
HERENCIA RESOURCES PLC
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2015

HERENCIA RESOURCES PLC

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HERENCIA RESOURCES PLC

DIRECTORS, SECRETARY AND ADVISERS

Directors	The Hon. John Moore AO. (Non-Executive Chairman) Graeme Sloan (Managing Director) John Russell (Non-Executive)
Company Secretary	Ben Harber
Registered Office	One America Square Crosswall London EC3N 2SG
Company Number	05345029
Nominated Adviser	WH Ireland Limited 11 St James's Square Manchester M2 6WH
Nominated Broker	Beaufort Securities Ltd 131 Finsbury Pavement London, EC2A 1NT
Auditors	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW
Solicitors	Watson, Farley & Williams LLP 15 Appold Street London EC2A 2HB Shakespeare Martineau Chancery House 199 Silbury Boulevard Milton Keynes, MK9 1JL
Registrars	Capita Registrars Ltd Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Principal Bankers	ANZ Bank 77 St Georges Terrace Perth, Western Australia 6000 Barclays Bank plc 1 Churchill Place London E14 5HP
Website	www.herenciaresources.com

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Whilst it has been a difficult operating environment for junior resources companies, I am glad to be able to update shareholders on the Company's activities during the financial year ended December 2015.

These activities included:

- A first ever JORC 2012 Mineral Resource Estimate for the Company's flagship Picachos Copper Project;
- Expanding the footprint of the Picachos Copper Project, to include additional areas of copper mineralisation;
- Sourcing additional funding despite one of the worst market periods for resource companies;
- Although we are yet to be successful, the Company has progressed a number of negotiations in relation to the potential joint venture or sale of the Picachos Project; and
- Since the end of the period under review, the Company has advanced negotiations in relation to the sale of the Paguanta Project in Northern Chile.

Looking at 2016, Herencia plans to continue to look for partners to assist the Company to develop the Picachos project and would consider further acquisitions, sale or joint venture opportunities.

I would like to again thank shareholders, my fellow directors and our small and dedicated team in Chile for their efforts during a difficult year.

**Hon. John Moore AO
Chairman**

15 July 2016

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors present their Strategic Report for the year ended 31 December 2015.

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 and is currently in the process of disposing of this asset.
- (iii) Herencia owns 100% of the Guamanga copper-gold project.
- (iv) 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 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 is advancing negotiations in relation to the potential sale or joint venturing of the project.

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.

As announced on 15 June 2016, the Company is actively advancing the sale of the Paguanta project which is expected to be completed by July 2016. To date the Company has executed formal documentation with Golden Rim Resources ("GMR") which would result in the Company's 70% equity in the Paguanta project being sold to GMR 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.

As at 30 June 2016, GMR have largely completed a detailed technical and legal due diligence on the Paguanta project. A number of conditions precedent outlined in the formal documentation remain to be finalised by the Company to the satisfaction of GMR however these are expected to be completed shortly.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

Review of the business and future prospects (continued)

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

Future Prospects

Herencia's goals for 2016 include:

- advancing the sale process for the Paguanta Project; and
- source additional funding solutions for the Company.

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 material 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 **La Serena** Project is located approximately 50 km north of the city of La Serena in Region IV within the La Serena porphyry copper belt (part of the main Chilean porphyry copper belt). The package is highly prospective for leached cap, blanket style chalcocite copper mineralisation and/or porphyry gold. No work is envisaged at La Serena for the next year.

Strategy Review

The Company's strategic plan is to achieve the sale of its advanced Chilean projects and to ensure the financial viability of the Group to be able to apply itself to acquiring and advancing mineral projects in Chile, leveraging off our significant operating experience in that country.

**Hon. John Moore AO
Chairman**

15 July 2016

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 2015.

Results and dividends

For the year ended 31 December 2015, the Group reported a loss of £13,977,097 which includes an impairment charge to the Paguanta project (as detailed below) of £10,908,123 and a foreign exchange loss of £896,004. Excluding the impairment and foreign exchange loss charge, the loss for the year was £2,173,970 compared to £2,545,188 in the previous year.

This result reflects the decrease in administration expenses of £374,064 as the Company has undertaken a comprehensive cost reduction program across all aspects of its business including the Corporate and Chilean business centres. The cost reduction measures include salaries of the Non- Executive Directors and the Managing Director which have been reduced by 56% (refer Director's Report for details).

The Board undertook an impairment review of the carrying value in response to the pending sale for the 70% equity in the Paguanta project. Based on the cash consideration to be received, this has resulted in an impairment charge of £10,908,123.

In respect of the Picachos, Guamanga and La Serena Projects, the Board concluded that no impairment provision was required due to the progressing state of the projects including the positive results from completed exploration to date and the potential for future discovery and development.

The Directors do not recommend any distribution by way of a dividend for the year ended 31 December 2015.

Going Concern

Note 28 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.

At 31 December 2015 the Group had cash balances of £207,183 and the Group will need to raise additional funds in 2016 in order to maintain sufficient cash resources for its working capital needs for the next twelve month and to this end, the following is noted:

- During the year, the Group raised a total of £512,000 (gross) in equity funding. However, since September 2015, as the Company's share price has been trading below the nominal value of the Ordinary Shares in issue of 0.1p, the ability to raise future funds through the issue of further equity was not possible under the Companies Act 2016. To rectify this, the Directors proposed a subdivision of each Ordinary Share into 1 ordinary share of 0.01p and a deferred share of 0.09p at the Annual General Meeting held on 29 June 2016. The Directors are pleased to report that this was passed by shareholders and it now allows the Company to use the issue of shares as a source of funding which has otherwise been unavailable since the last equity raise in September 2015.
- In recent months and as announced to the market, the Company has entered into funding arrangements by way of Secured Convertible Facilities totalling US\$750,000 with two of our major shareholders, the Australian Special Opportunity Fund ("Lind Partners") and Oriental Darius Co. Ltd ("Oriental"). The Shareholders have been very supportive and a total of US\$350,000 has been drawn down under this facility to date with a further US\$400,000 that can be advanced at the discretion of the Shareholders.

