

Herencia Resources plc
(“Herencia” or the “Company”)
HALF-YEARLY FINANCIAL REPORT
For the six months ended 30 June 2017

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 2017.

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Peter Reeve	Non-Executive Chairman
Jeffery Williams	Executive Director
Graeme Sloan	Managing Director (resigned on 31 March 2017)
Hon. John Moore	Non-Executive Chairman (retired on 30 June 2017)
John Russell	Non-Executive Director (resigned on 31 March 2017)

Our focus is to

- use our available capital resources to fully explore the Company’s Picachos and Pastizal copper projects in Chile;
- start an intensive Reverse Circulation drill program of 3000 metres in October 2017 at the Picachos and Pastizal copper projects to explore the projects potential on strike and at depth;
- continue to explore at deeper copper mineralisation at Picachos and Pastizal below a vertical depth of 50 metres and may extend to 250 metres and along strike as some three (3) km of strike at Picachos and Pastizal mined for over 20 years by tribute underground mining methods; and
- Review processing opportunities as the Picachos and Pastizal projects are located within 25 kilometres (km) of four operating copper processing plants;

Other achievements during the period

- On 27 April 2017 secured funding by way of a placement of US\$1,230,517 from the issue of 2,121,137,042 new ordinary shares at 0.045 pence.
- An ongoing process of restructure, including the board of directors, has been undertaken to re-establish Herencia as a viable junior exploration and development company.
- The restructured board of directors continue to actively pursue opportunities for the Picachos and Pastizal Projects.

Finally, I would like to thank my fellow director and our small and dedicated team in Chile for their efforts.

HERENCIA RESOURCES PLC

Registered number 05345029



PD Reeve

Chairman

20 October 2017

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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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Notes	6 months ended 30 June 2017 (unaudited) £	6 months ended 30 June 2016 (unaudited) £	12 months ended 31 December 2016 (audited) £
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Administration expenses		(145,208)	(424,907)	(1,546,205)
Impairment of goodwill		-	-	(875,000)
Foreign exchange gains/(losses)		12,524	2,924,686	(426,969)
Operating (loss)/profit		(132,684)	2,499,779	(2,848,174)
Finance (expense)/revenue		(95,913)	4	-
(Loss)/income before tax		(228,597)	2,499,783	(2,848,174)
Income tax expense		-	-	-
(Loss)/income for the period		(228,597)	2,499,783	(2,848,174)
Discontinued operations				
Loss from discontinued operations, net of tax		-	-	(95,498)
Total (loss)/income		(228,597)	2,499,783	(2,943,672)
Other comprehensive (loss)				
Exchange differences on translating foreign operations		(42,951)	(2,347,698)	1,139,744
Other comprehensive loss, net of tax		(42,951)	(2,347,698)	(1,139,744)
Total comprehensive loss for the period, net of tax		(271,548)	152,085	(1,803,928)
(Loss)/income attributable to:				
Equity holders of the Company		(206,879)	2,478,140	(2,959,765)
Non-controlling interests		(21,718)	21,643	16,093
		(228,597)	2,499,783	(2,943,672)
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company		(240,864)	128,291	(1,820,021)
Non-controlling interests		(30,684)	23,794	16,093
		(271,548)	152,085	(1,803,928)
(Loss)/income per share				
(Loss)/income per ordinary share-basic and diluted	2	(0.04)p	0.06p	(0.06)p

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**STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2017**

