Herencia Resources PLC - HER Annual Results for Twelve Months ended 31 Dec 2018
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Herencia Resources PLC
22 August 2019

Herencia Resources plc

("Herencia" or the "Company")

Annual Results for Twelve Months ended

31 December 2018

Chairman's Statement

Dear shareholders

It is my pleasure to present you with the Annual Report of Herencia Resources plc (the "Company" or Herencia Resources) and its subsidiary undertakings (together with the "Group") for the year ended 31 December 2018.

Firstly, I would like to thank the small but professional team at Herencia Resources for their ongoing hard work for our shareholders. I would like to welcome Carl Dumbrell, who joined Herencia Resources in May 2018 as CEO and Executive Director.

Our focus is to:

- Use our available capital resources to fully explore the Group's copper projects in Chile;
- Identify new exploration projects in South America;
- Recapitalise the Company;
- Review our current supplier and terms of business;
- Turn around the Company's share price.

Financial and Statutory Information
The Group had an operating loss of £1.20 million for the year. The Group received continued financial support from our major shareholders throughout the year. The Group is committed to reduce its debts and invest as much capital as possible into exploration activities.

Outlook
The Group is focused on the development of its exploration projects in Chile. Management has also been searching for new exploration projects in South America in Copper and Gold.

We thank shareholders for their ongoing support.

On behalf of the Board of Directors.

Jeff Williams Chairman

22 August 2019

The Directors of Herencia expect to print and post the Annual Report and Accounts for the year to 31 December 2018 (the "Accounts") during the week commencing 26 August 2019 and a further announcement will be made at that time.

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The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014.

The Directors present their Strategic Report for the year ended 31 December 2018.

Operating Review

The Group completed a drill program at its Pastizal copper project in central Chile in 2018.

The initial Reverse Circulation (RC) drilling, *reported copper assays from the 25 holes drilled of up to 4.13%* including other high grade near surface copper (Cu) mineralisation.

In particular:

- The initial RC drilling of 25 holes for 2,400 metres demonstrated that the copper mineralised zones within the limestone and chert were near surface when compared with the copper zones identified at the adjacent Picachos lease.
- The copper mineralisation intercepts suggest further expansion of the zones are possible at depth and along strike.

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 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 prospects

(i) The Group has acquired a 100% interest in the Pastizal project and holds an option to acquire 100% of the currently producing Picachos copper prospect in north-central Chile.

(ii) The Group owns 100% of the Guamanga copper-gold and the La Serena copper prospects.

(iii) The Group is also active in seeking new exploration and development opportunities with a focus on Chilean projects, given its significant expertise and resources in Chile.

Picachos and Pastizal prospects

The Picachos prospect is an advanced copper prospect located 50 kilometres east of the major coastal city of La Serena and only eight kilometres west from the large Carmen de Andacollo copper mine owned by the Canadian miner, Teck Resources Inc. This region is a significant mining and resources location in Chile.

High grade copper ore grading approximately 2% copper is currently mined by private miners at Picachos on a small (artisanal) scale.

Other prospects

The Group proposes to undertake limited work programmes at the La Guamanga and La Serena prospects during 2019/20 in order to develop an appropriate strategy for extracting value.

The La Guamanga Project is targeting iron oxide copper-gold style mineralisation whilst the La Serena Project is targeting porphyry copper belt.

The package is highly prospective for leached cap, blanket style chalcocite copper mineralisation and/or porphyry gold.

2019 goals

- Use our available capital resources to fully explore the Group's copper projects in Chile;
- Identify new exploration projects in South America;
- Recapitalise the company;
- Review our current supplier and terms of business;
- Turn around the Company's share price.

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 Group.

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.

Strategy

The Group's strategic plan is to advance the exploration programs at its Chilean Picachos and Pastizal prospects and continue to reduce creditors. With the strong Chilean management team, the Group will leverage off the significant operating experience in Chile.

Financial Review

During the year, the Group reported loss for the year of £1,196,000 following a write back of £122,000 against to the current trade and other payables. The Group received continued financial support from our major shareholders throughout the year where the Group received loan proceeds of £788,000 from the major shareholder as working capital to financing the operating and investing activities of the Group in Chile.

Included within current liabilities is an amount of £500,000 relates to historic liabilities that have previously been recognised in Chile subsidiary undertakings. While the Group is investigating the nature of these liabilities, it is appropriate for the Group to continue to recognise these liabilities. The Group is committed to reduce its debts and invest as much capital as possible into exploration activities.

Corporate Governance

Herencia Resources plc is committed to achieve and maintain high standards of governance. As such, the Board has chosen to adopt the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 ("the QCA Code"). Further information is available on page 10.

Principal risks and uncertainties

Currency risks

The Group operating in Chile are in US dollars, whilst our UK costs are in GBP and therefore the Group's financial position and performance will be affected by fluctuations in the US dollar, sterling exchange rate. As a result, the Group recognised a foreign exchange loss of £182,000.

Market risk

The demand for, and price of, copper is highly dependent on a variety of factors beyond the Group's control.

Environment
Herencia Resources is committed to utilising industry best practices and achieving the highest standards of environmental management and safety. Our operations:
- Continuously assess and monitor environmental impact
- Promote internally and across our industry best practices for environmental management and safety
- Constant attention to maintaining our exemplary track record of safe exploration activities

There were no reportable health and safety incident during the year.

Community
Herencia Resources seeks and maintains positive relationships with its local communities. As such, Herencia Resources is dedicated to ensuring:
- Open and honest dialogue
- Engagement with stakeholders at all stages of development
- Proactively address local concerns
- Actively minimise impact on our neighbours
- Adherence to a strict health and safety code of conduct

Events after the reporting period
Since 1 January 2019 the Group has received financial support from its major shareholders as convertible loans for US$300,000. The conversion price into ordinary fully paid shares will be at the "Next Placement Price".

Outlook
The Group is focused on the development of its exploration projects in Chile. Management has also been searching for new exploration projects in South America in Copper and Gold.

I would like to thank our committed team of professionals at Herencia Resources who continue to work hard on behalf of our shareholders.

Approved by the Board of Directors and signed on behalf of the Board.

Jeff Williams
Non-Executive Chairman

22 August 2019

Details of all our assets and operations can be found at our website.

Directors' Report

The Directors present their report together with the audited consolidated financial statements for the Herencia Group plc (the "Company") and its subsidiary undertakings (together with the "Group") for the year ended 31 December 2018.

Result
The Group incurred a loss of £1.05 million for the financial year (2017: restated of £0.56 million). The Directors do not recommend the payment of a dividend.

Business review and future developments
A summary of the Group's main business developments for the year ended 31 December 2018 and potential future developments is contained within the Chairman's Statement and Strategic Report.

Directors
The Directors who were in office during the year and up to the date of signing the financial statements, unless stated, were:

Executive Director
Carl F. Dumbrell Appointed 30 May 2018

Non-Executive Director
Jeff Williams
PD Reeve Resigned 20 June 2018

The Directors of the Company at the date of this report, and their biographical summaries, are given on page 20.

The Directors' remuneration is detailed in the Directors' Remuneration Report on page 18 to 19. All Directors benefit from the provision of Directors' and Officers' indemnity insurance policies.

Share Capital
At the date of this report 10,908,517,793 ordinary shares are issued and fully paid. Detail of movement in share capital during the year is given in note 20 to the financial statements.

Substantial shareholders
As of the date of this report the Group had been notified of the following interests of 3% or more in the Group's ordinary share capital:

	Percentage of shareholding
The Australian Special Opportunity Fund (ASOF)	22.3%
Oriental Darius Co Ltd	20.9%
Shining Capital Management Ltd	3.7%

ASOF is acting in concert with John Hancock and Martin Rogers and Abundance Partners LP. As at the date of this report the Concert Parties held ordinary share capital:

	Percentage of shareholding
Concert Parties	24.2%

Financial Instruments
The financial risk management objectives and policies of the Group in relation to the use of financial instruments and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in Note 25 to the financial statement

Employees
The Group had 4 employees as at 31 December 2018 (2017: 4).

Going Concern
As disclosed in Note 3.2 to the financial statements, it refers to the assumptions made by the Directors when concluding that it remains appropriate to prepare the financial statements on the going concern basis.

Events after the reporting period
Events after the reporting period have been disclosed in Note 29.

Disclosure of Information to the Auditor
In the case of each person who was a Director at the time this report was approved:

- so far as the Director was aware there was no relevant audit information of which the company's auditor was unaware; and
- the Director has taken all steps that the he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

Auditors
During the year, UHY Hacker Young LLP resigned and Crowe U.K. LLP were appointed in their place as auditor of the Company for the purpose of the audit of the financial statements.

A resolution to reappoint the auditor, Crowe U.K. LLP, was approved at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

Jeff Williams
Non-Executive Chairman

Date: 22 August 2019

Corporate Governance Statement

Herencia Resources plc is committed to achieve and maintain high standards of governance. As such, the Board has chosen to adopt the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 ("the QCA Code"). Detailed below is how the Board applies the 10 principles of Corporate Governance, which form part of the QCA code.

