				
Loss per ordinary share – basic and diluted	2	(0.04)p	(0.03)p	(0.08)p

The results shown above relate entirely to continuing operations.

STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	30 June 2015 (unaudited) £	30 June 2014 (unaudited) £	31 December 2014 (audited) £
ASSETS				
Non current assets				
Receivables		257,871	300,208	423,147
Intangible assets and goodwill	4	16,184,652	15,596,440	16,781,212
Property, plant and equipment	5	65,972	99,616	70,360
		16,508,495	15,996,264	17,274,719
Current assets				
Cash and cash equivalents		141,877	988,168	1,049,516
Trade and other receivables		273,622	445,534	56,560
Other assets		16,664	14,131	17,045
		432,163	1,447,833	1,123,121
Total assets		16,940,658	17,444,097	18,397,840
LIABILITIES				
Non current liabilities				
Provisions	6	48,739	51,833	51,672
Loans and borrowings	7	-	378,264	-
		48,739	430,097	51,672
Current liabilities				
Trade and other payables		641,697	884,549	598,140
Provisions	6	32,182	33,179	37,926
Loans and borrowings	7	150,000	-	402,182

		823,879	917,728	1,038,248
Total liabilities		872,618	1,347,825	1,089,920
Net Assets		16,068,040	16,096,272	17,307,920
EQUITY				
Share capital	9	3,634,982	2,443,960	3,239,627
Share premium	9	23,298,661	21,812,851	23,298,661
Share based payments reserve		761,360	761,360	761,360
Translation reserve		(1,486,154)	(1,726,514)	(1,618,650)
Shares to be issued		299,698	428,531	299,698
Other reserve	7	112,048	112,048	112,048
Retained losses		(14,217,818)	(11,413,030)	(12,752,218)
Capital and reserves attributable to equity holders		12,402,777	12,419,206	13,340,526
Minority interests in equity	8	3,665,263	3,677,066	3,967,394
Total equity and reserves		16,068,040	16,096,272	17,307,920

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Notes	6 months ended 30 June 2015 (unaudited) £	6 months ended 30 June 2014 (unaudited) £	12 months ended 31 December 2014 (audited) £
Net cash outflow from operating activities		(732,550)	(1,512,927)	(2,278,955)
Cash flows from investing activities				
Interest received		173	1,651	2,073
Payments for property, plant and equipment	5	-	(41,358)	(41,102)
Cash calls from minority shareholder		-	137,949	(142,677)
Net funds used for investing in exploration	4	(325,262)	(402,638)	(1,576,791)
Net cash used by investing activities		(325,089)	(304,396)	(1,758,497)
Cash flows from financing activities				
Proceeds from issue of shares		-	1,860,000	4,247,001
Proceeds from loans	7	150,000	-	-
Issue Costs		-	-	(105,524)
Net cash generated from financing activities		150,000	1,860,000	4,141,477
Net decrease/(increase) in cash and cash equivalents		(907,639)	42,677	104,025
Cash and cash equivalents at the beginning of the period		1,049,516	945,491	945,491
Cash and cash equivalents at the end of the period		141,877	988,168	1,049,516

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	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 2015	3,239,627	23,268,661	(1,618,650)	761,360	112,048	299,698	(12,752,218)	13,340,526	3,967,394	17,307,920
Issue of shares	395,355	-	-	-	-	-	-	395,355	-	395,355
Adjustment to minority interest capital	-	-	-	-	-	-	-	-	(213,142)	(213,142)
Total comprehensive income/(loss) for the period	-	-	132,496	-	-	-	(1,465,600)	(1,333,104)	(88,989)	(1,422,093)
Balance at 30 June 2015	3,634,982	23,298,661	(1,486,154)	761,360	112,048	299,698	(14,217,818)	12,402,777	3,665,263	16,068,040
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	-	-	-	-	-	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	16,096,272

NOTES TO THE UNAUDITED HALF-YEARLY ACCOUNTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

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 2015.