	Notes	30 June 2017 (unaudited) £	30 June 2016 (unaudited) £	31 December 2016 (audited) £
ASSETS				
Non-current assets				
Receivables		-	66,523	4,293
Intangible assets and goodwill	4	4,187,276	4,796,012	4,161,875
Property, plant and equipment	5	10,412	30,108	22,798
		<u>4,197,688</u>	<u>4,892,643</u>	<u>4,188,966</u>
Current assets				
Cash and cash equivalents		598,933	55,236	16,918
Trade and other receivables		186,526	83,219	130,011
Other assets		696	17,334	21,556
Assets held for resale	6	-	1,167,260	-
		<u>786,155</u>	<u>1,323,049</u>	<u>168,485</u>
Total assets		<u>4,983,843</u>	<u>6,215,692</u>	<u>4,357,451</u>
LIABILITIES				
Non-current liabilities				
Loans and borrowings	8	256,972	147,278	716,547
		<u>256,972</u>	<u>147,278</u>	<u>716,547</u>
Current liabilities				
Trade and other payables		1,113,029	855,119	1,171,728
Provisions	7	45,478	83,643	92,692
Loans and borrowings	8	496,086	499,623	35,312
Liabilities held for resale	6	-	390,646	-
		<u>1,654,593</u>	<u>1,829,031</u>	<u>1,299,732</u>
Total liabilities		<u>1,911,565</u>	<u>1,976,309</u>	<u>2,016,279</u>
Net Assets		<u>3,072,278</u>	<u>4,239,383</u>	<u>2,341,172</u>
EQUITY				
Share capital	10	4,555,591	4,266,609	4,304,675
Share premium	10	24,154,645	23,412,246	23,412,246
Share based payments reserve		761,360	761,360	761,360
Other reserves	8	55,480	33,606	46,141
Translation reserve		(387,711)	(3,843,319)	(353,726)
Retained losses		(26,159,527)	(23,903,277)	(25,952,648)
Capital and reserves attributable to equity holders		<u>2,979,838</u>	<u>727,225</u>	<u>2,218,048</u>
Minority interests in equity	9	92,440	3,512,158	123,124
Total equity and reserves		<u>3,072,278</u>	<u>4,239,383</u>	<u>2,341,172</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Notes	6 months ended 30 June 2017 (unaudited) £	6 months ended 30 June 2016 (unaudited) £	12 months ended 31 December 2016 (audited) £
Net cash outflow from operating activities		(208,321)	(477,681)	(1,462,966)
Cash flows from investing activities				
Interest received		-	4	-
Part proceeds from sale of Paguanta project		-	158,577	-
Net funds used for investing in exploration	4	(171,195)	(348,002)	(406,585)
Net cash used by investing activities		(171,195)	(189,421)	(406,585)
Cash flows from financing activities				
Proceeds from issue of shares		954,513	-	-
Proceeds from director loans	8	-	270,735	596,991
Proceeds from convertible notes	8	77,449	244,420	-
Proceeds from sale of subsidiary		-	-	1,082,295
Finance costs		(59,506)	-	-
Net cash generated from financing activities		972,456	515,155	1,679,286
Net increase/(decrease) in cash and cash equivalents		592,940	(151,947)	(190,265)
Cash and cash equivalents at the beginning of the period		16,918	207,183	207,183
Exchange fluctuation		(10,925)	-	-
Cash and cash equivalents at the end of the period		598,933	55,236	16,918

HERENCIA RESOURCES PLC

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Share capital £	Share premium £	Translation reserve £	Share-based payments reserve £	Other reserves £	Retained losses £	Total £	Minority interest £	Total equity £
Balance at 1 January 2017	4,304,675	23,412,246	(353,726)	761,360	46,141	(25,952,648)	2,218,048	123,124	2,341,172
Issue of shares	212,114	742,399	-	-	-	-	954,513	-	954,513
Conversion of convertible notes into shares	38,802	-	-	-	-	-	38,802	-	38,802
Compound instrument equity component	-	-	-	-	9,339	-	9,339	-	9,339
Total comprehensive income/(loss) for the period	-	-	(33,985)	-	-	(206,879)	(240,864)	(30,684)	(271,548)
Balance at 30 June 2017	4,555,591	24,154,645	(387,711)	761,360	55,480	(26,159,527)	2,979,838	92,440	3,072,278
Balance at 1 January 2016	4,266,609	23,412,246	(1,493,470)	761,360	-	(26,381,417)	565,328	3,470,079	4,035,407
Issue of shares	-	-	-	-	-	-	-	18,285	18,285
Adjustment to minority interest capital	-	-	-	-	33,606	-	33,606	-	33,606
Total comprehensive income/(loss) for the period	-	-	(2,349,849)	-	-	2,478,140	128,291	23,794	152,085
Balance at 30 June 2016	4,266,609	23,412,246	(3,843,319)	761,360	33,606	(23,903,277)	727,225	3,512,158	4,239,383