**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

Going Concern (continued)

- Negotiations for Golden Rim Resources Limited (“GMR”) to acquire Herencia’s wholly owned subsidiary Paguanta Resources (Chile) SA (“PRC”) for consideration 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 are well advanced. 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 with Paguanta, the Directors continue to actively pursue other opportunities for the other assets in La Serena, Guamanga and Picachos.

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 member of the committee is The Hon. John Moore AO.

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) 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 Company’s subsidiaries are shown in note 15 and movements in share capital during the year are set out in note 20 to these accounts.

HERENCIA RESOURCES PLC

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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
John Russell	Non-Executive Director
Christopher James	Non-Executive Director (resigned 11 December 2015)
Seng Ming (Jimmy) Lim	Non-Executive Director (appointed 12 February 2015; resigned 13 August 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 2015 Number of ordinary shares of £0.001	31 December 2014 Number of ordinary shares of £0.001
Graeme Sloan ¹	26,488,905	26,488,905
The Hon. John Moore AO. ²	29,374,080	29,374,080
John Russell ³	31,907,413	31,907,413
Christopher James (resigned 11 December 2015)	N/A	-
Jimmy Lim (appointed 12 February 2015; resigned 13 August 2015) ⁴	N/A	N/A

¹ 26,488,905 shares are held directly and indirectly by Graeme Sloan (31 December 2014: 26,488,905).

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

³ 31,907,413 shares are held directly and indirectly by John Russell (31 December 2014: 31,407,413).

⁴ As at the date of appointment and resignation, 10,000,000 shares were 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 (the details of these options, including the exercise prices are set out in note 22 to the financial statements):

Name	31 December 2015 Number of options over ordinary shares of £0.001	31 December 2014 Number of options over ordinary shares of £0.001
Graeme Sloan	-	20,000,000
The Hon. John Moore AO.	-	-
John Russell	-	-
Christopher James (resigned 11 December 2015)	N/A	-
Jimmy Lim (appointed 12 February 2015; resigned 13 August 2015)	N/A	N/A

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015
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 2015

	Fees/basic salary £	Employer's NI £	Pension costs £	Bonus £	Share based payments £	2015 Total £
Executive						
Graeme Sloan	106,261	-	10,095	-	-	116,356
Non-Executive						
The Hon. John Moore AO.	8,333	-	-	-	-	8,333
John Russell	12,250	725	-	-	-	12,975
Christopher James	-	-	-	-	-	-
Jimmy Lim	-	-	-	-	-	-
	126,844	725	10,095	-	-	137,664

During the year the Company conducted a comprehensive cost reduction program to ensure maximum use of incoming funds which resulted in a decrease of £177,607 or 56% in Director's remuneration from the previous year. 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.

31 December 2014

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

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.

Value of options exercised by Directors

No options were exercised by the Directors during the year.

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

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 24 June 2016:

	Number of Ordinary shares	% of Share Capital
The Australian Special Opportunity Fund	525,041,206	12.31
Shining Capital Management Ltd	400,000,000	9.38
Oriental Darius Co Ltd	200,000,000	4.69
Nyrstar International BV	194,099,734	4.55

Subsequent events

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

Director Loans

As announced on 3 February 2016 and 7 March 2016, further loans have been provided by the Directors comprising a £30,000 advancement by both John Moore and John Russell in January 2016 and a short term loan of US\$300,000 provided by John Moore.

The loans for £30,000 are unsecured and non-interest bearing, and are repayable within 6 months but can be extended if required whilst the USD\$300,000 loan has an interest rate of 15% pa with various repayment terms.

As at the date of this report, these Director loans, together with the £250,000 at 31 December 2015 (refer note 18) remain outstanding.

Secured Convertible Facility

Subsequent to year end, the Company entered into the following funding arrangements with two of its major shareholders, the Australian Special Opportunity Fund ("Lind Partners") and Oriental Darius Co. Ltd ("Oriental").

These funding arrangements are by way of Secured Convertible Facilities totalling US\$750,000 of which US\$350,000 has been drawn down with a further US\$400,000 that can be advanced at the discretion of the Shareholders.

- On 26 February 2016 and 18 March 2016, the Company confirmed it had received US\$50,000 loan from the Lind Partners and Oriental respectively. The loans are interest free and repayable after 6 months and, subject to shareholder approval, will be convertible into ordinary shares at 0.01p.
- On 5 April 2016, Herencia announced that it executed a legally binding term sheets with the Shareholders to advance the Company up to US\$500,000 by way of a Secured Convertible Facility, subject to the satisfaction of certain conditions. The funds will be divided into two Tranches (Tranche 1 totalling US\$200,000 and Tranche 2 totalling US\$300,000). As at the date of this report, US\$200,000 has been fully drawn under Tranche 1.
- On 7 June 2016, the Company announced that it has entered into a further Secured Convertible Facility with the Shareholders to advance the Company up to US\$150,000. The funds will be divided into two Tranches (Tranche 1 totalling US\$50,000 and Tranche 2 totalling US\$100,000). As at the date of this report, US\$50,000 has been fully drawn under Tranche 1.

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.

**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

Subsequent events (continued)

Golden Rim Resources Limited

On 10 May 2016, the Company announced that it has signed a conditional Term Sheet 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 the date of this report, GMR have largely completed a detailed technical and legal due diligence on the Paguanta project. A number of conditions precedent outlined in the Promise to Purchase agreement remain to be finalised by the Company to the satisfaction of GMR however these are expected to be completed shortly.

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.

**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 General Meeting.

By order of the board

**Hon. John Moore AO
Chairman**

15 July 2016

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HERENCIA RESOURCES PLC
FOR THE YEAR ENDED 31 DECEMBER 2015**

We have audited the financial statements of Herencia Resources plc for the year ended 31 December 2015 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 11, 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.