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 2015 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 2014. The comparatives for the year ended 31 December 2014 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 2015 has been prepared in accordance with IAS 34 'Interim financial reporting'.

The half-yearly accounts for the six months ended 30 June 2015 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)."

As part of the Group's capital management strategy, on 10 September 2015, the Company completed a private placement raising £512,000 from the issue of 512 million ordinary shares at a price of 0.1p per share.

In addition, the Directors continue to advance 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.

2. Loss per share

The basic loss per ordinary share of (0.04)p (30 June 2014: (0.03)p; 31 December 2014: (0.08)p) for the Group has been calculated by dividing the loss for the period attributable to equity holders of £1,465,600

(30 June 2014: £698,867; 31 December 2014: £2,038,055) by the weighted average number of ordinary shares in issue of 3,528,165,440 (30 June 2014: 2,409,154,187; 31 December 2014: 2,610,013,783).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 3,573,165,440 (30 June 2014: 2,475,551,997; 31 December 2014: 2,676,211,044). 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 2015 (unaudited)			
Administration expenses (excluding non-cash items)	(752,384)	(282,506)	(1,034,890)
Finance revenue	-	173	173
Non-cash expenditure:			
Depreciation expense	(16,022)	(1,393)	(17,415)
Foreign exchange loss	(486,809)	(493)	(487,302)
Segment result	(1,255,215)	(284,219)	(1,539,434)
As at 30 June 2015			
Segment assets	15,949,610	991,048	16,940,658
Segment liabilities	(597,613)	(275,005)	(872,618)
Net assets	15,351,997	716,043	16,068,040
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)
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
Segment information by operating segment			
	Mineral Exploration £	Central Costs £	Total £
12 months ended 31 December 2014 (audited)			
Administration expenses (excluding non-cash items)	(1,706,452)	(785,933)	(2,492,385)
Finance revenue	-	2,073	2,073
Non-cash expenditure:			
Depreciation expense	(50,595)	(4,281)	(54,876)
Foreign exchange gain/(loss)	658,195	(32,787)	625,408
Segment result	(1,098,852)	(820,928)	(1,919,780)

As at 31 December 2014

Segment assets	17,093,688	1,304,152	18,397,840
Segment liabilities	(588,247)	(501,673)	(1,089,920)
Net assets	16,505,441	802,479	17,307,920

Segment information by region

	External Revenue			Non-current assets		
	30 June 2015 (unaudited) £	30 June 2014 (unaudited) £	31 December 2014 (audited) £	30 June 2015 (unaudited) £	30 June 2014 (unaudited) £	31 December 2014 (audited) £
Australia	-	-	-	4,533	8,066	5,926
Chile	-	-	-	16,503,962	15,988,198	16,268,793
Group	-	-	-	16,508,495	15,996,264	17,274,719

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 2015	1,000,000	16,453,345	17,453,345
Additions	-	325,262	325,262
Effect of foreign currency exchange differences	-	(921,822)	(921,822)
At 30 June 2015	1,000,000	15,856,785	16,856,785
Impairment			
As at 1 January 2015	(125,000)	(547,133)	(672,133)
Impairment during the period	-	-	-
As at 30 June 2015	(125,000)	(547,133)	(672,133)
Carrying amount			
As at 30 June 2015	875,000	15,309,652	16,184,652
As at 31 December 2014	875,000	15,906,212	16,781,212

The exploration and evaluation costs as at 30 June 2015 relate entirely to the Paguanta (£12,278,910), Guamanga (£1,444,630), La Serena (£223,859) and Picachos (£1,362,253) 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 2015. 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 2015 (unaudited) £	30 June 2014 (unaudited) £	31 December 2014 (audited) £
At cost	304,100	347,242	350,049
Accumulated depreciation	(238,128)	(247,626)	(279,689)

