



Herencia Resources PLC - HER Notice of General Meeting
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Herencia Resources PLC
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Herencia Resources plc ("Herencia" or "the Company")

Notice of General Meeting

Further to the announcement of 3 February 2016, the Company is pleased to announce that it has today dispatched a Notice of General Meeting seeking shareholder consent for the proposed disposal of up to 100% of Herencia Chile SA, the Company's wholly owned subsidiary that owns the Picachos copper project to Next Minerals SA ("Next"). In addition the General Meeting propose authority to issue further shares and disapplication of pre-emption rights.

This shareholder meeting will be held at One America Square, Crosswall, London EC3N 2SG, on 26 February 2016 at 2.30 pm. These documents are also available on Herencia's website (www.herenciaresources.com).

Details of the Disposal

On 3 February 2016 Herencia announced the signing of a binding Term Sheet ("Term Sheet" or "Agreement") with Next, a private Chilean mining company. Under the Term Sheet, Next can enter into a joint venture with the Company by way of purchasing part of Herencia Resources (Chile) SA, the Company's wholly owned subsidiary which holds the Company's Picachos copper project. The Term Sheet provides that Next may eventually acquire up to 100% of Herencia Resources (Chile) SA as set out in the key terms below.

The Agreement

The Agreement will allow Next to earn into a joint venture arrangement with a series of cash payments to Herencia and additional funds, paid directly into the Joint Venture, which

will be used to advance both the Picachos and Pastizal Projects in Chile.

The key terms of the binding Agreement are as follows:

- It is conditional on the consent of shareholders of Herencia, to be given at a general meeting of the Company which has been convened by the Notice of General Meeting sent out today.
- It is conditional on a three (3) month due diligence process ("DD") to be completed by 30 April 2016, during which Next will meet most of Herencia's in-country operational expenses on the Picachos project and the Herencia team will assist with the due diligence process.
- Upon successful completion of their DD process and fulfilment of the other conditions, Next will immediately pay Herencia US\$2 million no later than 30 April 2016 for 35% and will spend up to US\$2 million over a 15 month period, to acquire a further 35% for a total of 70% share in the Picachos and Pastizal Projects through Herencia Resources (Chile) SA.
- After 6 months, Next can elect to pay Herencia a further US\$625,000 cash to acquire an additional 7.5% of Herencia Resources (Chile) SA (increasing their stake to 77.5% of Picachos and Pastizal).
- After a further 9 months, Next can elect to pay Herencia a further \$2.5 million to acquire the remaining shares in Herencia Resources (Chile) SA and therefore acquire 100% of the Picachos and the Pastizal projects.
- If Next make the initial payments, but do not take up these additional amounts then the project will be operated as a joint venture with Herencia.

Should Next elect to acquire 100% of Herencia Resources (Chile) SA, the total consideration payable under the agreement to Herencia is US\$5.125 million (approximately £3.6 million).

Herencia will also undertake to provide Next with a revised Picachos Option Agreement and will undertake to sign a formal Pastizal Option Agreement, which was placed on hold whilst these latest negotiations were concluded.

Reasons for the Proposal

The Directors believe that this proposal represents a positive development for the Company, especially in this current market where sourcing capital is extremely difficult. Assuming the transaction proceeds it intends to use the proceeds to assess a number of new opportunities the Company has been reviewing, to assist with development and/or joint venture of the Company's existing projects and for working capital purposes. The Picachos project do not represent all or substantially all of Herencia's activities or assets, so that in the event that Next ultimately acquire 100% of Herencia Resources (Chile) SA, Herencia has the option to refocus its efforts on developing its other key assets - Paguanta and Guamanga or look to advance other opportunities in the natural resources sector.

Herencia Resources (Chile) SA has no turnover, and a current book value of £1.36m (as at 30 June 2015) although the directors believe the actual value to be substantially higher.

Working Capital Position/ Directors Recommendation

Over the past nine months the Company has undertaken a comprehensive cost review of corporate and operations. The result of the review has seen the Board, including the

Managing Director, take on a 45% reduction in their remuneration and a significant reduction in Chilean operating cost. These measures along with a number of Director loans (see RNS 3 February 2016) were necessary to support the Company whilst longer term funding plans including the proposed Disposal were being developed. The Company has sufficient funds on hand for another four weeks and is currently seeking expressions of interest from several groups for a small bridging facility to meet operating costs until the Disposal is completed. The Company is also reviewing other funding opportunities, such as the joint venture or sale of some of its other assets should the Disposal not proceed. To enable the Company the appropriate level of flexibility when considering all funding options, the Directors are proposing authority to issue further shares and disapplication of pre-emption rights. The details of the proposed issue of further share capital are contained within the Shareholder Circular.

Given the current economic climate and that the Company is not is a cash generating position, it is the Directors recommendation that shareholders support the Disposal and the other proposed resolutions.

By law, a company cannot issue new shares at a price below the nominal value of those shares. Herencia's shares have a nominal value of 0.1p, but its share price has been below this for some time. As a result, Herencia has struggled to issue new shares to raise funds, because it would have to issue them for at least 0.1p - not an attractive proposal to investors when the market price is significantly below that. The Directors are proposing a subdivision of each Ordinary Share into 1 ordinary share of 0.01p and a deferred share of 0.09p. The deferred shares are essentially valueless and will not carry any voting or dividend rights - meaning the only significant change is the nominal value, allowing the company to issue shares in the future at any price above 0.01p.

No shareholders stake will be affected by the restructuring, with the changes expected to take effect on 26 February 2016 if approved by shareholders at a general meeting to be held on the same day.

Key information relating to the General Meeting of Shareholders is:

- The Disposal is a fundamental change of business pursuant to Rule 15 of the AIM Rules for Companies. However, as the Company retains other assets and the effect of the Disposal is not to divest all or substantially all of the Company's assets or activities, the Company will not be considered to be an Investing Company, as defined in the AIM Rules;
- Record date for determining those shareholders who are entitled to receive notice of and to vote at the General Meeting: 9 February 2016;
- Date for submission of proxy forms by registered shareholders: 2.30 pm, 24 February 2016; and
- General Meeting date and location: 2.30 pm on 26 February 2016 at the offices of One America Square, Crosswall, London EC3N 2SG.

About Herencia

Herencia Resources plc, is an AIM quoted exploration and development company operating in Chile. In addition to the Picachos Copper Project, the Company also has the Guamanga Copper Project and the 70% owned Paguanta Project, a high grade silver-zinc-

lead project located in northern Chile. The Company's corporate office is located in Perth and the main technical and management office is located in Santiago, Chile where it has been operating for over eight years.

For further information please contact:

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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.

Further background details on the Company can be found at www.herenciaresources.com

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