1. Establish a strategy and business model which promote long-term value for shareholders

Business description
Herencia Resources plc ("Herencia") vision is to become a significant exploration and development company in Chile, focus on the resources of Copper and Gold.

Herencia has over a decade of experience in exploration in Chile and a proven record of bring projects to market and the identification of new exploration projects.

Herencia has a small but strong team, led by its Board of Directors who work closely with the team in Chile, whom are responsible for day to day operations of the Group exploration projects.

The Group is focused on delivering results and the creation of long term value for shareholders. The new management team have implemented a reporting framework which allows for the ongoing reporting from our operations team in Chile. We also have conducted review of our relationship with suppliers and made a number of changes which we feel is in the interest of our shareholders.

Strategy

The board and management is focused on delivering results for our shareholders whilst respecting the local partners and landowners whom we work with in Chile. Our strategy is to be a low cost exploration company, and discover high quality Copper and gold projects in Chile.

We have recently appointed a specialist resource communication firm in London, Blytheweigh, whose role is to assist with board in the communication of our work program, ongoing results and ensure the market is well informed on the goals and objectives of the company.

The key challenges for the board are to:

1. Identify new exploration projects (Copper and Gold) in Chile;
2. Management of the company's existing projects and work programs

Further information can be obtained in the company's strategic report on pages 5 to 7.

2. Seek to understand and meet shareholder needs and expectations

The Board is committed to maintaining good communications and having a constructive dialogue with both its institutional and private shareholders. The Company endeavours to maintain a dialogue and keep shareholders informed though its public announcements and its website. The Company distributes all RNS releases to all shareholders whom have registered their email address. We welcome all shareholders to contact the company to provide their email address and received ongoing alters both for both regulatory announcements and non-regulatory news.

The Company encourages all shareholders to attend its Annual General Meeting where they can meet and question the Directors and express ideas or concerns. The Directors undertake presentations and roadshows to institutional investors as appropriate and periodically participate in recorded interviews that are available to view on the corporate website.

Shareholders are welcome, to contact the CEO and Chairman via email and telephone. In addition, shareholder communication is answered, where possible or appropriate, by Directors or the Company's Financial PR advisors, Blytheweigh or the Company's brokers & VSA Capital.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Stakeholder relations
The Board recognises that the Company's continued growth and long-term success is largely reliant on its relations with its stakeholders, both internal (employees and shareholders) and external (customers, suppliers, agents, business partners and advisors etc.).

Our employees are a key factor in delivering successful growth and as such the Company fosters an open and friendly dialogue throughout its workforce. The Company undertakes employee reviews and assessments to identify and assist employees with training and career progression. The Company endeavours to keep its workforce informed on the Company's progress and holds regular meetings both formal and informal via social events.

The company maintains regular dialogue with its external stakeholders particularly its advisors in London and Chile. The company works closely with its advisors to ensure it operates in conformity of its listing regulations as well as the social, legal, religious and cultural requirements of the countries in which it operates.

The company has implemented changes following the considerations of our stakeholders and will continue to engage with our stakeholders in the future.

Social Responsibilities

As a Company, we take our corporate social responsibilities very seriously, particularly as we operate in emerging market (Chile) and in some cases in areas of poverty and deprivation. The company aims to:

1. be accountable for our actions and activities;
2. be transparent about our activities and decisions that affect society, the economy and the environment;
3. operate in an ethical manner in all our business operations;
4. be mindful of and respect our stakeholder interests, both internal stakeholders (employees and shareholders) and external (customers, suppliers, agents, business partners and advisors etc.);
5. respect the rule of law wherever we operate;
6. respect international norms of behaviour wherever we operate;
7. respect human rights in whatever we do and wherever we operate.

We recognise that Social Responsibility is a process that will develop and evolve with practice and time and one in which all our employees have a role to play.

4. Embed effective risk management, considering both opportunities and threats, throughout the organization

Risk Management

As an exploration business operating in Chile there is clearly an elevated risk which is balanced by potentially greater rewards. The Board is mindful of and monitors both its corporate risks and individual project risks. Risks are categorised by both probability and impact and appropriate measures identified to monitor and mitigate any potential impact.

Project risks are dealt with on a case by case basis and monitored through the life cycle of the project as risks change and new risks appear. Project risks and mitigation will be part of regular project management meetings. The project manager for any given project will have responsibility for maintaining the project risk register.

The Company's corporate risks, risk monitoring, and risk management procedures are regularly reviewed by the Risk Committee and the Company's risk register updated as necessary. The Company Secretary will have responsibility for maintaining the corporate risk register. The Risk Committee Chairman will be responsible for ensuring the risk register is regularly reviewed and will report on status and updates at Board meetings.

5. Maintain the board as a well-functioning, balanced team led by the chair

The board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board. The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The board should have an appropriate balance between executive and Non-Executive Directors and should have at least two independent Non-Executive Directors. Independence is a board judgement. The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.

Compliance

The Board is comprised of a Chairman, an Non-Executive Director. The roles of the Chairman and Chief Executive Officer are clearly separated. The Chief Executive is responsible for the operational management of the business of the Group and for the implementation of strategy and policies as agreed by the Board.

The Chairman is responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information. The non-executive director (being Jeff Williams) is considered by the Board to be independent of management and free to exercise independence of judgement. The chairman is involved in daily discussion and decisions of the ongoing activities and management of the company.

A description of the roles of the Directors is included within the Board of Directors page of this website. Profiles of the Board of Directors and management are given on page 20.

The Directors recognise that it is expected that AIM companies will have a minimum of two Non-Executive Directors and are proactively seeking the appointment of a second non-executive director.

Meetings of the Board

The board discussed matter daily via email the telephone. Board meeting are held at least 6 times per year. The company has a small team who work very closely together. Since the change in management in May / June 2018 all Directors have attended all meetings of the board.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Company operates in complex and challenging technological and geographical areas and the Board is mindful that in order to deal effectively with the challenges of the business and to maximise its growth opportunities it has to incorporate a broad range of skills and diversity.

The board has an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenges its own diversity, including gender balance, as part of its composition, and recognises the requirement to appoint a second non-executive director.

The Directors have extensive international experience in finance and natural resources. The company support ongoing education and training of directors and its management. The Directors are members of both UK and International professional organisations, and through regular training courses ensure they keep their skills and knowledge up to date.

The company secretary is a qualified solicitor in England and partner of the firm Bishop & Sewell in London. The company secretary is required as part of the professional standards of the Law Society of England and Wales to attend ongoing training and professional courses.

As noted above, the Company has put in place an Audit Committee as well as Remuneration and Nomination Committees. The responsibilities of each of these committees have been summarised within this webpage.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Application

The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time.

The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.

Compliance

The Company undertakes regular monitoring of personal and corporate performance using agreed Key Performance Indicators and detailed financial reports. Responsibility for assessing and monitoring the performance of the Executive Directors lies with the Chairman and the Non-Executive Directors. Following the recent change in management the company, a review of the board and its past performance was completed. The review identified areas in which the board which the board needed to focus (in particular finance and reporting its Annual and Half Year Reports on time).

The board has taken immediate measured to improve the deficiency in this area.

Ongoing evaluations will be completed as follows:

1. ***Board Evaluation***

Review:	**Period:**
Board composition in terms of skills, experience and balance	Annually or as required
Board cohesion	Annually or as required
Board operational effectiveness and decision making	Annually
Board meetings conduct and content and quality of information	Annually or as required
The Board's engagement with shareholders and other stakeholders	Annually
The corporate vision and business plan	Annually

2. **Committee Evaluation**

Review:	**Period:**
Board Committees' composition in terms of skills, experience and balance	Annually or as required
Board Committees' Terms of Reference	Annually
Board Committees' effectiveness	Annually

3. **Individual Director Evaluation**

Review:	**Period:**
Executive Director performance in executive role	Annually
Executive Director performance and contribution to the Board	Annually
Non-Executive Director performance and contribution to the Board	Annually
Non-Executive Director's independence and time served	Annually
All Directors' attendance at Board and Committee meetings	Annually

The board discusses succession planning at board meetings. As part of these discussions the board considers the skills & diversity of the existing board members. The board will consider the appointment of persons whose skills and diversity would complement the current board members and brings new skills and knowledge to the company.

8. Promote a corporate culture that is based on ethical values and behaviours

Application

The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.

The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.

The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.

Compliance

Herencia Resources plc has a strong ethical culture, which is promoted by the actions of the board and executive team. The Group has an anti-bribery policy and has implemented adequate procedures described by the Bribery Act 2010. The Group reports on its compliance to the board on an annual basis. The Group has undertaken a review of its requirements under the General Data Protection Regulation, implementing appropriate policies, procedures and training to ensure it is compliant.

The board also encourages all employees adopt such values through an appraisal process linked to performance.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Application

The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:

- size and complexity; and
- capacity, appetite and tolerance for risk.