**NOTES TO THE UNAUDITED HALF-YEARLY ACCOUNTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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 have been applied in the Group's statutory financial statements for the year ending 31 December 2016.

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 2017 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 2016. The comparatives for the year ended 31 December 2016 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 2017 has been prepared in accordance with IAS 34 'Interim financial reporting'.

The half-yearly accounts for the six months ended 30 June 2017 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)."

At 30 June 2017 the Group had cash balances of £598,933. The Group proposes to conduct further exploration activities at its Chilean projects and accordingly, will need to raise additional funds before the end of 2017 to maintain sufficient cash resources for its working capital and particularly, continue its efforts to reduce outstanding obligations.

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. Income/(loss) per share

The basic and diluted (loss)/income per ordinary share of (0.04p) (30 June 2016: 0.06p and 31 December 2016: (0.06p) for the Group has been calculated by dividing the income/(loss) for the period attributable to equity holders of £206,879 (30 June 2016: £2,478,140 and 31 December 2016: £2,959,765 by the weighted average number of shares on issue.

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

The weighted number of ordinary shares on issue as at 30 June 2017 were 5,341,135,115; as at 30 June 2016 2,770,137,684 and, as at 31 December 2016 4,391,416,892. The diluted loss per share has been kept the same as the conversion of share options decreases the basis loss per share and therefore, 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 2017 (unaudited)			
Administration expenses (excluding non-cash items)	(171,376)	37,668	(133,708)
Finance revenue/(expense)	-	(95,913)	(95,913)
Non-cash expenditure:			
Depreciation expense	(11,500)	-	(11,500)
Foreign exchange gain/(loss)	(11,621)	24,145	12,524
Segment result	(194,497)	34,100	(228,597)
As at 30 June 2017			
Segment assets	4,423,687	560,156	4,983,843
Segment liabilities	(920,289)	(991,276)	(1,911,565)
Net assets	3,503,398	(431,120)	3,072,278
Segment information by operating segment	Mineral Exploration £	Central Costs £	Total £
6 months ended 30 June 2016 (unaudited)			
Administration expenses (excluding non-cash items)	(199,271)	(210,496)	(409,767)
Finance revenue/(expense)	-	4	4
Non-cash expenditure:			
Depreciation expense	(12,000)	(3,140)	(15,140)
Foreign exchange gain/(loss)	2,933,600	(8,914)	2,924,686
Segment result	2,722,329	(222,546)	2,499,783
As at 30 June 2016			
Segment assets	5,308,985	906,707	6,215,692
Segment liabilities	(951,159)	(1,025,150)	(1,976,309)
Net assets	4,357,826	(118,443)	4,239,383

HERENCIA RESOURCES PLC

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**NOTES TO THE UNAUDITED HALF-YEARLY ACCOUNTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017****3. Segmental information (continued)**

Segment information by operating segment	Mineral Exploration £	Central Costs £	Total £
12 months ended 31 December 2016 (audited)			
Administration expenses (excluding non-cash items)	(1,141,787)	(343,174)	(1,484,961)
Finance revenue/(expense)	-	-	-
Non-cash expenditure:			
Depreciation expense	(8,379)	(3,140)	(11,519)
Impairment of exploration	-	(875,000)	(875,000)
Loss on disposal of subsidiary	(167,386)	-	(167,386)
Foreign exchange gain/(loss)	(318,045)	(86,761)	(404,806)
Segment result	(1,653,597)	(1,308,075)	(2,943,672)
As at 31 December 2016			
Segment assets	4,327,068	30,383	4,357,451
Segment liabilities	(949,251)	(1,067,028)	(2,016,279)
Net assets	3,377,817	(1,036,645)	2,341,172

