Herencia Resources plc

(“Herencia” or the “Company”)

AUDITED INTERIM FINANCIAL STATEMENTS
For the six months ended 31 December 2006

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 also confirmed that it would release audited accounts for the Group for the six month period ended 31 December 2006 as soon as possible in order that audited information would be available to investors. Those audited results are now attached.

The same financial information was released in unaudited form on 29 March 2007.

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GROUP INCOME STATEMENT

	Notes	6 months ended 31 December 2006 (audited) £	6 months ended 31 December 2005 (un-audited) £
Revenue		-	-
Cost of sales		-	-
Gross profit		**-**	**-**
Administration expenses		(113,265)	(163,189)
Operating loss	4	**(113,265)**	**(163,189)**
Finance revenue	4	11,665	9,846
Loss before taxation		**(101,600)**	**(153,343)**
Taxation	6	-	-
Loss for the period		**(101,600)**	**(153,343)**
Loss per ordinary share			
Basic	2	(0.04)p	(0.13)p
Diluted	2	(0.04)p	(0.13)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.

HERENCIA RESOURCES PLC

GROUP BALANCE SHEET

	Notes	31 December 2006 (audited) £	30 June 2006 (audited) £
ASSETS			
Non current assets			
Intangible assets	10	1,142,120	886,129
Property, plant and equipment	11	56,563	31,772
Investments	12	-	-
		1,198,683	917,901
Current assets			
Cash and cash equivalents	7	1,073,464	160,293
Trade and other receivables	8	69,912	43,241
		1,143,376	203,534
Total assets		**2,342,059**	**1,121,435**
LIABILITIES			
Current liabilities			
Trade and other payables	9	25,903	43,435
Total liabilities		**25,903**	**43,435**
Net Assets		**2,316,156**	**1,078,000**
Share Capital		347,100	200,000
Share premium account		2,558,825	1,276,925
Reserve for own shares		-	82,000
Translation reserve		3,649	10,893
Accumulated losses		(593,418)	(491,818)
Total equity and reserves		**2,316,156**	**1,078,000**

HERENCIA RESOURCES PLC

GROUP CASH FLOW STATEMENT

	Notes	6 months ended 31 December 2006 (audited) £	6 months ended 31 December 2005 (un-audited) £
Net cash outflow from operating activities	14	**(161,398)**	**(108,117)**
Cash flows from investing activities			
Interest received		11,665	9,846
Purchase of property, plant and equipment		(28,105)	-
Cash acquired with subsidiary undertakings		-	500,000
Net funds used for investing in exploration	10	(255,991)	(160,005)
Net cash (utilised by)/generated from investing activities		(272,431)	349,841
Cash flows from financing activities			
Proceeds from issue of shares	13	1,389,000	-
Issue costs		(42,000)	-
Net cash generated from financing activities		1,347,000	-
Net increase in cash and cash equivalents		**913,171**	**241,724**
Cash and cash equivalents at 1 July 2006 (2005 – 1 July 2005)		160,293	451,930
Cash and cash equivalents at the end of the period	7	**1,073,464**	**693,654**

HERENCIA RESOURCES PLC

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)	100,000	450,000	-	-	(99,145)	450,855
Issue of shares	100,000	900,000	-	-	-	1,000,000
Issue of costs	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-
Net loss for the period	-	-	-	-	(153,343)	(153,343)
Balance at 31 December 2005 (un-audited)	200,000	1,350,000	-	-	(252,488)	1,297,512
Balance at 1 July 2006 (audited)	200,000	1,276,925	82,000	10,893	(491,818)	1,078,000
Issue of shares	46,067	1,342,933	-	-	-	1,389,000
Issue costs	-	(42,000)	-	-	-	(42,000)
Transfer from reserve	82,000		(82,000)	-		-
Exchange differences on retranslation of foreign operations	-	-	-	(7,244)	-	(7,244)
Net loss for the period	-	-	-	-	(101,600)	(101,600)
Balance at 31 December 2006 (audited)	328,067	2,577,858	-	3,649	(593,418)	2,316,156

The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL REPORTS

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 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 recently 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. As there will be a gap of more than twelve months between the two sets of audited financial statements, the securities regulators have requested for publication of the audited interim financial reports of the Group for the six months ended 31 December 2006 in respect of this company. The unaudited financial information covering this period was published on 30 March 2007.

International Accounting Standard 34 (IAS34) specifies the periods for which information should be presented for each primary statement in the interim report. These are:

a) The balance sheet information should be given as at the end of the interim period, with comparative information as at the end of the previous full financial year.
b) The income statement should relate to the current interim period and the current year-to-date information; the comparative information should be provided for the equivalent period in the previous year.
c) The statement of changes in equity and the cash flow statement should be presented for the current period year-to-date; the comparative information should be provided for the equivalent period in the previous year.

These financial reports have been presented in accordance with the above requirements and they do not constitute statutory financial statements as defined in section 240 of the Companies Act 1985. They have been prepared using accounting basis and policies consistent with those used in the preparation of the financial statements of the Company for the period ended 30 June 2006.

The comparative figures on the balance sheet as at 30 June 2006 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and which contain an unqualified audit report and did not contain statements under Section 237(2) of the Companies Act 1985.

The comparative figures in the income statement, the statement of changes in equity and the cash flow relate to the equivalent period in the previous year and are extracted from the unaudited interim financial information published in respect of that period.

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.

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.

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 (0.04)p (2005; (0.13p)) for the Group has been calculated by dividing the loss for the period of £101,600 (2005: £153,343) by the weighted average number of ordinary shares in issue of 265,684,057 (2005: 113,586,957).