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 2015 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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HERENCIA RESOURCES PLC
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

15 July 2016

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administration expenses		(2,173,197)	(2,547,261)
Impairment of exploration & evaluation assets	13	(10,908,123)	-
Foreign exchange (losses)/gains		(896,004)	625,408
Operating loss	6	(13,977,324)	(1,921,853)
Finance revenue		227	2,073
Loss before tax		(13,977,097)	(1,919,780)
Income tax expenses	8	-	-
Loss for the year		(13,977,097)	(1,919,780)
Other Comprehensive Loss			
Exchange differences on translating foreign operations		81,414	(1,959,246)
Other comprehensive loss for the year, net of tax		81,414	(1,959,246)
Total Comprehensive Loss for the year		(13,895,683)	(3,879,026)
Loss attributable to:			
Equity holders of the Company		(13,741,247)	(2,038,055)
Non-controlling interests		(235,850)	118,275
		(13,977,097)	(1,919,780)
Total Comprehensive Loss attributable to:			
Equity holders of the Company		(13,616,067)	(3,454,830)
Non-controlling interests		(279,616)	(424,196)
		(13,895,683)	(3,879,026)
Loss per share			
Loss per ordinary share – basic and diluted	4	(0.36)p	(0.08)p

The results shown above relate entirely to continuing operations.

HERENCIA RESOURCES PLC

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	Group 31 December 2015 £	Group 31 December 2014 £	Company 31 December 2015 £	Company 31 December 2014 £
ASSETS					
Non-current assets					
Receivables	12	432,202	423,147	6,556,570	18,878,901
Intangible assets and goodwill	13	4,719,602	16,781,212	-	-
Property, plant and equipment	14	41,437	70,360	3,140	5,926
Investments in subsidiaries	15	-	-	1,250,000	1,250,000
		<u>5,193,241</u>	<u>17,274,719</u>	<u>7,809,710</u>	<u>20,134,827</u>
Current assets					
Cash and cash equivalents	9	207,183	1,049,516	16,424	401,305
Trade and other receivables	10	253,272	56,560	9,590	159,679
Other assets	11	41,736	17,045	41,736	17,045
		<u>502,191</u>	<u>1,123,121</u>	<u>67,750</u>	<u>578,029</u>
Total assets		<u>5,695,432</u>	<u>18,397,840</u>	<u>7,877,460</u>	<u>20,712,856</u>
LIABILITIES					
Non current liabilities					
Provisions for liabilities	16	46,566	51,672	-	-
		<u>46,566</u>	<u>51,672</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade and other payables	17	1,290,721	598,140	198,818	61,565
Provisions for liabilities	16	72,738	37,926	35,214	37,926
Loans and borrowings	18	250,000	402,182	250,000	402,182
		<u>1,613,459</u>	<u>1,038,248</u>	<u>484,032</u>	<u>501,673</u>
Total liabilities		<u>1,660,025</u>	<u>1,089,920</u>	<u>484,032</u>	<u>501,673</u>
Net Assets		<u>4,035,407</u>	<u>17,307,920</u>	<u>7,393,428</u>	<u>20,211,183</u>
EQUITY					
Share capital	20	4,266,609	3,239,627	4,266,609	3,239,627
Share premium		23,412,246	23,298,661	23,412,246	23,298,661
Shares to be issued	21	-	299,698	-	299,698
Share based payments reserve		761,360	761,360	761,360	761,360
Other reserve		-	112,048	-	112,048
Translation reserve		(1,493,470)	(1,618,650)	-	-
Retained losses		(26,381,417)	(12,752,218)	(21,046,787)	(7,500,211)
Capital and reserves attributable to equity holders		<u>565,328</u>	<u>13,340,526</u>	<u>7,393,428</u>	<u>20,211,183</u>
Non-controlling interests	19	3,470,079	3,967,394	-	-
Total equity and reserves		<u>4,035,407</u>	<u>17,307,920</u>	<u>7,393,428</u>	<u>20,211,183</u>

The financial statements of Herencia Resources plc, company number 05345029, were approved by the Board of Directors and authorised for issue on 15 July 2016. They were signed on its behalf by:

Hon. John Moore AO
Chairman

HERENCIA RESOURCES PLC

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Net cash outflow from operating activities	23	(1,089,785)	(2,278,955)	(430,354)	(872,601)
Cash flows from investing activities					
Interest received		227	2,073	227	2,073
Payments for property, plant and equipment	14	(3,197)	(41,102)	-	-
Cash calls and proceeds of shares issued to minority shareholder		-	(142,677)	-	-
Cash calls from subsidiary		-	-	(650,898)	(2,958,363)
Net funds used for investing in exploration	13	(445,722)	(1,576,791)	-	-
Net cash used by investing activities		(448,692)	(1,758,497)	(650,671)	(2,956,290)
Cash flows from financing activities					
Proceeds from issue of shares	20	512,000	4,247,001	512,000	4,247,001
Proceeds from loans	18	250,000	-	250,000	-
Issue costs		(65,856)	(105,524)	(65,856)	(105,524)
Net cash from financing activities		696,144	4,141,477	696,144	4,141,477
Net (decrease)/ increase in cash and cash equivalents		(842,333)	104,025	(384,881)	312,586
Cash and cash equivalents at the beginning of the year		1,049,516	945,491	401,305	88,719
Cash and cash equivalents at the end of the year	9	207,183	1,049,516	16,424	401,305