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.

Compliance

Details of the Company's corporate governance arrangements are provided within this Corporate Governance section of the website.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Stakeholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with all of its stakeholders, including shareholders, providing them with access to information to enable them to come to informed decisions about the Company. The Company's website provides all required regulatory information as well as additional information shareholders may find helpful including: Share Services, information on Board Members, Advisors and Significant Shareholdings, a historical list of the Company's Announcements, its Financial Calendar, Corporate Governance information, the Company's publications including historic Annual Reports and Notices of Annual General Meetings, together with Share Price information and interactive Charting facilities to assist shareholders analyse performance.

Results of shareholder meetings and details of votes cast will be publicly announced through the regulatory system and displayed on the Company's website with suitable explanations of any actions undertaken as a result of any significant votes against resolutions.

Information on the work of the various Board Committees and other relevant information are included in the Company's Annual Report.

Meetings of Directors

The number of meetings of the company's Board of Directors held during the year, and the number of meetings attended by each director were:

	Attended	**Held**
Carl Dumbrell (appointed 30 May 2018)	6	6
Jeff Williams	10	10
Peter Reeves (resigned 20 June 2018)	4	4

The Group has established an audit committee, a remuneration committee, a nomination committee and an AIM Rules compliance committee with formally delegated duties and responsibilities.

Audit & risk committee

The audit committee comprised of Jeff Williams and Carl Dumbrell with Carl Dumbrell as Chairman.

The audit committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits and controls as well as reviewing the Group's annual and half-year financial statements, other financial information and internal Group reporting.

It oversees and reviews the Company's financial reporting and internal control processes, its relationship with external auditors and the conduct of the audit process together with its process for ensuring compliance with laws, regulations and corporate governance. The Company's external auditors will be invited to attend meetings of the Committee on a regular basis.

There is currently no internal audit function in view of the size of the Group, although this is kept under annual review.

The Auditor Committee Report is presented on page 17.

Remuneration committee

The remuneration committee comprised of Carl Dumbrell and Jeff Williams with Jeff Williams as Chairman.

The remuneration committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual directors. This includes agreeing with the Board the framework for remuneration of the Chief Executive, all Directors, the Company Secretary and such other members of the of the Company as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options.

The remuneration committee will determine the scale and structure of the Executive Directors' and senior employees' remuneration and the terms of their respective service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the Non-Executive Directors of the Group will be set by the Chairman and executive members of the board.

The Committee's policy is to provide a remuneration package which will attract and retain Directors and management with the ability and experience required to manage the Group and to provide superior long-term performance. It is the aim of the Committee to reward Directors competitively and on the broad principle that their remuneration should be in line with the remuneration paid to senior management of comparable companies. There are four main elements of the remuneration package for Executive Directors: base salary, share options, benefits and annual bonus

The Directors' Remuneration Report is presented on page 18 to 19.

Nomination committee

The nomination committee comprised of Jeff Williams and Carl Dumbrell with Jeff Williams as Chairman.

The nominations committee leads the process for Board appointments and is responsible for review of the board size, structure and composition (both executive and non-executive) including any potential new applicants to ensure the board contains the right balance of skills, knowledge and experience to manage and grow the business. The nominations committee will make recommendations to the Chairman of the Board on any proposed or suggested changes to the Board with a view on the leadership needs of the business including succession planning.

Where new Board appointments are considered the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The Board carries out an evaluation of its performance annually, considering the Financial Reporting Council's Guidance on Board Effectiveness.

The Chairman is responsible for monitoring of compliance with the terms of reference of the committees. The Chairman is responsible for the overall governance and compliance of the company of the Companies Act, AIM rules and policies and procedures adopted by the company.

The CEO is responsible for implementation of the straggly and governance policies adopted by the company.

The Nominations Committee did not meet during the period under review.

The Board believes that the Group has a strong governance culture and this has been reinforced by the adoption of the QCA Code and recognition of the key principles of corporate governance set out in the QCA Code, which the Board continually considers in a manner appropriate for a company of its size.

The board reviews the compliance of the policies of the company at its board meetings. The board also evaluates the company's governance framework work at board meetings, considering any changes to AIM rules and other regulatory frameworks.

Jeff Williams
Chairman

22 August 2019

Audit Committee Report

The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits and controls as well as reviewing the Group's annual and half-year financial statements, other financial information and internal Group reporting.

This will include:

- considering whether the Company has followed appropriate accounting standards and, where necessary, made appropriate estimates and judgments considering the views of the external auditors;
- reviewing the clarity of disclosures in the financial statements and considering whether the disclosures made are set properly in context;
- where the audit committee is not satisfied with any aspect of the proposed financial reporting of the Company, reporting its view to the Board of Directors;
- reviewing material information presented with the financial statements and corporate governance statements relating to the audit and to risk management; and
- reviewing the adequacy and effectiveness of the Company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, review the Company's internal control and risk management systems and, except where dealt with by the board or risk management committee, review and approve the statements included in the annual report in relation to internal control and the management of risk.

The Audit Committee assists by reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and financial statements and the half-yearly reports remains with the Board.

During the year, there were no non-audit services rendered to the Group and the Company. The audit committee considered the nature, scope of engagement and remuneration paid were such that the independence and objectivity of the auditors were not impaired. Fees paid for audit and non-audit services are provided in Note 5.

During the financial year, the Audit Committee met with the auditor, Crowe U.K. LLP, to review audit planning and findings with regard to the Annual Report.

Significant reporting issues considered during the year included the following:

1. Going concern

The Committee also considered the Going Concern basis on which the accounts have been prepared and can refer shareholders to the Group's accounting policy set out in Note 3.2.

The Directors are satisfied that the going concern basis is appropriate for the preparation of the financial statements.

Carl Dumbrell
Chairman - Audit Committee

Directors' Remuneration Report

This report sets out the remuneration policy operated by the Company in respect of the Executive and Non-Executive Directors. The remuneration policy is the responsibility of the Remuneration Committee, a sub-committee of the Board. No Director is involved in discussions relating to their own remuneration.

Remuneration policy
The objective of the proposed remuneration policy is to attract, retain and motivate high calibre executives to deliver outstanding shareholder returns and at the same time maintain an appropriate compensation balance with the other employees of the Group.

Directors' remuneration
The normal remuneration arrangements for Executive Directors consists of base salary, performance bonuses and other benefits as determined by the Board. Each of the Executive Directors has a service agreement that can be terminated at any time by either party giving to the other six months' written notice. Compensation for loss of office is restricted to base salary and benefits only.

The remuneration packages for the Executive Directors are detailed below:

- **Base Salary**
  Annual review of the base salaries of the Executive Directors are concluded after considering the Executive Directors' role, responsibilities and contribution to the Group performance.

- **Performance Bonus**
  Bonus arrangements are discretionary and are payable depending on the performance of the Executive Directors in meeting their key performance indicators and in the wider context with the performance of the Group.

- **Benefits**
  Benefits include payments for provident funds that are mandatory and statutory pension payments as required by laws of the resident countries of the Executive Directors.

  Non-Executive Directors are remunerated solely in the form of Director Fees determined by the Board and are not entitled to pensions, annual bonuses or employee benefits.

Performance evaluation
All Directors undergo a performance evaluation before being proposed for re- election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

Appraisals are carried out each year with all Executive Directors. All continuing Directors stand for re-election every 2 years. Succession planning at the current time is limited due to the current size of the Board.

The tables below set out the respective Directors' remuneration and fees:

2018	**Salary**	**Share based payment**	**Total**
	£'000	£'000	£'000
Carl Dumbrell	20	-	20
Jeffrey William	20	-	20
Peter Reeves	-	(15)	(15)
	40	(15)	25

2017	**Salary**	**Share based payment**	**Total**
	£'000	£'000	£'000
Jeffrey William	-	15	15
Peter Reeves	-	15	15
	-	30	30

The Remuneration Committee met once during the year to review the scale and structure of the Executive Directors' and senior employees' remuneration.

Jeff Williams
Chairman - Remuneration Committee

Board of Directors

Jeffrey Williams - Non-Executive Chairman

Jeffrey Williams has over 40 years' industry experience with 16 years' experience as a professional mining engineer in Australia and seven years in the stockbroking industry, and is a Fellow of the Australasian Institute of Mining and Metallurgy. His mining experience ranges from mine planning, underground management and feasibility studies through to mine development.

Jeffrey was the Managing Director of Mineral Deposits Ltd for 15 years and departed in late 2011. He secured the Sabodala gold and Grande Cote zircon projects in Senegal in West Africa, and commenced gold production in March 2009. The market capitalisation of Mineral Deposits Limited increased from AUD$6 million in 2003 to over AUD$1000 million in 2011. Jeffrey has since been involved in other smaller mining companies on the ASX to develop exploration plans mostly in Australia.

Jeffrey is currently a Director of Horizons Minerals Limited (ASX: HRZ).