Total property and equipment	65,972	99,616	70,360
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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	70,360	100,770	100,770
Additions at cost	-	41,358	41,102
Disposals	-	(3,035)	(2,983)
Depreciation expense	(17,415)	(25,891)	(54,876)
Effect of foreign currency exchange differences	13,027	(13,586)	(13,653)
Carrying amount at the end of the period	65,972	99,616	70,360

6. Provisions

	30 June 2015 (unaudited) £	30 June 2014 (unaudited) £	31 December 2014 (audited) £
Decommissioning expenditure			
Balance at the beginning of the period	51,672	56,155	56,155
Effect of foreign currency exchange differences	(2,933)	(4,322)	(4,483)
Balance at the end of the period (note 13)	48,739	51,833	51,672

Employee benefits

Balance at the beginning of the period	37,926	25,686	25,686
(Utilised)/arising during the year	(3,156)	6,682	13,407
Effect of foreign currency exchange difference	(2,588)	811	(1,167)
Balance at the end of the period	32,182	33,179	37,926

Comprising

Current	33,179	33,179	37,926
Non-current	51,833	51,833	51,672
Balance at the end of the period	85,012	85,012	89,598

7. Loans and borrowings

	30 June 2015 (unaudited) £	30 June 2014 (unaudited) £	31 December 2014 (audited) £
Current			
Convertible note	-	-	402,182
Other loans	150,000	-	-
	150,000	-	402,182
Non-current			
Convertible note	-	378,264	-

On 11 February 2015 and 5 March 2015, the remaining outstanding convertible security note of US\$0.6 million was fully converted. This concluded shares to be issued pursuant to this Note.

As at 30 June 2015, the convertible note has a carrying value of £Nil (2014:£378,264) with £112,048 being classified as 'other reserve' in equity.

8. Minority interest

	30 June 2015 (unaudited) £	30 June 2014 (unaudited) £	31 December 2014 (audited) £
Called up share capital	6,018,242	6,078,870	6,231,385

Accumulated losses	(1,654,680)	(1,683,756)	(1,580,847)
Translation reserve	(698,299)	(718,048)	(683,144)
	<u>3,665,263</u>	<u>3,677,066</u>	<u>3,967,394</u>

9. Share capital

	30 June 2015 (unaudited) £	30 June 2014 (unaudited) £	31 December 2014 (audited) £
<i>Authorised:</i>			
10,000,000,000 ordinary shares of £0.001 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
<i>Allotted, issued and fully paid:</i>			
3,634,981,939 ordinary shares (30 June 2014: 2,443,960,817 ordinary shares, 31 December 2014: 3,239,627,477 ordinary shares)	<u>3,634,982</u>	<u>2,443,960</u>	<u>3,239,627</u>
<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 2015	3,239,627,477	3,239,627	23,298,661
Allotments during the period			
17 February 2015 – 0.01p per share ⁱ	379,137,545	379,138	-
11 March 2015 – 0.01p per share ⁱ	<u>16,216,917</u>	<u>16,217</u>	<u>-</u>
Balances as at 30 June 2015	<u><u>3,634,981,939</u></u>	<u><u>3,634,982</u></u>	<u><u>23,298,661</u></u>

ⁱ Shares issued to The Australian Special Opportunity Fund, a New York-based institutional investor managed by The Lind Partners as satisfaction of conversion of the US\$600,000 Convertible Loan Note.

10. Control

No one party is identified as controlling the Company.

11 Subsequent events

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

- On 3 August 2015, to provide the Company full ownership to the Picachos project, an agreement with four of the five private equity shareholders was reached to convert their right to equity in the subsidiary company that owns the Picachos Project which resulted in the issue of 119,627,624 ordinary shares at price of 0.25p.
- On 10 September 2015, the Company completed a private placement raising £512,000 from the issue of 512,000,000 ordinary shares at a price of 0.1p per share.

Following the above share issues, the number of ordinary shares in issue is 4,266,609,563.

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

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 £48,739 (note 6) has been made for any future costs of decommissioning or environmental damage.