HERENCIA RESOURCES PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital £	Share premium £	Translation reserve £	Share-based payments reserve £	Other reserve £	Shares to be issued £	Retained losses £	Total £	Non- controlling interests £	Total equity £
Balance at 1 January 2014	2,143,960	20,252,851	(201,875)	761,360	112,048	-	(10,714,163)	12,354,181	4,833,964	17,188,145
Issue of shares	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)
Balance at 31 December 2014	3,239,627	23,298,661	(1,618,650)	761,360	112,048	299,698	(12,752,218)	13,340,526	3,967,394	17,307,920
Balance at 1 January 2015	3,239,627	23,298,661	(1,618,650)	761,360	112,048	299,698	(12,752,218)	13,340,526	3,967,394	17,307,920
Issue of shares	1,026,982	179,441	-	-	-	(299,698)	-	906,725	-	906,725
Share issue costs	-	(65,856)	-	-	-	-	-	(65,856)	-	(65,856)
Transfers from reserves	-	-	-	-	(112,048)	-	112,048	-	-	-
Other transactions with non-controlling interests	-	-	-	-	-	-	-	-	(217,699)	(217,699)
Total comprehensive income/(loss) for the year	-	-	125,180	-	-	-	(13,741,247)	(13,616,067)	(279,616)	(13,895,683)
Balance at 31 December 2015	4,266,609	23,412,246	(1,493,470)	761,360	-	-	(26,381,417)	565,328	3,470,079	4,035,407

HERENCIA RESOURCES PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £	Share premium £	Share-based payments reserve £	Other reserves £	Shares to be issued £	Retained losses £	Total equity £
Balance at 1 January 2014	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)
Balance at 31 December 2014	3,239,627	23,298,661	761,360	112,048	299,698	(7,500,211)	20,211,183
Balance at 1 January 2015	3,239,627	23,298,661	761,360	112,048	299,698	(7,500,211)	20,211,183
Issue of shares	1,026,982	179,441	-	-	(299,698)	-	906,725
Share issue costs	-	(65,856)	-	-	-	-	(65,856)
Transfers from reserves	-	-	-	(112,048)	-	112,048	-
Total comprehensive income/(loss) for the year	-	-	-	-	-	(13,658,624)	(13,658,624)
Balance at 31 December 2015	4,266,609	23,412,246	761,360	-	-	(21,046,787)	7,393,428

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 financial statements have been prepared using the historical cost convention and are presented in UK pounds sterling. In addition, the financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) including IFRS 6 ‘Exploration for and Evaluation of Mineral Resources’, as adopted by the European Union (“EU”) and in accordance with the provisions of the Companies Act 2006.

In accordance with the provision of Section 408 of the Companies Act 2006, the Parent Company has not presented an Income Statement. The Parent Company’s loss for the year ended 31 December 2015 of £13,658,624 includes an impairment charge of £13,131,229 relating to non-recoverability of loan receivables. Excluding the impairment charge, the loss for the year was £527,395 compared to £820,929 (loss) in the previous year.

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

In addition, note 28 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.

At 31 December 2015 the Group had cash balances of £207,183 and the Group will need to raise additional funds in 2016 in order to maintain sufficient cash resources for its working capital needs for the next twelve month and to this end, the following is noted:

- During the year, the Group raised a total of £512,000 (gross) in equity funding. However, since September 2015, as the Company’s share price has been trading below the nominal value of the Ordinary Shares in issue of 0.1p, the ability to raise future funds through the issue of further equity was not possible under the Companies Act 2016. To rectify this, the Directors proposed a subdivision of each Ordinary Share into 1 ordinary share of 0.01p and a deferred share of 0.09p at the Annual General Meeting held on 29 June 2016. The Directors are pleased to report that this was passed by shareholders and it now allows the Company to use the issue of shares as a source of funding which has otherwise been unavailable since the last equity raise in September 2015.
- In recent months and as announced to the market, the Company has entered into funding arrangements by way of Secured Convertible Facilities totalling US\$750,000 with two of our major shareholders, the Australian Special Opportunity Fund (“Lind Partners”) and Oriental Darius Co. Ltd (“Oriental”). The Shareholders have been very supportive and a total of US\$350,000 has been drawn down under this facility to date with a further US\$400,000 that can be advanced at the discretion of the Shareholders.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

1.1 Basis of preparation and going concern (continued)

- Negotiations for Golden Rim Resources Limited (“GMR”) to acquire Herencia’s wholly owned subsidiary Paguanta Resources (Chile) SA (“PRC”) for consideration 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 are well advanced. 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 with Paguanta, the Directors continue to actively pursue other opportunities for the sale or joint venture of the other assets in La Serena, Guamanga and Picachos.

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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

1.5. Property, plant and equipment (continued)

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Recoverability of intercompany balances

Determining whether intercompany balances are impaired requires an estimation of whether there are any indications that their carrying values are not recoverable.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black Scholes model, using the assumptions detailed in note 22.

3. Adoption of new and revised International Financial Reporting Standards (IFRSs)

3.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The Company has adopted all new and revised Standards and Interpretations in the current period which has affected the amounts reported in these financial statements.

Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

3.2 Standards and Interpretations in issue not yet adopted

Certain new Standards and Interpretations have been published that are not yet mandatory. None of these are expected to have a significant effect on the consolidated financial statements.

The Company does not plan to adopt the Standard early.

4. Loss per share

The basic loss per ordinary share of 0.36p (2014: (0.08)p) for the Group has been calculated by dividing the loss for the year attributable to equity holders of £13,741,247 (2014: £2,038,055) by the weighted average number of ordinary shares in issue of 3,770,137,684 (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 3,815,137,684 (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.

5. Segmental reporting

For the purposes of presenting segment information, the activities of the Group are divided into operating segments in accordance with IFRS 8 'Operating Segments'. Operating segments are identified on the same basis that is used internally to manage and report on performance and takes account of the organisational structure of the Group based on the activities of the reportable segments.