Carl Dumbrell - Chief Executive Officer & Executive Director

Carl Dumbrell is a partner in a Sydney accounting firm with 20 years' experience in taxation and assurance services in Australia and England, and with an on-going involvement in the raising of finance and the divestment of assets for listed companies.

Carl has Bachelor of Commerce and Master of Taxation Law degrees, and is a Chartered Accountant in both Australia and in England & Wales, as well as being a Chartered Tax Advisor, Registered Company Auditor, Registered Self-Managed Superannuation Fund Auditor, and Member of the Australia Institute of Company Directors.

Carl is Director & Company secretary of Emperor Energy Limited (ASX: EMP).

Statement of Director's Responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group and the Company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and applicable law.

The financial statements are required by law and applicable accounting standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the Strategic Report and Directors' report which comply with the requirements of the Companies Act 2006;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for ensuring that the Strategic Report, Directors' report and other information included the Annual Report and financial statements is prepared in accordance with applicable law in the United Kingdom. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Herencia Resources plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statement may differ from legislation in other jurisdictions.

Independent Auditors' Report

Opinion

We have audited the financial statements of Herencia Resources Plc (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2018, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2018;
- the Group and Company statements of financial position as at 31 December 2018;
- the Group statement of cash flows for the year then ended;
- the Group and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and the Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group and the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty relating to going concern

We draw attention to note 3.2 to the financial statements, which indicates that the Group will require additional funds and/or funding facilities in order to fully develop its business plan. The financial statements have been prepared on the going concern basis, which depends on a continuation of existing shareholders' support. These conditions, along with the other matters explained in note 3.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Overview of our audit approach
Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £60,000, based on approximately 5% of the Group's normalised loss before taxation.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £1,500. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

We performed a full scope audit on the Company and its wholly owned subsidiary undertakings are accounted for from one central operating location, the Group's registered office. Our audit was conducted from the main operating location and all group companies were within the scope of our audit testing.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Materiality uncertainty related to going concern", we have determined the following key audit matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Carrying value of intangible assets The group's primary focus is on exploration activities in Chile. Exploration expenditure in the year totalled £0.2 million and relates to licence renewal fees and drilling costs incurred at Pastizal project. We have considered the risk that exploration assets are incorrectly capitalised or impaired.	We have agreed the costs capitalised to underlying supporting documentation considering whether it meets the criteria of IFRS 6. We have reviewed management's assessment which concluded that there are no facts or circumstances that suggest the carrying amount of the asset exceeds the recoverable amount. In considering this assessment we considered the following sources of evidence: · Board minutes and budgets setting out the group's plans for the continued commercial appraisal of the exploration assets. · Discussing plans and intentions with management.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Matthew Stallabrass (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

Date: 22 August 2019

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2018 £'000	(Restated) Year ended 31 December 2017 £'000
Continuing Operations			
Revenue		-	-
Cost of sales		-	-
Gross profit		**-**	**-**
Other operating income	6	7	184
Administration expenses		(855)	(685)
Write back of trade and other payables		122	-
Share based payment charge		(42)	(29)
Foreign exchange losses		(182)	48
Operating loss	5	(950)	(482)
Finance costs		(246)	(73)
Loss before tax		(1,196)	(555)
Income tax expenses	8	-	-
Loss for the year from continuing operations		(1,196)	(555)
Items that may be reclassified subsequently to profit or loss:			
Other comprehensive income			
Exchange differences on translating foreign operation		(117)	(15)
Total comprehensive loss for the year		**(1,313)**	**(570)**
Loss for the year attributable to:			
Equity holders of the Company		(1,196)	(555)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		(1,313)	(570)
Loss per share			
Loss per ordinary share - basic and diluted	28	(0.011)	(0.008)

The notes on page 31 to 50 form part of these of financial statements

Consolidated Statement of Financial Position

	Note	At 31 December 2018 £'000	(Restated) At 31 December 2017 £'000	(Restated) At 1 January 2017 £'000
ASSETS				
Non-current assets				
Receivables		-	-	4
Exploration and evaluation	**9**	5,818	5,368	4,162
Property, plant and equipment	**10**	21	17	23
		5,839	5,385	4,189
Current assets				
Cash and cash equivalents	**13**	45	233	17
Trade and other receivables	**14**	62	150	130
Prepayments		-	1	22
		107	384	169
Total assets		**5,946**	**5,769**	**4,358**
LIABILITIES				
Non-current liabilities				
Loans and borrowings	**17**	1,572	619	768
Vendor obligations	**19**	1,025	875	-
		2,597	1,494	768
Current liabilities				
Trade and other payable	**15**	1,121	986	1,173
Provisions	**16**	111	54	93
Loans and borrowings	**17**	63	255	35
		1,295	1,295	1,301
Total liabilities		**3,892**	**2,789**	**2,069**
Net Assets		**2,054**	**2,980**	**2,289**
EQUITY				
Share capital	**20**	4,931	4,801	4,305
Share premium	**20**	24,486	24,271	23,412
Share based payments reserve	**22**	71	29	761
Translation reserve	**21**	(486)	(369)	(354)
Accumulated losses	**21**	(26,948)	(25,752)	(25,958)
		2,054	2,980	2,166
Non-controlling interest		-	-	123
Total Equity		**2,054**	**2,980**	**2,289**

The financial statements were approved by the Board of Directors and authorised for issue on 22 August 2019 and were signed on its behalf by:

Jeff Williams -Non-Executive Chairman

Company number 05345029

The notes on page 31 to 50 form part of these of financial statements

Company Statement of Financial Position

	Note	At 31 December 2018 £'000	(Restated) At 31 December 2017 £'000	(Restated) At 1 January 2017 £'000
ASSETS				
Non-current assets				
Exploration and evaluation	**9**	911	911	-
Receivables	**11**	2,912	5,458	4,082
Investments in subsidiaries	**12**	123	123	-
		3,946	6,492	4,082
Current assets				
Cash and cash equivalents	**13**	38	230	9
Trade and other receivables	**14**	-	38	-
Prepayments		-	-	21
		38	268	30
Total assets		**4,384**	**6,760**	**4,112**
LIABILITIES				
Non-current liabilities				
Loans and borrowings	**17**	2,072	1,119	769
Vendor obligations	**19**	1,025	875	-
		3,097	1,994	769
Current liabilities				

Trade and other payable	**15**	172	273	270
Provisions	**16**	-	-	45
Loans and borrowings	**17**	63	255	35
		235	528	350
Total liabilities		**3,332**	**2,522**	**1,119**
Net Assets		**652**	**4,238**	**2,993**
EQUITY				
Share capital	**20**	4,931	4,801	4,305
Share premium	**20**	24,486	24,271	23,412
Share based payments reserve		71	29	761
Accumulated losses		(28,836)	(24,863)	(25,485)
Total Equity		**652**	**4,238**	**2,993**

The loss for the Company for the year ended 31 December 2018 was £973,000 (2017: restated £139,000).

The financial statements were approved by the Board of Directors and authorised for issue on 22 August 2019 and were signed on its behalf by:

Jeff Williams -Non-Executive Chairman

Company number 05345029

The notes on page 31 to 50 form part of these of financial statements

Consolidated and Company Statement of Cash Flows

	Note	Group Year ended 31 December 2018 £'000	(Restated) Group Year ended 31 December 2017 £'000	Company Year ended 31 December 2018 £'000	(Restated) Company Year ended 31 December 2017 £'000
Operating loss		(1,196)	(555)	(973)	(139)
Adjustments for non-cash items:					
Depreciation		5	6	-	-
Exchange difference		182	(48)	182	(48)
De-recognition of loans		(43)	(184)	(43)	(184)
Write back of trade and other payable		(122)	-	(115)	-
ECL allowance on intercompany loans receivables	**11**	-	-	300	-
Finance costs		246	73	246	73
Share based payment charge		42	29	42	29
Cash used in operating activities before changes in working capital		**(886)**	**(679)**	**(361)**	**(269)**
increase/(decrease) in trade and other receivables		89	7	38	(16)
(increase)/decrease in trade and other payables		280	(252)	97	(68)
Cash flow from operating activities		**(517)**	**(924)**	**(226)**	**(353)**
Cash flow from investing activities					
Cash calls made to controlled entities		-	-	(754)	(876)
Purchase of property, plant and equipment	**10**	(9)	-	-	-
Net funds used for investing in exploration	**9**	(450)	(310)	-	-
Cash flow from investing activities		**(459)**	**(310)**	**(754)**	**(876)**
Cash flow from financing activities					
Proceeds from issue of shares	**20**	-	955	-	955
Proceeds from loans	**18**	788	495	788	495
Cash flow from financing activities		**788**	**1,450**	**788**	**1,450**
Net increase/(decrease) in cash and cash equivalents		(188)	216	(192)	221
Cash and cash equivalents at the beginning of the year		233	17	230	9
Effect of changes in exchange rate		-*	-*	-	-
Cash and cash equivalents at the end of the year		**45**	**233**	**38**	**230**

