



Heron Resources Limited

UNAUDITED INTERIM FINANCIAL REPORT

(Prepared by Management)

For the three months ended 30 September 2014



Heron Resources Limited

Corporate Directory

ABN 30 068 263 098

DIRECTORS

Chairman (Non-Executive)

Craig Readhead BJuris LL.B. FAICD

Managing Director (Executive)

Wayne Taylor BE (Min.), MBA, MAusIMM

Director (Executive)

Ian Buchhorn BSc (Hons), DiplGeosci (Min Econ), MAusIMM

Director (Non-Executive)

Stephen Dennis BCom, LL.B., GDipAppFin (Finsia), CFTP

JOINT COMPANY SECRETARIES

Bryan Horan FCCA

Simon Smith CA

REGISTERED AND PERTH MANAGEMENT OFFICE

Level 1, 37 Ord Street

West Perth 6005 Western Australia

Telephone: +61 8 9215 4444

Facsimile: +61 8 9215 4490

Sydney Study Office

Suite 702, 191 Clarence Street

Sydney 2000 New South Wales

Telephone: +61 2 9299 7800

Facsimile: +61 2 9299 7500

Woodlawn Site Office

Collector Road, Tarago 2580 New South Wales

Email: heron@heronresources.com.au

Website: www.heronresources.com.au

AUDITOR

Butler Settineri (Audit) Pty Ltd

Unit 16, 1st Floor, 100 Railway Road

Subiaco 6008 Western Australia

BANKERS

Westpac Bank

230-236 Hannan Street

Kalgoorlie 6430 Western Australia

SHARE REGISTRY

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross 6153 Western Australia

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

Email: registrar@securitytransfer.com.au

TMX Equity Transfer Services Inc.

200 University Avenue, Suite 400

Toronto, Ontario M5H 4H1

Tel: (416) 361-0152

Email: info@tmx.com

SOLICITORS TO THE COMPANY

Allion Legal Pty Ltd

50 Kings Park Road

West Perth 6005 Western Australia

Resources Legal Pty Ltd

1A Rosemead Rd

Hornsby 2077 New South Wales

Peterson & Company, LLP

390 Bay Street, Suite 806

Toronto, Ontario M5H 2Y2

STOCK EXCHANGE

Australian Securities Exchange Limited

2 The Esplanade

Perth 6000 Western Australia

ASX CODE HRR

Toronto Stock Exchange

TMX Group Ltd

The Exchange Tower

130 King Street West

Toronto, Ontario M5X 1J2

TSX CODE HER

SEAT ABBREVIATION

Heron

HOME BRANCH

Perth

INDUSTRY CLASSIFICATION

GICS classification code is 15104020

Diversified Metals and Mining

ISIN AU000 000 HRR6

Cover: In 2013 the Company's three principal spheres of operation were: Business Development, Exploration and Projects. During the 2014 year Heron maintained a core focus on Business Development resulting in Heron merging with TriAusMin in August 2014. This has enhanced Heron's business with the addition of the advanced Woodlawn Zinc-Copper Project and a shift in focus to the Projects and Exploration spheres.

7 November 2014

Heron Resources Limited
ABN 30 068 263 098

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(Prepared by Management)

For the three months ended 30 September 2014

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Management Comments on Unaudited Consolidated Financial Statements

7 November 2014

To the Shareholders of Heron Resources Limited,

The accompanying unaudited interim Consolidated Financial Statements of Heron Resources Limited for the 3 month period ended 30 September 2014 have been prepared by management and have been approved by the Board of Directors of the Company.

The Company's independent auditor has not performed a review of these interim Consolidated Financial Statements for the 3 month period ended 30 September, 2014.

For further commentary on the operations of Heron during the quarter ended 30 September 2014, please refer to the Management Discussion and Analysis report lodged on the ASX and TSX on 7 November 2014 and to the Quarterly Activities report lodged on the ASX and TSX on 30 October 2014. Both reports are posted on the Heron website at www.heronresources.com.au.