Segment information by region

	External Revenue			Non-current assets		
	30 June 2017 (unaudited) £	30 June 2016 (unaudited) £	31 December 2016 (audited) £	30 June 2017 (unaudited) £	30 June 2016 (unaudited) £	31 December 2016 (audited) £
Australia	-	-	-	-	-	-
Chile	-	-	-	4,197,688	4,892,643	4,188,966
Group	-	-	-	4,062,445	4,892,643	4,188,966

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.

**NOTES TO THE UNAUDITED HALF-YEARLY FINANCIAL REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

4. Intangible assets and goodwill

	£
At cost	
As at 1 January 2017	4,161,875
Additions	(16,664)
Effect of foreign currency exchange differences	42,065
At 30 June 2017	<u>4,187,276</u>
Carrying amount	
As at 30 June 2016	<u>4,796,012</u>
As at 31 December 2016	<u>4,161,875</u>

5. Property Plant and equipment

	30 June 2017 (unaudited) £	30 June 2016 (unaudited) £	31 December 2016 (audited) £
At cost	106,010	99,812	106,010
Accumulated depreciation	(95,598)	(69,704)	(83,212)
Total property plant and equipment	<u>10,412</u>	<u>30,108</u>	<u>22,798</u>
Movements in carrying amounts			
Balance at the beginning of the period	22,798	41,437	41,437
Additions	-	-	-
Disposals	(11,500)	(15,140)	(12,938)
Depreciation	-	-	(11,519)
Assets classified as held for disposal	-	(1,879)	-
Effects of foreign currency exchange Differences arising during the year	(886)	5,690	5,818
Balance at the end of the period	<u>10,412</u>	<u>30,108</u>	<u>22,798</u>

6. Held for sale

	30 June 2017 (unaudited) £	30 June 2016 (unaudited) £	31 December 2016 (audited) £
Assets held for sale			
Receivables	-	293,979	-
Exploration & evaluation costs	-	871,402	-
Property, plant and equipment	-	1,879	-
	<u>-</u>	<u>1,167,260</u>	<u>-</u>
Liabilities held for sale			
Trade and other payables	-	335,360	-
Provisions	-	55,286	-
	<u>-</u>	<u>390,646</u>	<u>-</u>

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**NOTES TO THE UNAUDITED HALF-YEARLY ACCOUNTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

On 28 July 2016, the Company announced that it had completed the sale with Golden Rim Resources Limited (“GMR”) to acquire Herencia’s wholly owned subsidiary Paguanta Resources (Chile) SA (“PRC”) for a total of up to US\$2.3 million in cash and GMR equity, and GMR agreeing to pay up to US\$2.1m towards various contingent liabilities. PRC holds 70% of Compania Minera Paguanta S.A. which holds mineral concessions at the Paguanta silver-lead-zinc-copper project in northern Chile. As at 30 June 2016, an amount of £158,577 which represents part proceeds from this sale has been received and included within Trade and other payables.

