

Herencia Resources plc

(“Herencia” or the “Company”)

INTERIM FINANCIAL STATEMENTS

For the 6 months ended 30 June 2007

As announced on 5 April 2007, with effect from 8 April 2007 Herencia changed its accounting reference date to 31 December.

On that same date, Herencia confirmed that the next results to be announced by the Company would cover the six months ending 30 June 2007. The un-audited interim accounts of the Herencia Resources Plc and its subsidiary undertakings (the “Group”) for the 6 months ended 30 June 2007 are now attached.

CHIEF EXECUTIVE’S STATEMENT

I am pleased to report on the Company’s progress to date.

During the period under review the Company raised additional capital to undertake further drilling and exploration of its Paguanta project in Chile. The reverse circulation (RC) drill program has now been successfully completed with 50 holes completed for a total of 5,889m drilled. Assay results from the first phase of the program (35 holes) have been received with the majority of holes intersecting zinc, silver and lead mineralisation. The significant higher grade results from the first phase of this program have been announced recently.

Herencia holds a 50% interest in the Paguanta Project in Northern Chile and is in the process of increasing this interest to 70%. The project, located on the northern end of the Chilean Porphyry Copper Belt, is approximately 150km east of the port of Iquique and 20 km south of a national highway. Paguanta contains old silver-lead-zinc workings, in particular the Englishman Mine encompassing the ‘Patricia’ zone.

Previous surface and underground sampling by Herencia had identified a one kilometre long zinc, silver and lead anomaly. Diamond drilling in late 2006 had indicated that the Patricia mineralisation is hosted by at least three sub-parallel, moderate to steeply dipping structures. These generally have a core of higher grade zinc, silver and lead mineralisation within a broader mineralised zone. The success of the 2006 program provided encouragement for the recent drill program which has again achieved significant results.

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

Michael Bohm
Chief Executive Officer
18 September 2007

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GROUP INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	six months ended 30 June 2007 (un-audited) £	six months ended 30 June 2006 (un-audited) £
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administration expenses		(343,931)	(315,300)
Operating loss	4	(343,931)	(315,300)
Finance revenue	4	17,766	2,896
Loss before taxation		(326,165)	(312,404)
Taxation	6	-	-
Loss for the period		(326,165)	(312,404)
Loss per ordinary share			
Basic	2	(0.10)p	(0.16)p
Diluted	2	(0.10)p	(0.16)p

The results shown above relate entirely to continuing operations.

There are no recognised gains and losses other than those passing through the income statement.

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GROUP BALANCE SHEET FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	six months ended 30 June 2007 (un-audited) £	six months ended 30 June 2006 (audited) £
ASSETS			
Non current assets			
Intangible assets	10	1,511,168	886,129
Property, plant and equipment	11	55,465	31,772
Investments	12	-	-
		<u>1,566,633</u>	<u>917,901</u>
Current assets			
Cash and cash equivalents	7	989,645	160,293
Trade and other receivables	8	138,686	43,241
		<u>1,128,331</u>	<u>203,534</u>
Total assets		<u>2,694,964</u>	<u>1,121,435</u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	30,029	43,435
Total liabilities		<u>30,029</u>	<u>43,435</u>
Net Assets		<u>2,664,935</u>	<u>1,078,000</u>
Share Capital			
Share premium account		403,100	200,000
Reserve for own shares		3,176,825	1,276,925
Translation reserve		-	82,000
Accumulated losses		4,593	10,893
		(919,583)	(491,818)
Total equity and reserves		<u>2,664,935</u>	<u>1,078,000</u>