The activities of the Group are broken down into the operating segments of Mineral Exploration and Central Costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

5. Segmental reporting (continued)

Segment information by operating segment and by region is as follows:

	Mineral Exploration		Central Costs		Total	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
Segment information by operating segment						
Finance revenue	-	-	227	2,073	227	2,073
Administration expenses	(1,614,406)	(1,706,452)	(518,779)	(785,933)	(2,133,185)	(2,492,385)
<i>Non-cash expenditure:</i>						
Depreciation expense	(37,226)	(50,595)	(2,786)	(4,281)	(40,012)	(54,876)
Impairment of exploration	(10,908,123)	-	-	-	(10,908,123)	-
Foreign exchange (losses)/gain	(889,897)	658,195	(6,107)	(32,787)	(896,004)	625,408
Segment result	(13,449,652)	(1,098,852)	(527,445)	(820,928)	(13,977,097)	(1,919,780)
Segment assets	4,749,541	17,093,688	945,891	1,304,152	5,695,432	18,397,840
Segment liabilities	(1,175,993)	(588,247)	(484,032)	(501,673)	(1,660,025)	(1,089,920)
Net assets	3,573,548	16,505,441	461,859	802,479	4,035,407	17,307,920

	External Revenue		Non-Current Assets	
	2015	2014	2015	2014
	£	£	£	£
Segment information by region				
Australia	-	-	3,140	5,926
Chile	-	-	5,190,101	17,269,423
Group	-	-	5,193,241	17,274,719

At the end of the financial year, the Group had not commenced commercial production from its exploration sites and therefore had no turnover in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

6. Operating loss	Group 2015	Group 2014
	£	£
Auditors' remuneration		
- audit	58,231	31,580
Depreciation	40,012	54,876
Corporate and advisory fees	545,512	611,173
Employee benefits expense	647,885	946,748
Impairment of exploration	10,908,123	-
	<u>10,908,123</u>	<u>-</u>

The audit costs includes £24,900 (2014: £25,769) payable to the parent company auditors.

7. Employees and emoluments

(a) Emoluments of employees, including Directors, comprised:	Group 2015	Group 2014
	£	£
Wages and salaries	611,014	851,449
Social security costs	5,468	22,971
Directors' fees	21,308	50,780
Pension costs	10,095	21,548
	<u>647,885</u>	<u>946,748</u>

(b) Average employee headcount:	Group 2015	Group 2014
	No	No
Australia	2	2
Chile	14	18
	<u>16</u>	<u>20</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

7. Employees and emoluments (continued)

(c) Directors' remuneration

31 December 2015

	Fees/basic salary £	Employer's NI £	Pension costs £	Bonus £	Share based payments £	2015 Total £
Executive						
Graeme Sloan	106,261	-	10,095	-	-	116,356
Non-Executive						
The Hon. John Moore AO.	8,333	-	-	-	-	8,333
John Russell	12,250	725	-	-	-	12,975
Christopher James	-	-	-	-	-	-
Jimmy Lim	-	-	-	-	-	-
	<u>126,844</u>	<u>725</u>	<u>10,095</u>	<u>-</u>	<u>-</u>	<u>137,664</u>

During the year the Company conducted a comprehensive cost reduction program to ensure maximum use of incoming funds which resulted in a decrease of £177,607 or 56% in Director's remuneration from the previous year. 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.

31 December 2014

	Fees/basic salary £	Employer's NI £	Pension costs £	Bonus £	Share based payments £	2014 Total £
Executive						
Graeme Sloan	188,939	-	21,548	53,914	-	264,401
Non-Executive						
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.

(d) Value of options exercised by Directors

No options were exercised by the Directors during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

8. Taxation	Group 2015 £	Group 2014 £
Current tax charge	-	-
Deferred tax		
Deferred tax current period charge	-	-
	-	-
8.1 Income tax recognised in profit or loss	Group 2015 £	Group 2014 £
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(13,977,097)	(1,919,780)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 20.0% (2014: 21.0%)	(2,795,419)	(403,154)
<i>Effects of:</i>		
Impairment	2,181,625	-
Unrealised exchange differences	1,222	6,885
Tax losses	612,572	396,269
Current tax charge	-	-
8.2 Income tax recognised in other comprehensive income	Group 2015 £	Group 2014 £
Factors affecting the tax charge for the period		
Other comprehensive income/(loss)	81,414	(1,959,246)
Total comprehensive income/(loss) before taxation multiplied by the standard rate of UK corporation tax of 20.0% (2014: 21.0%)	16,282	(411,442)
<i>Effects of:</i>		
Exchange difference on translating foreign operations	(16,282)	411,442
Current tax charge	-	-

Factors that may affect future tax charges

At the year end date, the Group has unused tax losses available for offset against suitable future profits. The group had accumulated tax losses of £16,355,120 at 31 December 2015 (2014: £13,325,042). A deferred tax asset amounting to £3,271,024 (2014: £2,798,259) has not been recognised in respect of such losses due to uncertainty of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

9. Cash and cash equivalents	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Cash at bank and in hand	207,183	1,049,516	16,424	401,305
10. Trade and other receivables	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Other receivables	253,272	56,560	9,590	4,876
Amounts due from subsidiary undertakings	-	-	-	154,803
	<u>253,272</u>	<u>56,560</u>	<u>9,590</u>	<u>159,679</u>
11. Other current assets	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Prepayments	41,736	17,045	41,736	17,045
12. Receivables – non current	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Other receivables	432,202	423,147	-	-
Amounts due from subsidiary undertakings	-	-	6,556,570	18,878,901
	<u>432,202</u>	<u>423,147</u>	<u>6,556,570</u>	<u>18,878,901</u>
Amounts due from subsidiary undertakings			-	-
Balance at the beginning of the year			19,687,799	18,878,901
Impairment on loan			(13,131,229)	-
Balance at the end of the year			<u>6,556,570</u>	<u>18,878,901</u>

Other receivables of £432,202 (2014: £423,147) represents the net amount recoverable of value added tax (VAT) from the relevant taxation authority, offset by an advance recovery of £1,448,645. Refer note 26 for further details.