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.

The Company has no share warrants or options in issue.

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**
Six months ended 31 December 2006	**£**	**£**	**£**
Administration expenses	(135,952)	(62,621)	(198,573)
Finance revenue	11,665	-	11,665
Foreign exchange gain	-	85,308	85,308
Loss before taxation	(124,287)	22,687	(101,600)
As at 31 December 2006			
Intangible assets	-	1,142,120	1,142,120
Property, plant and equipment	-	56,563	56,563
Trade and other receivables	-	69,912	69,912
Cash and cash equivalents	873,452	200,012	1,073,464
Trade and other payables	(5,264)	(20,639)	(25,903)
Net assets	868,188	1,447,968	2,316,156
Six months ended 31 December 2005			
Administration expenses	(163,189)	-	(163,189)
Finance revenue	9,846	-	9,846
Loss before taxation	(153,343)	-	(153,343)
As at 31 December 2005 (un-audited)			
Intangible assets	-	660,005	660,005
Property, plant and equipment	-	-	-
Trade and other receivables	-	-	-
Cash and cash equivalents	693,654	-	693,654
Trade and other payables	(56,147)	-	(56,147)
Net assets	637,507	660,005	1,297,512

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

4. Reconciliation of loss

	2006 £	2005 £
Income		
Interest income	11,665	9,846
Other income	-	-
Total income	**11,665**	**9,846**
Expenses by nature		
Auditors' remuneration		
- audit	(5,725)	(5,875)
- other services	-	-
Depreciation of tangible assets	(3,313)	-
Travel	(31,314)	(10,945)
Consultants	(2,938)	(41,126)
Legal costs	(3,963)	(63,495)
Company secretarial	(9,049)	(15,898)
Directors' fees	(25,304)	(19,165)
Share registry costs	(2,057)	(1,882)
Public relations	-	(10,135)
Foreign exchange loss/gain	(25,665)	9,718
Other costs	(3,937)	(4,386)
Total expenses	**(113,265)**	**(163,189)**
Loss for period	**(101,600)**	**(153,343)**

5. Directors' emoluments

	2006 £	2005 £
Wages and salaries	25,304	18,000
Social security costs	-	1,165
	25,304	19,165

There are no employees other than the Directors.

6. Taxation

Current tax charge	-	-
Deferred tax		
Deferred tax current period charge	-	-
	-	-
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(101,600)	(153,343)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 30.00% (2005: 30%)	(30,480)	(46,003)
Effects of:		
Non deductible expenses	7,997	2,915
Tax losses	22,483	43,088
Current tax charge	-	-

Factors that may affect future tax charges

At the balance sheet date, the Group has unused tax losses available for offset against suitable future profits. A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

	As at 31 December 2006 £	As At 30 June 2006 £
7. Cash and cash equivalents		
Cash at bank and in hand	1,073,464	160,293
8. Trade and other receivables		
Other receivables	69,912	43,241
	69,912	43,241
9. Trade and other payables		
Accruals and deferred income	25,903	43,435
	25,903	43,435

10. Intangible assets

	Goodwill	Exploration and development costs	Total
Cost			
As at 1 July 2006	500,000	386,129	886,129
Additions	-	255,991	255,991
At 31 December 2006	500,000	642,120	1,142,120
Impairment			
As at 1 July 2006	-	-	-
Impairment during the period	-	-	-
As at 31 December 2006	-	-	-
Carrying amount			
As at 31 December 2006	500,000	642,120	1,142,120

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.

	As at 31 December 2006 £	As at 30 June 2006 £
11. Property, plant and equipment		
Plant and equipment		
At cost	62,405	34,301
Accumulated depreciation	(5,842)	(2,529)
Total property and equipment	56,563	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	28,104	34,301
Disposals	-	-
Depreciation expense	(3,313)	(2,529)
Carrrying amount at the end of the period	56,563	31,772

12. 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.

	As at 31 December 2006 £	As at 30 June 2006 £
13. Called up share capital		
Authorised:		
10,000,000,000 ordinary shares of £0.001 each	10,000,000	10,000,000
Allotted, issued and fully paid:		
328,066,666 ordinary shares (2005: 200,000,000 ordinary shares)	328,067	200,000

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 £0.01 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 or the Group disposing of a majority interest in either of the Projects.

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 also raised a capital sum of £900,000 from the issue of 90,000,000 ordinary shares at a price of 1p 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
At 31 December 2006	328,066,666	328,067

The details of shares and options issued after 31 December 2006 are set out in note 16.

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
Issue costs	(42,000)
As at 31 December 2006	2,577,858

14. Net cash outflow from operating activities

	Six months ended 31 December 2006 £	**Six months ended 31 December 2005 £**
Operating loss	(113,265)	(163,189)
Increase in trade and other receivables	(26,670)	
Increase in trade and other payables	(17,532)	55,072
Depreciation of property, plant and equipment	3,313	-
Exchange differences on retranslation of foreign operations	(7,244)	-
Net cash outflow from operating activities	(161,398)	(108,117)

15. Control

No one party is identified as controlling the Company.

16. Subsequent events

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. The details of the shares and options issued subsequent to the year end are set out in the directors report.

17. Related party transactions

During the period, the Company raised a capital sum of £1,471,000 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 £450,000.

During the period, 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 period this partnership was paid a sum of £6,594 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.

18. Contingent liabilities and capital commitments

The Group had no contracted capital commitments at 31 December 2006.

The Group had no contingent liabilities at 31 December 2006.

19. 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.