*less than £1,000

The notes on page 31 to 50 form part of these of financial statements

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Translation reserve £'000	Share based payments reserve £'000	Other reserve £'000	Retained losses £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2017	**4,305**	**23,412**	**(354)**	**761**	**46**	**(25,952)**	**123**	**2,341**
Correction of error (note 27)	-	-	-	-	(46)	(6)	-	(52)
Restated total equity at the beginning of the financial year	**4,305**	**23,412**	**(354)**	**761**	**-**	**(25,958)**	**123**	**2,289**
Exchange difference on translating foreign operation	-	-	(15)	-	-	-	-	(15)
Loss for the year	-	-	-	-	-	(555)	-	(555)
Total comprehensive income/(loss) for the year	-	-	(15)	-	-	(555)	-	(570)
Transaction with owners								
Issue of shares	496	859	-	-	-	-	-	1,355
Performance rights awarded	-	-	-	29	-	-	-	29
Options expired	-	-	-	(761)	-	761	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	(123)	(123)
Balance at 31 December 2017	**4,801**	**24,271**	**(369)**	**29**	**-**	**(25,752)**	**-**	**2,980**
Exchange difference on translating foreign operation	-	-	(117)	-	-	-	-	(117)
Loss for the year	-	-	-	-	-	(1,196)	-	(1,196)
Total comprehensive income/(loss) for the year	-	-	(117)	-	-	(1,196)	-	(1,313)
Transaction with owners								
Issue of shares	130	215	-	-	-	-	-	345
Performance rights awarded/lapsed	-	-	-	42	-	-	-	42
Balance at 31 December 2018	**4,931**	**24,486**	**(486)**	**71**	**-**	**(26,948)**	**-**	**2,054**

The notes on page 31 to 50 form part of these of financial statements.

Company Statement of Changes In Equity

	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Other reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2017	4,305	23,412	761	46	(25,479)	3,045
Correction of error (note 27)	-	-	-	(46)	(6)	(52)
Restated total equity at the beginning of the financial year	4,305	23,412	761	-	(25,485)	2,993
Total comprehensive loss for the year	-	-	-	-	(139)	(139)
Transaction with owners						
Issue of shares	496	859	-	-	-	1,355
Performance rights awarded during the year	-	-	29	-	-	29
Transfers from reserves	-	-	(761)	-	761	-
Balance at 31 December 2017	4,801	24,271	29	-	(24,863)	4,238
Adjustment on initial application of IFRS 9 (note 11)	-	-	-	-	(3,000)	(3,000)
Restated balance at 1 January 2018	4,801	24,271	29	-	(27,863)	1,238
Total comprehensive loss for the year	-	-	-	-	(973)	(973)
Transaction with owners						
Issue of shares	130	215	-	-	-	345
Performance rights awarded during the year	-	-	42	-	-	42
Balance at 31 December 2018	4,931	24,486	71	-	(28,836)	652

The notes on page 31 to 50 form part of these of financial statements.

Notes to the Financial Statements

1. General information

Herencia Resources Plc (the "Company") is incorporated and domiciled in the United Kingdom. The address of the registered office is 59-60 Russell Square, London WC1B 4HP.

The principal activity of the Company is that of exploration of copper in Chile.

2. Presentation of financial statements

The financial statements have been presented in Pounds Sterling (£) as this is the currency of the primary economic environment that the group operates in. The amount is rounded to the nearest thousand (£'000), unless otherwise stated.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Basis of preparation

These financial statements have been prepared in accordance with International financial Reporting standards (IFRSs) as adopted by the European Union and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for certain assets which are stated at their fair value.

The Company has taken advantage of section 408 of the Companies Act 2006 and, consequently, a profit and loss account for the Company alone has not been presented.

3.2 Going concern

The financial statements are required to be prepared on the going concern basis.

The Group made a loss for the year of £1.20 million (2017: loss of £0.56 million) and there was a net cash outflow from operating activities of £0.52 million (2017: £0.92 million). At the reporting date the Group held cash and cash equivalents of £0.04 million (2017: £0.23 million) and had total liabilities of £3.89 million (2017: £2.79 million).

The requirement for additional funds constitutes a material uncertainty that may cast significant doubt on the ability of the Company and the Group to continue as a going concern.

As described in note 17, the two major shareholders of the Company have provided working capital loans to the Group to finance its daily operational. Loans of an aggregate value of £1.57 million are either repayable within 12 months of the date of approval of these financial statements or will be converted into equity upon on its maturity. Subsequent to the year end, the Group received a further US$300,000 (in GBP £240,000) from the issue of convertible notes. The providers of the loans have informed the Directors that repayment will not be sought for at least 12 months of the date of approval of these financial statements unless the Group has sufficient available working capital to support the making of repayments. The Directors have considered and assessed the support provided by shareholders and are satisfied that they will and can, if required, continue to provide the support for the development of the Group's growth over at least the next twelve months from the date of approval of these financial statements and are therefore satisfied that the going concern basis of preparation is appropriate. In considering the appropriateness of this basis of preparation.

Based on their assessment, the Directors have a reasonable expectation that the Group has adequate resources, supplemented by the additional funds to be raised, to continue as a going concern for the foreseeable future and that the carrying values of intangible assets are therefore not impaired. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

If the Group was unable to secure sufficient funding to enable it to continue on a going concern basis then adjustments would be necessary to write down assets to their recoverable amounts, reclassify non-current assets and long-term liabilities as current and provide for additional liabilities.

3.3 New standards, amendments to and interpretations to published standards not yet effect

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU.

At the date of authorisation of these financial statements, the Directors have reviewed the standards in issue by the International Accounting Standards Board ("IASB") and IFRIC, which are effective for annual accounting periods ending on or after the stated effective date. In their view, none of these standards would have a material impact on the financial statements of the Group for being non-trading group. Except for IFRS 16 is likely to require the recognition of most operating lease commitments on the Group's balance sheet as assets and the recognition of a corresponding liability. At 31 December 2018, the Group does not have any lease which is material and long term, Directors do not therefore anticipate the adoption of IFRS16 will have any impact on the Group's consolidated financial statements.

The Group has yet to record any revenues and therefore impact of IFRS 15 have been minimal. However, the adoption of IFRS 9 has impacted the Company as a result of the existing incurred loss approach under IAS 39 being replaced by the forward-looking expected credit loss model approach of IFRS 9. The expected credit loss model is required to be applied to the intercompany loan receivables, as described in note 11.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial information of the Company and its subsidiaries (the "Group") made up to the end of the reporting period. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements present the results of the Company and its subsidiaries and joint arrangements as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full. The financial information of subsidiaries is included in the Group's financial statements from the date that control commences until the date that control ceases.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI). When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.5 Property, plant & equipment

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	25% straight line
Plant and machinery	25% straight line
Motor vehicles	25% straight line

3.6 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.

3.7 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.

3.8 Investment

Investments in subsidiaries are stated at cost less provision for impairment.

3.9 Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables
Loan and receivables comprise cash and cash equivalents and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost less any provision for impairment.

Trade receivables are recognised initially at the transaction price and subsequently measured at amortised costs, less any impairment losses.

Trade and other payables
Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

3.10 Impairment of assets

(a) Financial assets
The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under IFRS 9 including trade receivables, contract assets, other receivables, loan receivable, amounts due from an intermediate holding company, immediate holding company, associates and fellow subsidiaries, pledged bank deposits and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(b) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.

3.11 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.

3.12 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Group and its subsidiaries operate by the end of the financial period.

Deferred income taxes are calculated using the balance sheet method. Deferred tax is generally provided on the temporary difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

3.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3.14 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

3.15 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit or loss.

3.16 Share based payments

The Company has applied IFRS 2 Share-based Payment for all grants of equity instruments. Fair value is measured using the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The inputs to the model include: the share price at the date of grant, exercise price expected volatility, risk free rate of interest.

4. Critical accounting estimates and sources of estimation uncertainty

In applying the accounting policies, the Directors may at times require to make critical accounting judgements and estimates about the carrying amount of assets and liabilities. These estimates and assumptions, when made, are based on historical experience and other factors that the Directors consider are relevant.

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are reviewed are as stated below.

Key accounting judgements

(a) Impairment of non-current asset
The Group's non-current assets represent its most significant assets, comprising exploration assets in Chile. Management is required to assess exploration and evaluation (E&E) assets for indicators of impairment and has considered the economic value of individual E&E assets. The carrying amount of the E&E asset are subject to a separate review for indicators of impairment, by reference to the impairment indicators set out in IFRS 6, which is inherently judgmental.

In performing impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to the Group's independent competent person's report, estimates of future copper prices, operating costs and capital expenditure necessary to extract those estimated reserves for the purpose of deriving a recoverable value.

The Directors have considered all the facts and circumstances, as described in note 9, in making their assessment as whether the carrying value of an E&E assets may exceed the recoverable amount.

(b) Going concern
As disclosed in note 3.2, these financial statements have been prepared on a going concern basis.