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GROUP CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	six months ended 30 June 2007 (un-audited) £	six months ended 30 June 2006 (un-audited) £
Net cash outflow from operating activities	14	(407,519)	(357,832)
Cash flows from investing activities			
Interest received		17,766	2,896
Purchase of property, plant and equipment		982	(34,301)
Cash acquired with subsidiary undertakings		-	-
Net funds used for investing in exploration	10	(369,048)	(226,124)
Net cash (utilised by)/generated from investing activities		(350,300)	(257,259)
Cash flows from financing activities			
Proceeds from issue of shares	13	700,000	-
Issue costs		(26,000)	-
Proceeds from shares issued after the balance sheet date		-	82,000
Net cash generated from financing activities		674,000	82,000
Net increase in cash and cash equivalents		(83,819)	(533,361)
Cash and cash equivalents at the beginning of the period		1,073,464	693,654
Cash and cash equivalents at the end of the period	7	989,645	160,293

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GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve for own shares	Translation reserve	Accumulated losses	Total
	£	£	£	£	£	£
Balance at 1 July 2005 (un-audited)	-	-	-	-	-	-
Issue of shares	200,000	1,350,000	-	-	-	1,550,000
Issue of costs	-	(73,075)	-	-	-	(73,075)
Shares issued after 30 June 2006			82,000			82,000
Exchange differences on translation of foreign operations	-	-	-	10,893	-	10,893
Net loss for the period	-	-	-	-	(491,818)	(491,818)
Balance at 30 June 2006 (audited)	200,000	1,276,925	82,000	10,893	(491,818)	1,078,000
Balance at 1 July 2006 (audited)	200,000	1,276,925	82,000	10,893	(491,818)	1,078,000
Issue of shares	121,100	1,967,900	-	-	-	2,089,000
Issue costs	-	(68,000)	-	-	-	(68,000)
Transfer from reserve	82,000		(82,000)	-		-
Exchange differences on retranslation of foreign operations	-	-	-	(6,300)	-	(6,300)
Net loss for the period	-	-	-	-	(427,765)	(427,765)
Balance at 30 June 2007 (un-audited)	403,100	3,176,825	-	4,593	(919,583)	2,664,935

The accompanying notes form part of this financial report.

1. Accounting policies

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

1.1. Basis of preparation

The interim financial information for the six months ended 30 June 2007 is un-audited and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The financial reports have been prepared using the historical cost convention and are presented in UK pound sterling. In addition, the financial reports 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”).

The Company has changed its accounting reference date from 30 June to 31 December. The last audited statutory financial statements of the Group covered the period from the Company’s date of incorporation of 27 January 2005 to 30 June 2006. The next audited statutory financial statements of the Group will be for the eighteen months ending 31 December 2007.

The interim financial information for the six months ended 30 June 2007 has been prepared pursuant to AIM rule 18 and represents the half yearly report for the six months then ended. AIM rule 18 states “An AIM company must prepare a half-yearly report in respect of the six month period from the end of the financial period for which financial information has been disclosed in its admission document and at least every subsequent six months thereafter (apart from the final period of six months preceding its accounting reference date for its annual audited accounts).”

The Group financial statements are presented in UK pound sterling.

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 arising on acquisitions is capitalised and subject to an impairment review, both annually and when there are indications that the carrying value may not be recoverable.

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.

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1.3. Goodwill

Goodwill is the difference between the amount paid on the acquisition of the subsidiary undertakings and the aggregate fair value of their separable net assets – of which oil and gas exploration expenditure is the primary asset. Goodwill is capitalised as an intangible asset and in accordance with IFRS3 'Business Combinations' is not amortised but tested for impairment when there are any indications that its carrying value is not recoverable. 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.

1.4. 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 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 period. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings are treated as movements of reserves.

1.5. 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.

1.6. 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 interim financial information. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

1.7. Exploration and development 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 development 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.

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Amounts recorded for these assets represent costs and are not intended to reflect present or future values.

1.8. Impairment of exploration and development costs

The carrying value of unevaluated areas 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 unevaluated prospects 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 development.

2. Loss per share

The basic loss per ordinary share of (0.10)p (2006: (0.16p)) for the Group has been calculated by dividing the loss for the period of £326,165 (2006: £312,404) by the weighted average number of ordinary shares in issue of 313,035,433 (2006: 200,000,000).