The directors undertook an impairment review of the carrying value of the subsidiary loans in response to the pending sale of Paguanta Resources (Chile) SA. Based on the cash consideration, this resulted in an impairment charge of £13,131,228.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

13. Intangible assets	Goodwill	Exploration & evaluation costs	Total
	£	£	£
Cost			
As at 1 January 2015	1,000,000	16,453,345	17,453,345
Additions	-	445,722	445,722
Effect of foreign currency exchange differences	-	(1,599,209)	(1,599,209)
At 31 December 2015	<u>1,000,000</u>	<u>15,299,858</u>	<u>16,299,858</u>
Impairment			
As at 1 January 2015	(125,000)	(547,133)	(672,133)
Impairment loss	-	(10,908,123)	(10,908,123)
At 31 December 2015	<u>(125,000)</u>	<u>(11,455,256)</u>	<u>(11,580,256)</u>
Carrying amount			
As at 31 December 2015	<u>875,000</u>	<u>3,844,602</u>	<u>4,719,602</u>
As at 31 December 2014	<u>875,000</u>	<u>15,906,212</u>	<u>16,781,212</u>

The exploration and evaluation costs as at 31 December 2015 relate entirely to the Paguanta (£809,400) (refer comments below), Guamanga (£1,389,903), La Serena (£223,859) and Picachos (£1,421,440) 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.

The Board has considered the carrying value of the Picachos, Guamanga and La Serena Projects and has concluded that no impairment provision is required due to the progressing state of the projects including the positive results from completed exploration to date and the potential for future discovery and development.

In respect of the Paguanta Project, the directors undertook an impairment review of the carrying value in response to the pending sale for the 70% equity in the Paguanta project. Based on the cash consideration to be received, this has resulted in an impairment charge of £10,908,123.

14. Property, plant and equipment	Group 2015	Group 2014	Company 2015	Company 2014
	£	£	£	£
Plant and equipment				
At cost	302,625	350,049	23,854	23,854
Accumulated depreciation	(261,188)	(279,689)	(20,714)	(17,928)
Total property and equipment	<u>41,437</u>	<u>70,360</u>	<u>3,140</u>	<u>5,926</u>
Movements in carrying amounts				
Balance at the beginning of the year	70,360	100,770	5,926	10,207
Additions at cost	3,197	41,106	-	-
Disposals	-	(2,983)	-	-
Depreciation expense	(40,012)	(54,876)	(2,786)	(4,281)
Effect of foreign currency exchange differences arising during the year	7,892	(13,653)	-	-
Carrying amount at the end of the year	<u>41,437</u>	<u>70,360</u>	<u>3,140</u>	<u>5,926</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

15. Investments in subsidiaries

The Company's investments in subsidiary undertakings at 31 December 2015 were as follows:

	Company £
Cost at 1 January 2015 and at 31 December 2015	1,500,000
Less provision for impairment at 1 January 2015 and at 31 December 2015	(250,000)
Net book value at 1 January 2015 and at 31 December 2015	<u>1,250,000</u>

The Company's subsidiary undertakings as at 31 December 2015 were as follows:

Company name	Country of registration or incorporation	Class	Shares held %
Direct			
Tarapaca Resources (Bermuda) Limited	Bermuda	Ordinary	100
Indirect			
Tarapaca Holdings (BVI) Limited	British Virgin Islands	Ordinary	100
Iquique Resources (Chile) SA	Chile	Ordinary	100
Paguanta Resources (Chile) SA	Chile	Ordinary	100 ⁱ
Paguanta Mining Services Limited	Chile	Ordinary	100
Herencia Resources (Chile) SA ⁱ	Chile	Ordinary	94 ⁱⁱ
Compania Minera Paguanta SA	Chile	Ordinary	70 ⁱ

The principal activity of Iquique Resources Chile SA, Paguanta Resources Chile SA, Herencia Resources Chile SA and Compania Minera Paguanta SA is mineral exploration, Paguanta Mining Services Limited is employment services company whilst Tarapaca Resources (Bermuda) Limited and Tarapaca Holdings (BVI) Limited are holding companies.

ⁱ As announced on 10 May 2016, the Company has entered into an agreement with Golden Rim Resources Limited for the sale of Paguanta Resources (Chile) SA which holds 70% of Compania Minera Paguanta S.A. Refer Director's Report for further information.

ⁱⁱ It has been agreed with the minority investor of Herencia Resources Chile SA to acquire their interest in the company in the next 18 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

16. Provisions for liabilities	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Decommissioning expenditure				
Balance at the beginning of the year	51,672	56,155	-	-
Effect of foreign currency exchange differences arising during the year	(5,106)	(4,483)	-	-
Balance at the end of the year	<u>46,566</u>	<u>51,672</u>	-	-
Employee benefits				
Balance at the beginning of the year	37,926	25,686	37,926	25,686
Arising during the year	49,500	13,407	11,976	13,407
Utilised during the year	(12,267)	-	(12,267)	-
Effect of foreign currency exchange differences arising during the year	(2,421)	(1,167)	(2,421)	(1,167)
Balance at the end of the year	<u>72,738</u>	<u>37,926</u>	<u>35,214</u>	<u>37,926</u>
Comprising				
Current	72,738	37,926	35,214	37,926
Non-current	46,566	51,672	-	-
	<u>119,304</u>	<u>89,598</u>	<u>35,214</u>	<u>37,926</u>

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 £46,566 (2014: £51,672) has been made for any future costs of decommissioning or any environmental damage.

The provision for employee benefits relates to annual leave entitlements.

17. Trade and other payables	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Other payables and accruals	<u>1,290,721</u>	<u>598,140</u>	<u>198,818</u>	<u>61,565</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

18. Loans and borrowings	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Current	250,000	402,182	250,000	402,182
Non-current	-	-	-	-
	<u>250,000</u>	<u>402,182</u>	<u>250,000</u>	<u>402,182</u>
Convertible Note				
Balance at the beginning of the year	402,182	354,345	402,182	354,345
Conversion of loan	(395,355)	-	(395,355)	-
Accreted interest	(6,827)	47,837	(6,827)	47,837
Carrying amount at the end of the year	<u>-</u>	<u>402,182</u>	<u>-</u>	<u>402,182</u>

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. Refer note 20 for further details.

Other Loans

Balance at the beginning of the year	-	-	-	-
Proceeds from loan	250,000	-	250,000	-
Carrying amount at the end of the year	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>

During the year, the Directors provided loans of £250,000 to the Company for working capital purposes. The loan comprises of £100,000 advanced by John Moore and £75,000 advanced by both Graeme Sloan and John Russell. The Loans are unsecured and non-interest bearing, with an initial repayment term of 31 October 2015, however this has been extended as required.