(c) Current liabilities
Included within current liabilities is an amount of £500,000 which relates to historic liabilities that have previously been recognised. Given the past recognition Management consider it appropriate to continue to recognise these liabilities on balance sheet however, they are currently investigating the nature of these liabilities, how they arose and whether they are still payable. This investigation may result in a material write back of these amounts. If any adjustment arose it could impact prior periods and, if material, would be corrected via an adjustment to opening reserve and a prior period adjustment.

5. Operating loss

	Group 2018 £'000	Group 2017 £'000
Auditors' remuneration		
Fee payable to company's auditor in respect to the audit of the Parent Company and consolidated financial statements	25	33
Depreciation	5	6
Corporate and advisory fees	198	253
Employee benefits expense	534	493

6. Other income

	Group 2018 £'000	Group 2017 £'000
De-recognition of loan (note 18)	-	184
Other income	7	-
	7	184

7. Employee benefit expense

	Group 2018 £'000	Group 2017 £'000
Wages and salaries	504	459
Payroll tax contribution	5	4
Director fees	25	30
	534	493

Details of each Director's emoluments are in the Directors' Remuneration Report. Key managements are considered to be the directors.

8. Taxation on ordinary activities

No liability to corporation tax arose for the years ended 31 December 2017 and 2018, as a result of underlying losses brought forward.

Reconciliation of effective tax rate

	Group 2018 £'000	Group 2017 £'000
Loss from ordinary activities	(1,195)	(555)
Tax at the UK corporation tax rate of 19% (2017: 19.5%)	(227)	(108)
Unrealised exchange difference	35	(3)
Finance revenue	(75)	(31)
Finance costs	47	3
Share based payments	7	5
Tax losses	213	134
	-	-

At 31 December 2018, the Group has unused tax losses available for offset against suitable future profits. The Group had accumulated tax losses of £11,772,000 (2017: £10,651,000) at the reporting date. No deferred tax asset was recognised in respect to these accumulated tax losses as there is insufficient evidence that the amount will be recovered in future years.

9. Intangible assets - exploration and evaluation (E&E) assets

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
At costs				
At 1 January	5,914	4,709	911	-
Additions	214	187	-	-
Fair value of Pastizal Project acquired	-	1,034	-	911
Exchange fluctuation	237	(16)	-	-
At 31 December	6,365	5,915	911	911
Impairment				
At 1 January and 31 December	(547)	(547)	-	-
Carrying value	**5,818**	**5,368**	**911**	**911**

The impairment review conducted by the Directors for the financial year ended 31 December 2018. In performing their assessment, the Directors have:

- reviewed the time period that the Group has the right to explore the area and noted no instances of expiration, or licences that are expected to expire in the near future;
- determined that further E&E expenditure is either budgeted or planned for all licences;
- not decided to discontinue exploration activity due to there being a lack of quantifiable mineral resource; and
- not identified any instances where sufficient data exists to indicate that there are licences where the E&E spend is unlikely to be recovered from successful development or sale.

On the basis of the above assessment, the Directors are not aware of any facts or circumstances that would suggest the carrying amount of the E&E asset may exceed its recoverable amount. Accordingly, no impairment were made during the year.

10. Property, plant and equipment

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
At costs	69	60	-	-
Less: accumulated depreciation	(48)	(43)	-	-
Carrying value	**21**	**17**	**-**	**-**
Movements in carrying value				
Balance at the beginning of the year	17	23	-	-
Additions	9	-	-	-
Depreciation charge for the year	(5)	(6)	-	-
Exchange fluctuation	-*	-*	-	-
Balance at the end of the year	21	17	-	-

*less than £1,000

11. Receivable - non current

	Company 2018 £'000	Company 2017 £'000
Advances to controlled entities	2,912	5,458

The adoption of IFRS 9 has impacted the Company as a result of the existing incurred loss approach under IAS 39 being replaced by the forward-looking expected credit loss ("ECL") model approach of IFRS 9. The expected credit loss model is required to be applied to the intercompany loan receivables and investment in subsidiaries. To a large extent the mineral exploration segment has been funded by loans from the Company is represented by the value of the mineral exploration cash generating units. Recoverability of these loans is therefore dependent upon the mineral exploration segments producing sufficient cash surplus such that the segment achieves a positive net asset position.

As described in note 26, the mineral exploration segment has a positive net assets position at 31 December 2018. Accordingly, an ECL allowance of £3 million was recognised in the accumulated losses on 1 January 2018 and a further ECL allowance of £0.3 million was recognised for the year making a total ECL allowance to be £3.3 million at the reporting date.

12. Investments in subsidiaries

The Company's investments in subsidiary undertakings at 31 December 2018 were as follows:

	Company 2018 £'000	Company 2017 £'000
At costs		
At 1 January	1,623	1,500
Acquisition of minority interest in Herencia Resources Chile SA	-	123
At 31 December	1,623	1,623
Provision for impairment at 1 January and 31 December	(1,500)	(1,500)
Net book value at 31 December	123	123

The Company's subsidiary undertakings at 31 December 2018 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 Mining Services Limited	Chile	Ordinary	100
Herencia Resources (Chile) SA	Chile	Ordinary	100
Herencia Services SA	Chile	Ordinary	100

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

12. Investments in subsidiaries (continued)

The registered office address of the respective entity as follow:

Company name **Registered address**

Direct

Tarapaca Resources (Bermuda) Limited	Canon's Court, 22 Victoria Street, Bermuda
Indirect	
Tarapaca Holdings (BVI) Limited	C/- Offshore Incoporations limited P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
Iquique Resources (Chile) SA	Office 401, Av Apoqundo 6410, Santiago, Chile
Paguanta Mining Services Limited	Office 401, Av Apoqundo 6410, Santiago, Chile
Herencia Resources (Chile) SA	Office 401, Av Apoqundo 6410, Santiago, Chile
Herencia Services SA	Office 401, Av Apoqundo 6410, Santiago, Chile

13. Cash and cash equivalents

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash at bank and in hand	45	233	38	230

14. Trade and other receivable

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Other receivable	62	150	-	38

15. Trade and other payable

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Other payables and accruals	1,121	986	172	273

16. Provisions for liabilities

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Employee benefits				
Balance at the beginning of the year	54	93	-	45
Arising during the year	57	6	-	-
Company paid to creditors	-	(45)	-	(45)
Balance at the end of the year	**111**	**54**	**-**	**-**

The provision for employee benefits relates to annual leave entitlements.

17. Loans and borrowings

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Current				
Loan from third parties	63	255	63	255
Non-current				
Loan from third parties	305	43	305	43
Amount owed to ASOF	634	362	634	362
Amount owed to Oriental	633	214	633	214
Amount owed to group undertakings	-	-	500	500
	1,572	619	2,072	1,119
Loan from third parties	368	298	368	298
Amount owed to group undertakings	-	-	500	500
Amounts owed to ASOF and Oriental	1,267	576	1,267	576
	1,635	**874**	**2,135**	**1,374**

The effective interest rates on the loan and borrowings for the year at approximately 10.7% (2017: 12.2%) per annum. Loan and borrowings are denominated in United State Dollars, Australia Dollars and Pound Sterling.

Amount owed to Australian Special Opportunity Fund ("ASOF") and Oriental Darius Co Ltd ("Oriental") are secured against the assets of the Group.

The table below analyses the movement in loan amount denominated in US Dollars during the reporting period:

	ASOF US$'000	Oriental US$'000	Total US$'000	Total GBP£'000
At 1 January 2017	185	235	420	330

Loan advance during the year	400	200	600	456
Conversion of loan into equity	(120)	(170)	(290)	(226)
Accreted interest	24	24	48	40
Forex effect	-	-	-	(24)
At 31 December 2017	489	289	778	576
Loan advance during the year	393	593	986	731
Conversion of loan into equity	(150)	(150)	(300)	(262)
Accreted interest	73	71	144	112
Forex effect	-	-	-	110
At 31 December 2018	805	803	1,608	1,267

18. Net debt reconciliation

	Group 2018 £'000	Group 2017 £'000
Cash and cash equivalent	45	233
Loan from third parties	(368)	(298)
Amounts owed to ASOF and Oriental	(1,267)	(576)
Net debt	**(1,590)**	**(641)**

Group	**Cash and cash equivalent £'000**	**Loan from third parties £'000**	**Amounts owed to ASOF and Oriental £'000**	**Total £'000**
At 1 January 2017 (restated)	17	(473)	(330)	(786)
Cash flow	(739)	-	-	(739)
Share placements	955	-	-	955
New loan drawn down	-	-	(456)	(456)
Non-cash finance costs	-	(33)	(40)	(73)
Conversion of loan notes into equity	-	-	226	226
Forex exchange movement	-	24	24	48
Adjustment to fair value*	-	184	-	184
At 31 December 2017	**233**	**(298)**	**(576)**	**(641)**
Cash flow	(188)	-	-	(188)
New loan drawn down	-	(57)	(731)	(788)
Non-cash finance costs	-	(40)	(112)	(152)
Conversion of loan notes into equity	-	-	262	262
Forex exchange movement	-	(16)	(110)	(126)
Debt forgiven	-	43	-	43
At 31 December 2018	**45**	**(368)**	**(1,267)**	**(1,590)**

*Adjustment to fair value
The loans provided by former Directors (Messrs JC Moore, JB Russell and GJ Sloan) have been adjusted to reflect the present value based on consideration of an appropriate discount at a rate of 20% and financial position that the Company would need to achieve in order to pay the former Directors' loans.