The diluted loss per share has been kept the same as the basic loss per share as the potential issue of further shares in connection with the acquisition of Tarapaca Resources (Bermuda) Limited decreases the basic loss per share, thus being anti-dilutive.

3. Segmental information

During the period, the Group was organised into its main business segment as mineral exploration.

The primary segmental reporting is determined to be geographical segment according to the location of the asset. There are two reporting geographical segments.

Geographical segment	Australia	Chile	Total
6 months ended 30 June 2007	£	£	£
Administration expenses	(126,894)	(62,411)	(189,305)
Finance revenue	17,766	-	17,766
Foreign exchange loss	(38,501)	(116,125)	(154,626)
Loss before taxation	<u>(147,629)</u>	<u>(178,536)</u>	<u>(326,165)</u>
As at 30 June 2007			
Intangible assets	-	1,511,168	1,511,168
Property, plant and equipment	-	55,465	55,465
Trade and other receivables	-	138,686	138,686
Cash and cash equivalents	897,543	92,102	989,645
Trade and other payables	(18,960)	(11,069)	(30,029)
Net assets	<u>878,583</u>	<u>1,786,352</u>	<u>2,664,935</u>
6 months ended 30 June 2006			
Administration expenses	(98,185)	(217,115)	(315,300)
Finance revenue	2,896	-	2,896
Loss before taxation	<u>(95,289)</u>	<u>(217,115)</u>	<u>(312,404)</u>
As at 30 June 2006			
Intangible assets	-	886,129	886,129
Property, plant and equipment	-	31,772	31,772
Trade and other receivables	-	43,241	43,241
Cash and cash equivalents	154,041	6,252	160,293
Trade and other payables	(31,580)	(11,855)	(43,435)
Net assets	<u>122,461</u>	<u>955,539</u>	<u>1,078,000</u>

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

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	30 June 2007 (un-audited) £	30 June 2006 (audited) £	
4. Cash and cash equivalents			
Cash at bank and in hand	989,645	160,293	
5. Trade and other receivables			
Other receivables	138,686	43,241	
	<u>138,686</u>	<u>43,241</u>	
6. Trade and other payables			
Accruals and deferred income	30,029	43,435	
	<u>30,029</u>	<u>43,435</u>	
7. Intangible assets			
	Goodwill	Exploration and development costs	Total
Cost			
As at 1 July 2006	500,000	386,129	886,129
Additions	-	625,039	625,039
At 30 June 2007	<u>500,000</u>	<u>1,011,168</u>	<u>1,511,168</u>
Impairment			
As at 1 July 2006	-	-	-
Impairment during the period	-	-	-
As at 30 June 2007	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount			
As at 30 June 2007	<u>500,000</u>	<u>1,011,168</u>	<u>1,511,168</u>

The exploration and development costs relate to expenditure incurred at the Iquique and Paguanta projects located in Chile, South America.

The goodwill of £500,000 arose on acquisition of Tarapaca Resources (Bermuda) Limited, a company incorporated in Bermuda (note 12).

In accordance with the accounting policy, the Directors have assessed the value of goodwill and the exploration and development costs carried in the accounts as intangible fixed assets. In the opinion of the Directors, no impairment provision is considered necessary.

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30 June 2007 (un-audited) £	30 June 2006 (audited) £
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8. Property, plant and equipment

Plant and equipment

At cost	61,424	34,301
Accumulated depreciation	(5,959)	(2,529)
Total property and equipment	55,465	31,772

Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the financial period:

Balance at the beginning of the period	31,772	-
Additions at cost	27,123	34,301
Disposals	-	-
Depreciation expense	(3,430)	(2,529)
Carrying amount at the end of the period	55,465	31,772

9. Fixed asset investments

Company name	Country of registration or incorporation	Class	Shares held %
Direct			
Tarapaca Resources (Bermuda) Limited	Bermuda	Ordinary	100
Indirect			
Tarapaca Holdings (BVI) Ltd	British Virgin Islands	Ordinary	100
Iquique Resources (Chile) SA	Chile	Ordinary	100
Paguanta Resources (Chile) SA	Chile	Ordinary	100

The principal activity of Iquique Resources (Chile) SA and Paguanta Resources (Chile) SA was mineral exploration whereas Tarapaca Resources (Bermuda) Limited and Tarapaca Holdings (BVI) Ltd are holding companies.