19. Non-controlling interests	Group 2015 £	Group 2014 £
Called up share capital	6,013,686	6,231,385
Accumulated losses	(1,806,024)	(1,580,847)
Translation reserve	(737,583)	(683,144)
	<u>3,470,079</u>	<u>3,967,394</u>

The transactions in the year represent share of losses and translation reserves as well as adjustments for changes in capital and reclassification of shares to be issued.

20. Share capital	Company 2015 £	Company 2014 £
<i>Allotted, issued and fully paid:</i>		
4,266,609,563 ordinary shares (2014: 3,239,627,477 ordinary shares)	<u>4,266,609</u>	<u>3,239,627</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

20. Share capital (continued)

Movement in Share capital during the year comprises	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			
7 February 2015 – 0.1p per share ⁱ	379,137,545	379,138	-
11 March 2015– 0.1p per share ⁱ	16,216,917	16,217	-
7 August 2015– 0.25p per share ⁱⁱ	119,627,624	119,627	179,441
22 September 2015 - 0.1p per share ⁱⁱⁱ	512,000,000	512,000	-
Share issue costs	-	-	(65,856)
Balances as at 31 December 2015	4,266,609,563	4,266,609	23,412,246

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.

ⁱⁱ Shares issued to private equity investors. Refer note 21 for further details.

ⁱⁱⁱ On 22 September 2015 the Company announced the completion of private placement raising a capital sum of £512,000 from the issue of a total 512,000,000 ordinary shares at a price of 0.1p per share.

21. Shares to be issued

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Shares to be issued	-	299,698	-	299,698

On 7 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

22. Share options and share-based payments

(a) Movements in share options during the year

The following reconciles the outstanding share options granted as share-based payments at the beginning and end of the financial year:

	Number of options 2015	Weighted average exercise price 2015	Number of options 2014	Weighted average exercise price 2014
Balance at the beginning of the year	45,000,000	1.30p	72,000,000	1.34p
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(20,000,000)	1.25p	(27,000,000)	2.66p
Balance at the end of year	<u>25,000,000</u>	<u>1.33p</u>	<u>45,000,000</u>	<u>1.30p</u>

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 0.2 years (2014: 1.1 years). The range of exercise prices for options outstanding at the end of the year was 1.33p (2014: 1.00p – 1.50p).

(b) Share options outstanding

The following share-based payment arrangements were in existence at the current year end:

Date of grant	Number of options	Exercise price	Expiry date
08/03/2013	25,000,000	1.3316p	15/03/2016

(c) Fair value of share options granted

No shares options were granted during the year (2014: Nil).

(d) Options held by Directors

Of the share-based payment arrangements, the options held by Directors were as follows:

Date of grant	Option price	Expiry date	Opening balance Number	Expired during the year Number	Granted during the year Number	Closing balance Number
Graeme Sloan						
15/11/2012	1.00p	31/12/2015	10,000,000	(10,000,000)	-	-
15/11/2012	1.50p	31/12/2015	10,000,000	(10,000,000)	-	-
			<u>20,000,000</u>	<u>(20,000,000)</u>	<u>-</u>	<u>-</u>

No options were granted to Directors during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

23. Net cash outflow from operating activities	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Operating loss	(13,977,097)	(1,921,853)	(13,658,851)	(823,002)
<i>Adjustments for non-cash items:</i>				
Depreciation of property, plant and equipment	40,012	54,876	2,786	4,281
Exchange differences on retranslation of foreign operations	1,447,507	(745,230)	-	-
Impairment on loan	-	-	13,131,229	-
Impairment on exploration & development costs	10,908,123	-	-	-
Loss on disposal of plant and equipment	-	2,983	-	-
Non-cash finance costs	(7,456)	47,837	(7,456)	47,837
<i>Changes in assets and liabilities:</i>				
(Increase)/decrease in trade and other receivables	(230,458)	106,739	(32,602)	(33,499)
Increase/(decrease) in trade and other payables	692,579	162,286	137,252	(80,458)
Increase/(decrease) in provisions	37,232	13,407	(2,712)	12,240
Net cash outflow from operating activities	<u>(1,089,785)</u>	<u>(2,278,955)</u>	<u>(430,354)</u>	<u>(872,601)</u>

24. Control

No one party is identified as controlling the Company.

25. Subsequent events

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

Director Loans

As announced on 3 February 2016 and 7 March 2016, further loans have been provided by the Directors comprising a £30,000 advancement by both John Moore and John Russell in January 2016 and a short term loan of US\$300,000 provided by John Moore.

The loans for £30,000 are unsecured and non-interest bearing, and are repayable within 6 months but can be extended if required whilst the USD\$300,000 loan has an interest rate of 15% pa with various repayment terms.

As at the date of this report, these Director loans, together with the £250,000 at 31 December 2015 (refer note 18) remain outstanding.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

25. Subsequent events (continued)

Secured Convertible Facility

Subsequent to year end, the Company entered into the following funding arrangements with two of its major shareholders, the Australian Special Opportunity Fund (“Lind Partners”) and Oriental Darius Co. Ltd (“Oriental”).

These funding arrangements are by way of Secured Convertible Facilities totalling US\$750,000 of which US\$350,000 has been drawn down with a further US\$400,000 that can be advanced at the discretion of the Shareholders.

- On 26 February 2016 and 18 March 2016, the Company confirmed it had received US\$50,000 loan from the Lind Partners and Oriental respectively. The loans are interest free and repayable after 6 months and, subject to shareholder approval, will be convertible into ordinary shares at 0.01p.
- On 5 April 2016, Herencia announced that it executed a legally binding term sheets with the Shareholders to advance the Company up to US\$500,000 by way of a Secured Convertible Facility, subject to the satisfaction of certain conditions. The funds will be divided into two Tranches (Tranche 1 totalling US\$200,000 and Tranche 2 totalling US\$300,000). As at the date of this report, US\$200,000 has been fully drawn under Tranche 1.
- On 7 June 2016, the Company announced that it has entered into a further Secured Convertible Facility with the Shareholders to advance the Company up to US\$150,000. The funds will be divided into two Tranches (Tranche 1 totalling US\$50,000 and Tranche 2 totalling US\$100,000). As at the date of this report, US\$50,000 has been fully drawn under Tranche 1.