Based on the time value of money, the loan has been recorded at £43,000 as at balance date 31 December 2017. The adoption of the amortised cost basis of accounting for the former Directors loan resulted in the Group recorded a gain of £184,000 for the financial year with a finance cost of £7,000.

Funding arrangement with ASOF and Oriental
In 2016, the Group entered into funding arrangements with two of its major shareholders, the Australian Special Opportunity Fund ("ASOF" or "Lind Partners") and Oriental Darius Co. Ltd ("Oriental"). The funding will be provided to the Group by the Shareholders by way of Secured Convertible Facilities with a Face Value, the agreed amount to be repaid by the Group over the term of the agreement. These facilities will be secured against the Group's assets.

Furthermore, the Shareholders will be given the option to convert any outstanding Face Value amounts into ordinary shares in the Company at a price per Share equal to the lower of £ 0.0001 or, in the event that the nominal value per Share is reduced in the future, 90% of the average of three daily VWAPs, chosen by the Investor, during the 20 trading days before the conversion ("Conversion Price").

19. Vendor obligation

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Balance at the beginning of the year	875	-	1,025	-
Recognition of vendor obligation	-	860	-	860
Accrued interest	94	14	94	14
Foreign exchange effect	56	1	56	1
Balance at the end of the year	1,025	875	1,025	875

On 24 October 2017, the Company executed an agreement with Consultoria y Services Mineros SA for the acquisition of the Pastizal project.

Under the terms and conditions of the acquisition the Company agreed to pay the following consideration:

- 580,000,000 fully paid ordinary shares at 0.03 pence per fully paid ordinary share and a further 670,000,000 fully paid ordinary shares upon the Herencia share price averaging at least 0.12 pence per share for a minimum of 90 days;
- Cash consideration of US$150,000 payable in 30 months from the date of execution of the acquisition agreement and a further US$200,000 payable in 42 months from the date of execution;
- Debt assumption of US$1,200,000 payable between 18 months and 54 months from the date of execution of the acquisition agreement; and
- Milestone payments of up to US$2,000,000 based the Mineral Resources at both Picachos and Pastizal where the Mineral Resources exceed 10 million tonnes grading an average copper grade of 1% but being less than 20 million tonnes grading an average copper grade of 1% US$1,000,000 payable in two instalments between 18 months and 36 months from date of execution of the acquisition agreement and where the Mineral Resources exceed 20 million tonnes grading an average copper grade of 1% the maximum amount of US$2,000,000.

The Company has pledged its interest in the Guamanga project and La Serena project as security for the cash obligations and debt settlement obligations.

20. Share capital and premium

	Number of Ordinary Shares	Number of Deferred Shares	Share Capital £'000	Share Premium £'000
As at 1 January 2017	4,627,271,915	4,266,609,563	4,305	23,412
8 May 2017 - Share placements	1,781,158,152	-	178	624
15 May 2017 - Conversion of convertible notes by Oriental Darius Co Ltd	388,018,004	-	39	-
10 July 2017 - Conversion of convertible notes by ASOF	931,178,173	-	93	-
10 July 2017 - Conversion of convertible notes by Oriental Darius Co Ltd	943,396,226	-	94	-
15 July 2017 - Share placements	339,978,890	-	34	119
Issue of share for acquisition of Pastizal project	580,000,000	-	58	116
As at 31 December 2017	9,611,001,360	4,266,609,563	4,801	24,271
3 January 2018 - Conversion of convertible notes by Oriental Darius Co Ltd and ASOF	1,047,516,433	-	105	157
28 August 2018 - Issuance of shares	150,000,000	-	15	30
11 October 2018 - Issuance of shares	100,000,000	-	10	28
As at 31 December 2018	10,908,517,793	4,266,609,563	4,931	24,486

During the year, the Company issued 250 million shares to third party creditors in lieu of their services to the Company, amounted to £83,000.

21. Reserve

Share premium
Share premium is the aggregate of amounts received for the issue of share capital less the nominal value of the shares issued and less any costs permitted to be deducted under applicable law.

Translation reserve
The translation reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

Accumulated losses
Accumulated losses represent the cumulative balance of losses recognised.

22. Performance rights and share-based payments

(a) Movements in share performance rights during the year

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

	Number of options 2018	Weighted average exercise price 2018	Number of options 2017	Weighted average exercise price 2017
Balance at the beginning of the year	1,700,000,000	-	-	-
Awarded during the year	-	-	1,700,000,000	-
Expired during the year	(850,000,000)	-	-	-
Balance at the end of the year	**850,000,000**	**-**	**1,700,000,000**	**-**

(b) Fair value of share performance rights granted
No share performance rights were awarded during the financial year (2017: 1,700,000,000) for zero consideration and vesting over a three-year period from the date of award. Mr. P. Reeves per Performance Rights performance rights lapsed upon retirement from the company.

(c) Options held by Directors
No options were held or granted to Directors during the year.

The Company uses a Black Scholes model to estimate the cost of share options. The following information is relevant in the determination of the fair value of options granted. The assumptions inherent in the use of this model are as follows:

The fair value was calculated using the Black Scholes warrant pricing model. The inputs into the model were as follows:

	Share performance rights

Stock price	0.025
Exercise price	-
Interest rate	0.75%
Volatility	500%
Time to maturity	23 October 2022

The expense recognised during the period was £42,000 (2017: £29,000). The weighted average remaining life of the options outstanding at the end of the period was 3.81 years. No options were exercised during the period.

23. Related party transactions

Company secretary
Ben Harber was the secretary of the Company until 13 September 2018 and was also a partner of Shakespeare Martineau LLP, a firm of which provides company secretarial and legal services. During the year this partnership was paid a sum of £16,913 (2017: £32,229) in respect of company secretarial and legal services to the Company. This related party transaction is based on independent third-party commercial rates.

David Little became the secretary of the Company on 13 September 2018 and was also a partner of Bishop Sewell LLP, a firm of which provides company secretarial and legal services. During the year this partnership was paid a sum of £5,040 (2017: nil) in respect of company secretarial and legal services to the Company. This related party transaction is based on independent third-party commercial rates.

Chartered Accountants
Carl Dumbrell became a director of the Company on 28 May 2018 and is also a partner of CDTL Chartered Accountants, a firm of which provides accounting services. During the year this partnership was paid a sum of £6,670 (2017: nil) in respect of accounting services to the Company. This related party transaction is based on independent third-party commercial rates.

Loan
CDTL International Ltd a company of which Carl Dumbrell is a director and shareholder provided Herencia Resources Plc with a loan of £6,700 in October 2018. This loan accrues and interest yield of 10% and will be converted into equity when the company relists.

ZLD Holdings Pty Ltd is a company of which Carl Dumbrell is a director provided Herencia Resources Plc with a loan of £6,966 in October 2018. This loan accrues and interest yield of 10% and will be converted into equity when the company relists.

24. Contingent liabilities and capital commitments

Pastizal project
Under the terms and conditions of the acquisition of the Pastizal project the Company agreed to pay the following consideration which are subject to achievement of specific milestones and therefore contingent liabilities:

(a) 670,000,000 fully paid ordinary shares upon the Herencia share price averaging at least 0.12 pence per share for a minimum of 90 days; and

(b) Milestone payments of up to US$2,000,000 based the Mineral Resources at both Picachos and Pastizal where the Mineral Resources exceed 10 million tonnes grading an average copper grade of 1% but being less than 20 million tonnes grading an average copper grade of 1% US$1,000,000 payable in two instalments between 18 months and 36 months from date of execution of the acquisition agreement and where the Mineral Resources exceed 20 million tonnes grading an average copper grade of 1% the maximum amount of US$2,000,000.

Picachos Project
On 7 August 2013, the Company announced that its subsidiary Herencia Resources (Chile) SA entered into an Option Agreement to acquire the advanced Picachos Copper Project in central Chile. Under the original terms of the Option 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$8,300,000 over 4 years.

In 2016, the Company renegotiated the Option Agreement to acquire the Picachos project. Under the terms and conditions of the Revised Option Agreement for Herencia Resources Chile SA to earn 100% of the Picachos project it is required to pay total option payments of US$5,000,000 of which US$885,000 has been paid as at 31 December 2017.

The Company is in arrears with the renegotiated option payments schedule as at the date of this annual report. Under the Revised Option Agreement options payments for 2016-2018 remain outstanding and total US$1,913,250. Option payments due in 2019 US$800,000; 2020 US$900,000 and 2021 US$500,000.