30 June 2007 (un-audited) £	30 June 2006 (audited) £
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10. Called up share capital

Authorised:

10,000,000,000 ordinary shares of £0.001 each	10,000,000	10,000,000
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Allotted, issued and fully paid:

384,066,666 ordinary shares (2006: 200,000,000 ordinary shares)	403,100	200,000
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The following shares in the Company were issued during the period:

- On 10 July 2006, the Company completed a private placement raising a capital sum of £571,000 from the issue of 38,066,667 ordinary shares at a price of 1.5p per share. (Of the £571,000 cash raised, £82,000 was received prior to 1 July 2006).
- On 30 October 2006, the Company raised a capital sum of £900,000 from the issue of 90,000,000 ordinary shares at a price of 1p per share.
- On 15 March 2007, the Company raised a capital sum of £700,000 from the issue of 56,000,000 ordinary shares at a price of 1.25p per share.

The movements in the share capital are summarised below:

	Number of shares	£
As at 1 July 2006	200,000,000	200,000
Issued on 10 July 2006	38,066,666	38,067
Issued on 30 October 2006	90,000,000	90,000
Issued on 15 March 2007	56,000,000	75,033
At 30 June 2007	<u>384,066,666</u>	<u>403,100</u>

The details of shares and options issued after 30 June 2007 are set out in note 12.

The share premiums arising as a result of above transactions were as follows:

	£
As at 1 July 2006	1,276,925
Issued on 10 July 2006	532,933
Issued on 30 October 2006	810,000
Issued on 15 March 2007	656,042
Issue costs	<u>(99,075)</u>
As at 30 June 2007	<u>3,176,825</u>

11. Control

No one party is identified as controlling the Company.

12. Subsequent events

Other than the following no matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affect or may significantly affect the results of the Group as presented in this financial report.

Pursuant to the Acquisition Agreement for the acquisition of the Tarapaca Group of Companies in November 2005, there are a further 50,000,000 Ordinary Shares at £0.001 per share that may be allotted to Mineral securities Limited subject to certain performance criteria. The performance criteria are the investment by the Group of at least US\$2,000,000 in the Projects within 36 months of the date of the Acquisition Agreement. These shares were issued post balance date in September 2007.

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13. Related party transactions

During the last 12 months, the Company raised a capital sum of £2,171,000 through the issue of its own shares and Mineral Securities Limited (“Minsec”) a company in which some of the directors of the Company are directors and shareholders as stated in the Directors’ interests paragraph in the Directors’ report, has invested £650,000.

During the last 12 months, the Company also entered into an Alliance Agreement with Minsec. Under the alliance, Herencia will utilize its established office and technical team based in Chile together with Minsec’s technical and commercial team based in Perth. Minsec will provide Herencia Resources plc with access to its experienced team of geological, mining and commercial personnel to assist Herencia in both the evaluation and potential future development of any new resource opportunities.

John Bottomley, the secretary of the Company is an employee of Sprecher Grier Halberstam LLP, a firm of solicitors. During the last 12 months this partnership was paid a sum of £14,684 in respect of legal and secretarial services to the Company.

These related party transactions are based on independent third party commercial rates. The Directors who have interests in these transactions did not participate in the decision making process relating to these transactions.

14. Contingent liabilities and capital commitments

The Group had no contracted capital commitments at 30 June 2007.

The Group had no contingent liabilities at 30 June 2007.

15. Decommissioning expenditure

The Directors have considered the environmental issues and the need for any necessary provision for the cost of rectifying any environmental damage, as might be required under local legislation. In their view, no provision is necessary for any future costs of decommissioning or any environmental damage.