7. Provisions

	30 June 2017 (unaudited) £	30 June 2016 (unaudited) £	31 December 2016 (audited) £
Decommissioning expenditure			
Balance at the beginning of the period	-	46,566	46,566
Disposal			(46,566)
Effect of foreign currency exchange differences	-	8,720	-
Provision classified as held for sale	-	(55,286)	-
Balance at the end of the period	-	-	-
Employee benefits			
Balance at the beginning of the period	92,692	72,738	72,738
(Utilised)/arising during the year	(49,053)	-	3,302
Effect of foreign currency exchange difference	1,839	10,905	16,652
Balance at the end of the period	45,478	83,643	92,692
Comprising			
Current	45,478	83,643	92,692
Non-current	-	-	-
	45,478	83,643	92,692

8. Loans and borrowings

	30 June 2017 (unaudited) £	30 June 2016 (unaudited) £	31 December 2016 (audited) £
Current			
Convertible notes	-	68,888	35,312
Other loans	496,086	430,735	-
	496,086	499,623	35,312
Non-current			
Convertible notes	256,972	-	223,502
Other loans	-	147,278	493,045
	256,972	147,278	716,547

Director Loans and Related Party Transactions

Former directors have made interest-free and interest-bearing loans to the Company for working capital purposes. As at 30 June 2017, interest-free loans from Messrs Moore, Russell and Sloan total £220,000 and interest-bearing loans total £276,087 (including £45,140 in accrued interest).

Initial repayment terms provide that the loans be repayable within 12 months; however, the terms were subject to extension if necessary. The Company is in discussions with the former directors to extend the term of the loans.

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**NOTES TO THE UNAUDITED HALF-YEARLY ACCOUNTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

No other related party transactions have occurred during the period.

Convertible Note

During the six months ended 30 June 2017, the Company made further drawdowns from the funding arrangements entered with its major shareholders, the Australian Special Opportunity Fund (“Lind Partners”) and Oriental Darius Co. Ltd (“Oriental”).

On 1 March 2017 and 13 March 2017, the Company drew down US\$50,000 from Lind Partners and Oriental, respectively. Proceeds from the convertible note drawdown totalled £79,422.

On 15 May 2017, Oriental converted US\$50,000 in convertible notes into share capital with the Company issuing 388,018,400 fully paid shares.

Full details of the terms and conditions of the Secured Convertible Facilities including the conversion issue price and options are contained in the respective announcements.

As at 30 June 2017, the convertible note has a carrying value of £259,691 with £55,480 being classified as ‘other reserve’ in equity.

9. Minority interest	30 June 2017 (unaudited) £	30 June 2016 (unaudited) £	31 December 2016 (audited) £
Called up share capital	123,124	6,031,971	123,124
Accumulated losses	(21,718)	(1,795,052)	-
Translation reserve	(8,966)	(724,761)	-
	<u>92,440</u>	<u>3,512,158</u>	<u>123,124</u>

10. Share capital	30 June 2017 (unaudited) £	30 June 2016 (unaudited) £	31 December 2016 (audited) £
<i>Allotted, issued and fully paid:</i>			
7,156,426,961 ordinary shares of £0.01p each and 4,266,609,563 deferred shares of £0.09p each (30 June 2016: 4,266,609,563 ordinary shares and 31 December 2016: 4,647,271,915 ordinary shares)	<u>4,555,591</u>	<u>4,266,609</u>	<u>4,304,675</u>

<i>Movement in share capital during the period comprises:</i>	Number of Ordinary Shares	Number of Deferred Shares	Share Capital £	Share Premium £
Issued and fully paid				
As at 1 January 2017 shares	4,647,271,915	4,266,609,563	4,304,675	23,412,246
Share issues in year:				
Placement	2,121,137,042	-	212,114	742,399
Conversion of convertible notes	388,018,004	-	38,802	-
Balances as at 30 June 2017	<u>7,156,426,961</u>	<u>4,266,609,563</u>	<u>4,555,591</u>	<u>24,154,645</u>

**NOTES TO THE UNAUDITED HALF-YEARLY ACCOUNTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

11. Control

No one party is identified as controlling the Company.

12 Subsequent events

On 10 July 2017, Oriental converted convertible notes with a face value of US\$120,000 into share capital at a conversion price of £0.0001 and was issued 943,396,226 fully paid ordinary shares in the Company.

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.

13. 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.