The Company has also agreed to make royalty payments during production with a base royalty of 2 US cents per pound rising to 2.5 US cents per pound when the copper price exceeds US$3 per pound and 3.0 US cents per pound when the copper price exceeds US$4 per pound.

24. Contingent liabilities and capital commitments (continued)

Capital commitments

The Group's future minimum exploration commitments are as follows:

	Group 2018 £'000	Group 2017 £'000
Within 12 months	50	36
Between 12 months and 5 years	100	145
Greater than 5 years	-	-
Total	**150**	**181**

25. Financial instruments

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payable. The Group's accounting policies and method adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial assets, financial liability and equity instrument are set out in Note 3. The Group do not use financial instruments for speculative purposes.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Financial assets measured at amortised cost				
Cash and cash equivalents	45	233	38	230
Trade and other receivables	62	150	-	38
Total financial assets	**107**	**383**	**38**	**268**
Financial liabilities measured at amortised costs				
Trade and other payables	1,120	986	172	273
Loans and borrowings (current)	63	255	63	755
Loans and borrowings (non-current)	1,572	619	1,572	619
Vendor obligation	1,025	875	1,025	875
Total financial liabilities	**3,780**	**2,735**	**2,832**	**2,522**

Capital management
The Group manages its capital to ensure that it will be able to continue as a going concern while attempting to maximise the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of issued capital and external loans.

Credit risk
Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligations to the Group. The Group manages its exposure to this risk by applying limits to the amount of credit exposure to any one counterparty and employs strict minimum credit worthiness criteria as to the choice of counterparty. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount. The Group's exposure to credit risk on cash and cash equivalents is considered low as the bank accounts are with banks with high credit ratings.

25. Financial instrument (continued)

Fair values
Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Interest rate risk
The Group and company's policy is to fund its operations through the use of retained earnings and equity. The Group exposure to changes in interest rates relates primarily to cash at bank. Cash is held either on current or short term deposits at a floating rate of interest determined by the relevant bank's prevailing base rate.

The Group's exposure to interest rate risk is minimal as all its loans and borrowings are fixed rate instruments.

Foreign currency exchange risks
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of the changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency and the Group's net investments in foreign subsidiaries).

The carrying amounts of the financial instruments are denominated in the following currencies at each reporting year:

	GBP £'000	AUD £'000	USD £'000	Total £'000
2018				
Financial assets	38	-	69	107
Financial liabilities	(179)	(56)	(3,545)	(3,780)
Net financial liabilities	**(141)**	**(56)**	**(3,476)**	**(3,673)**
2017				
Financial assets	268	-	115	383
Financial liabilities	(273)	-	(2,462)	(2,735)
Net financial liabilities	**(5)**	**-**	**(2,347)**	**(2,352)**

The sensitivity analyses in the table below details the impact of changes in foreign exchange rates on the Group's post-tax profit for each reporting year. It is assumed that the named currency is strengthening or weakening against all other currencies, while all the other currencies remain constant.

If the USD strengthened or weakened by 5% against the other currencies, with all other variables in each case remaining constant, then the impact on the group's post-tax profit would be gains or losses as:

	Strengthen £'000	Weaken £'000
2018		
USD	(183)	183
AUD	(3)	3
2017		
USD	(123)	123

Liquidity risks
The principal risk to the Group is liquidity, which arises from the Group's management of working capital. It is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. This aspect is kept under review by the Directors and in this respect management carries out rolling 12 month cash flow projections on a monthly basis as well as information regarding cash balances. It is the Group's policy as regards liquidity to ensure sufficient cash resources are maintained to meet short-term liabilities.

25. Financial instrument (continued)

The maturity profile of the Group's financial liabilities at the reporting dates based on contractual undiscounted payments are summarised below:

	2018	2017
	£'000	£'000
Within 1 year		
Trade and other payables	1,120	986
Loans and borrowings (current)	63	255
Between 1 to 5 years		
Loans and borrowings (non-current)	1,740	722
Vendor obligation	1,025	875
Total financial liabilities	**3,948**	**2,838**

26. 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. Segment information by operating segment as follows:

	Mineral Exploration 2018	Central Costs 2018	Total 2018
	£'000	£'000	£'000
Other income	7	-	7
Administrative expenses	(450)	(320)	(770)
Depreciation charge	(5)	-	(5)
Finance costs	(152)	-	(152)
Foreign exchange (loss)/gain	-	(126)	(126)
Loss for the year	**(600)**	**(446)**	**(1,046)**
Segment assets	5,908	38	5,946
Segment liabilities	(3,657)	(235)	(3,892)
Net assets/(liabilities)	**2,251**	**(197)**	**2,054**

	Mineral Exploration 2017	Central Costs 2017	Total 2017
	£'000	£'000	£'000
Finance revenue	-	184	184
Administrative expenses	(397)	(311)	(708)
Depreciation charge	(6)	-	(6)
Finance costs	(73)	-	(73)
Foreign exchange (loss)/gain	35	13	48
Loss for the year	**(441)**	**(114)**	**(555)**
Segment assets	5,501	268	5,769
Segment liabilities	(2,261)	(528)	(2,789)
Net assets	**3,240**	**(260)**	**2,980**

26. Segmental reporting (continued)

Segment information by geographical segment as follows:

	Non-Current Assets	
	2018	2017
	£'000	£'000
Australia	-	-
Chile	5,839	5,385
Total non-current assets	**5,839**	**5,385**

The Group had not commenced commercial production from its exploration sites and therefore had no turnover in the reporting year.

27. Prior year adjustment

The Group made a prior year adjustment in relation to the accounting for the convertible loan notes as described in note 17. Previously these convertible loan notes were accounted as equity instruments. Having considered the guidance in IAS 32, the Directors consider the convertible loan notes to be embedded derivative contracts giving rise to a financial liability with the embedded derivative liabilities to be measured at fair value. Accordingly, the restatement of the comparative financial information for the correction of this error.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Group	**At 31 December 2017**	**Increase/ (decrease)**	**(Restated) At 31 December 2017**
	£'000	£'000	£'000
Consolidated Statement of financial			

position (extract)

Non-current liabilities			
Loans and borrowings	530	89	619
Current liabilities			
Loans and borrowings	295	(40)	255
Total liabilities	**2,738**	**49**	**2,787**
Net Assets	**3,029**	**(49)**	**2,980**
Other reserve	117	(117)	-
Accumulated losses	(25,820)	68	(25,752)
Total Equity	3,029	(49)	2,980
Consolidated Statement of comprehensive income (extract)			
Foreign exchange losses	(85)	39	(45)
Finance costs	(107)	34	(73)
Loss for the year	(628)	73	(555)

27. Prior year adjustment (continued)

Group	**At 1 January 2017** £'000	**Increase/ (decrease)** £'000	**(Restated) At 1 January 2017** £'000
Consolidated Statement of financial position (extract)			
Non-current liabilities			
Loans and borrowings	716	52	768
Total liabilities	**2,016**	**52**	**2,068**
Net Assets	**2,341**	**(52)**	**2,289**
Other reserve	46	(46)	-
Accumulated losses	(25,952)	(6)	(25,958)
Total Equity	2,341	(52)	2,289

Company	**At 31 December 2017** £'000	**Increase/ (decrease)** £'000	**(Restated) At 31 December 2017** £'000
Company Statement of financial position (extract)			
Non-current liabilities			
Loans and borrowings	530	89	619
Current liabilities			
Loans and borrowings	795	(40)	755
Total liabilities	**2,473**	**49**	**2,522**
Net Assets	**4,287**	**(49)**	**4,238**
Other reserve	117	(117)	-
Accumulated losses	(24,931)	68	(24,863)
Total Equity	**4,287**	**(49)**	**4,238**

Company	**At 1 January 2017** £'000	**Increase/ (decrease)** £'000	**(Restated) At 1 January 2017** £'000
Company Statement of financial position (extract)			
Non-current liabilities			
Loans and borrowings	717	52	769
Current liabilities			
Loans and borrowings	35	-	35
Total liabilities	**1,067**	**52**	**1,119**
Net Assets	**3,045**	**(52)**	**2,993**
Other reserve	46	(46)	-
Accumulated losses	(25,479)	(6)	(25,985)
Total Equity	**3,045**	**(52)**	**2,993**

28. Earnings per share

Basic EPS amounts are calculated by dividing the profit or loss for the year attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS amounts are calculated by dividing the profit or loss for the year attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group 2018 £'000	**Group 2017 £'000**
Net loss attributable to equity holders of the parent company	1,196	555
Weighted average number of basic ordinary shares	10,723,469,713	7,120,014,383
Basic and diluted EPS (in pence)	**(0.011)**	**(0.008)**

The diluted loss per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

29. Subsequent event review

On 1 August 2019 the company has received financial support from its major shareholders as convertible loans for US$300,000. The conversion price into ordinary fully paid shares will be at the "Next Placement Price".

END

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