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.

Golden Rim Resources Limited

On 10 May 2016, the Company announced that it has signed a conditional Term Sheet 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 the date of this report, GMR have largely completed a detailed technical and legal due diligence on the Paguanta project. A number of conditions precedent outlined in the Promise to Purchase agreement remain to be finalised by the Company to the satisfaction of GMR however these are expected to be completed shortly.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

26. Related party transactions

Director Loans

During the year, the Directors provided loans of £250,000 to the Company for working capital purposes. The loan comprises of £100,000 advanced by John Moore and £75,000 advanced by both Graeme Sloan and John Russell. The Loans are unsecured and non-interest bearing, with an initial repayment term of 31 October 2015, however this has been extended as required.

Other

Ben Harber was the secretary of the Company during 2015 and was also a partner of Shakespeare Martineau LLP, a firm of which provides company secretarial services. During the year this partnership was paid a sum of £38,088 (2014: £36,865) in respect of company secretarial and legal services to the Company. This related party transaction is based on independent third party commercial rates.

27. Contingent liabilities and capital commitments

Picachos Project

On 7 August 2013, the Company announced that its subsidiary Herencia Resources (Chile) SA entered into an Option Agreement (“Agreement”) to acquire the advanced Picachos Copper Project in central Chile.

Under the original terms of the Agreement, for Herencia Resources (Chile) SA to earn 100% of the project, US\$200,000 was paid upfront on signing with further payments of US\$8.3m over 4 years.

The Company is currently renegotiating new terms which will have different payment terms.

Other

A subsidiary is currently in legal arbitration in respect of a dispute over non-delivery of a service contract.

Based on legal advice, the directors do not expect the outcome of the action to have a material effect on the Group’s financial position. Accordingly, no provision for any liability has been made in these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

27. Contingent liabilities and capital commitments (continued)

Chilean export VAT refund early scheme

As at 31 December 2015, under the "export VAT refund early" scheme, the Chilean Ministry of Economy, Development and Tourism has authorised Paguanta Compania Minera SA (a 70% owned Chilean subsidiary) to obtain from the Chilean Treasury of the Republic, a value added tax (VAT) recovery of £1,448,645 (converted at year end spot rate).

A promissory note to this effect has been issued and £1,448,645 has been offset against other receivables (refer note 12).

Under this scheme, the company has undertaken to make exports prior to 31 December 2015, however this can be extended to 2017 where there are reasonable grounds to justify the delay.

In 2015, the company was granted an extension of the export deadline to 2017 by the Ministry of Economy, Development and Tourism. Failure to meet this deadline, the company shall return the amounts reimbursed within the month following that in which it has knowledge of not being able to make the export together with penalties and a monthly interest charge of 1%. The amount refunded, excluding any penalties and interest, will then be reinstated in remaining tax credits.

As at 31 December 2015, given the pending sale of Paguanta Resources (Chile) SA which holds 70% of Paguanta Compania Minera SA and also that there is no indication that the deadline of 2017 will not be met, no provision for any liability has been made in respect of these financial statements.

Pastizal Project

On 29th October 2015 the Company announced it had entered into a binding term sheet to acquire the Pastizal project which is situated on the south west boundary of the Picachos tenements. Under this agreement, upon completion of the payments, Herencia would have committed US\$860,000 to acquire 100% of the project.

Since then, three other tenements have been added to the Pastizal tenement increasing the total Pastizal area to 44 hectares. The Company is currently in the process of finalising the terms of the new agreement, which will have different payment terms given the additional tenements.

Other than above, the Group had no contracted capital commitments or contingent liabilities at 31 December 2015.

28. Financial instruments

Capital risk management

The Group manages capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The Group's focus has been to raise sufficient funds through equity and sale of assets to fund exploration activity.

The Group's risk oversight and management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects and ensure that net cash flows are sufficient to support the delivery of the Group's financial targets whilst protecting future financial security. The Group continually monitors and tests its forecast financial position against these objectives.

The Group's activities expose it to a variety of financial risks; market, credit and liquidity. These risks are managed by senior management in line with policies set by the Board. The Group's principal financial instruments comprise cash and short term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

28. Financial instruments (continued)

Capital risk management (continued)

It is, and has been throughout the period under review, Group policy that no speculative trading in financial instruments be undertaken.

Interest rate risk

At 31 December 2015 the Group had British Pound cash at bank of £15,006 (2014: £338,202), Chilean Peso cash at bank of a sterling equivalent of £190,751 (2014: £633,326), Australian Dollar cash at bank of a sterling equivalent of £1,273, (2014: £52,762) and US Dollar cash at bank of a sterling equivalent of £153 (2014: £25,226). The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, was as follows:

	Floating interest rate 31 Dec 2015 £	Fixed interest rate 31 Dec 2015 £	Floating interest rate 31 Dec 2014 £	Fixed interest rate 31 Dec 2014 £
<i>Financial assets:</i>				
Cash at bank	207,183	-	769,516	280,000

The effective weighted average interest rate was 0.20% (2014: 0.20%).

Financial liabilities:

At 31 December 2015, the Group has loans of £250,000 (2014: £402,182).

Net fair value

The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the balance sheet and in the related notes.

Currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The functional currency for the Group's operating activities is the British pound and for drilling activities the Chilean Peso and US Dollar. The Group's objective in managing currency exposures arising from its net investment overseas is to maintain a low level of borrowings. The Group has not hedged against currency depreciation but continues to keep the matter under review.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Chilean Peso	190,751	633,326	-	-
US Dollars	153	25,226	145	10,342
Australian Dollars	1,273	52,762	1,273	52,762

Financial risk management

The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to further financial risks as the business develops.