Heron Resources Limited



C Readhead
Chairman



S Dennis
Chairman- Audit Committee

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 SEPTEMBER

All amounts shown are expressed in Australian dollars

	Notes	Three Months ended 30 Sept 2014 \$'000	2013 \$'000
Continuing operations			
Revenue from Continuing Activities	3	319	407
Consultants		(67)	(28)
Depreciation expense		(8)	(16)
Directors Fees		(63)	(44)
Wages, salaries and employee benefits		(194)	(72)
Insurance expense		(22)	(14)
Legal		(20)	(21)
Other expenses from ordinary activities		(216)	(142)
Exploration expenditure expensed as incurred		(1,474)	(1,093)
Loss from ordinary activities before income tax expense		(1,745)	(1,023)
Income tax expense		-	-
Loss from ordinary activities after income tax expense for the period		(1,745)	(1,023)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to members		(1,745)	(1,023)
Loss per share attributable to the ordinary equity of the company (on a weighted average equity basis)			
		\$	\$
Basic loss per share (in dollars)		(0.0054)	(0.0040)
Diluted loss per share (in dollars)		(0.0054)	(0.0040)

The accompanying notes form part of these unaudited interim financial statements

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014

All amounts shown are expressed in Australian dollars

	Notes	30 Sept 2014 \$'000	30 June 2014 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		31,002	32,915
Receivables		417	337
Investments	5 (a)	59	1,359
TOTAL CURRENT ASSETS		31,478	34,611
NON-CURRENT ASSETS			
Receivables		35	35
Investments	5 (b)	3,402	3,321
Property, plant and equipment		433	58
Exploration and evaluation expenditure	4	21,344	4,578
TOTAL NON-CURRENT ASSETS		25,214	7,992
TOTAL ASSETS		56,692	42,603
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	511	281
Provisions – employee entitlements	7	649	560
TOTAL CURRENT LIABILITIES		1,160	841
TOTAL LIABILITIES		1,160	841
NET ASSETS		55,532	41,762
EQUITY			
Contributed equity - ordinary shares	8	131,680	116,035
Revaluation reserve		(131)	-
Option reserve	8	2,441	2,441
Accumulated losses		(78,458)	(76,714)
TOTAL EQUITY		55,532	41,762

The accompanying notes form part of these unaudited interim financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2014

All amounts shown are expressed in Australian dollars

Note	Contributed Equity \$'000	Revaluation Reserve \$'000	Option Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
As at 30 June 2014	116,035	-	2,441	(76,713)	41,763
Revaluation of Investments	-	(131)	-	-	(131)
Issue of Share Capital	15,645	-	-	-	15,645
Total Comprehensive loss for the quarter	-	-	-	(1,745)	(1,745)
As at 30 September 2014	131,680	(131)	2,441	(78,458)	55,532

The accompanying notes form part of these unaudited interim financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 30 SEPTEMBER

All amounts shown are expressed in Australian dollars

	Notes	Three Months ended 30 Sept	
		2014	2013
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(972)	(335)
Interest received		292	416
Payments for exploration activities		(1,363)	(1,125)
Other – GST received		4	8
		<hr/>	<hr/>
Net cash used in operating activities		(2,039)	(1,036)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for fixed assets		(4)	(15)
Proceeds from sale of fixed assets		-	20
Payments for exploration prospects		(7)	(8)
Proceeds from sale of exploration prospects		-	20
Proceeds from sale of Investments		-	-
Purchase of Investments	5(b)	(178)	-
		<hr/>	<hr/>
Net cash used in investing activities		(189)	(1)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
Payment of share issue cost		-	-
		<hr/>	<hr/>
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash & cash equivalents held		(2,228)	(1,037)
Cash & cash equivalents at the beginning of the reporting period		32,915	39,597
Cash acquired from TriAusMin acquisition		315	-
Cash & cash equivalents at the end of the reporting period		31,002	38,560

The accompanying notes form part of these unaudited interim financial statements

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 SEPTEMBER

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**a) General**

This general purpose financial report for the reporting period ended 30 September 2014 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Heron Resources Limited (ASX:HRR, TSX: HER) ("Heron" or the "Company") during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The financial report was authorised for issue by the Directors on November 7, 2014. The accounting policies adopted in the preparation of this financial report are consistent with those of the previous financial year and corresponding reporting periods and there have been no changes to the Company's Accounting Policies since the release of the 2014 annual audited Financial Statements on 26 September 2014.

Exploration, evaluation, development and restoration costs

Exploration, evaluation and development expenditure incurred is expensed immediately unless it relates to a specific project in which case it is carried forward to the extent that it is expected to be recouped through the successful development of the area, or by its sale.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Accumulated costs are not carried forward in respect of any area of interest unless rights to tenure of that area are current.

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation and development phases that give rise to the need for restoration.

New revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised, or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

b) Going concern basis of accounting (all numbers in '000s)

The Company incurred a loss for the 3 month period after tax of \$1,745 (2013: loss \$1,023) and a net cash out flow from operating and financing activities of \$2,228 (2013: out flow \$1,037). The interim financial statements for the three month period ended 30 September, 2014 have been prepared on a going concern basis, as the Directors believe that the company has adequate funding to pay its debts as and when they become due for a period of twelve months from the date of approving this Report.

NOTE 2: ACQUISITION OF TRIAUSMIN LIMITED

Effective on 5 August 2014 ("date of acquisition"), Heron acquired 100% of TriAusMin Limited ("TriAusMin"). In consideration for acquiring the net assets of TriAusMin, shareholders of TriAusMin were issued 107,891,936 new Heron shares. On the date of acquisition, Heron acquired the following assets and liabilities of TriAusMin.

	\$'000
Current Assets	
Cash	\$315
Receivables	\$16
Other Assets	\$8
Non-Current Assets	
Fixed Assets	\$52
Land (Lewis Ponds)	\$325
Capitalised Exploration costs	\$16,707
TOTAL ASSETS	\$17,423
Current Liabilities	
Accounts Payable	\$391
Provisions	\$88
Convertible Note	\$1,300
TOTAL LIABILITIES	\$1,779
EQUITY	
Issued Capital	\$15,644
TOTAL EQUITY/NET ASSETS	\$15,644

Qtr ended 30 Sept 2014 \$'000	Qtr ended 30 Sept 2013 \$'000
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NOTE 3. REVENUE FROM ORDINARY ACTIVITIES

Revenues from continuing activities		
Sale of tenements	-	-
Sale of fixed assets	-	2
Profit / (loss) on sale of investments	-	-
Interest received - other persons/corporations	284	385
Sundry income	35	20
Total revenues from continuing activities	<u>319</u>	<u>407</u>

	Qtr ended 30 Sept 2014 \$'000	Qtr ended 30 Sept 2013 \$'000
NOTE 4 EXPLORATION EXPENDITURE		
Balance at beginning of period	4,578	5,070
Capitalised exploration acquired upon acquisition of TriAusMin	16,707	-
Acquisition costs	-	8
Exploration costs incurred during the period (net of R&D)	1,473	1,085
Exploration costs expensed as incurred	(1,414)	(1,093)
Exploration costs written off	-	-
Balance at end of period	<u>21,344</u>	<u>5,070</u>

The Directors have determined that the carrying values of exploration and evaluation expenditure have not been impaired as of 30 September 2014, based on the current values as these amounts are expected to be recouped through successful development, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, progress in the area of interest is continuing.

The above carrying values do not purport to represent the amount receivable by the Company in the event the interests in the mining tenements were farmed out or sold or the future value in use to the Company.

NOTE 5 (A): INVESTMENTS IN ENTITIES - CURRENT

Southern Cross Goldfields Limited (SXG) is an Australian listed public exploration with 887,450,815 fully paid ordinary shares on issue. Heron holds 5,875,528 fully paid shares at 30 September 2014, which have been valued at the closing price on that day.

TriAusMin Limited was an Australian listed public exploration company prior to merging with Heron Resources Limited. Heron purchased 1.3 million convertible notes which are carried at face value and were cancelled following the successful merger with TriAusMin effective on 5 August 2014.

	Qtr ended 30 Sept 2014 \$'000	Year ended 30 June 2014 \$'000
Investments in other entities at fair value		
Southern Cross Goldfields Limited:		
Cost	1,092	1,092
Impairment	(1,033)	(1,033)
Carrying value	<u>59</u>	<u>59</u>
TriAusMin Limited:		
Cost	1,300	1,300
Cancellation upon acquisition of TriAusMin	(1,300)	-
Carrying value	<u>-</u>	<u>1,300</u>
Summary		
Total cost of investments	2,392	2,392
Impairment brought forward	(1,033)	(1,033)
Cancellation upon acquisition of TriAusMin	(1,300)	-
Total carrying value	<u><u>59</u></u>	<u><u>1,359</u></u>

NOTE 5 (b). INVESTMENTS IN ENTITIES - NON CURRENT

A1 Consolidated Gold Limited (AYC) is an Australian listed public exploration company with 176,597,322 fully paid ordinary shares on issue. Heron holds 26,200,000 fully paid shares at 30 September 2014, which have been valued at the closing price on that day.

Golden Cross Resources Limited (GCR) is an Australian listed public exploration company with 94,464,970 (following a 20 for 1 share consolidation in August 2014) fully paid ordinary shares on issue. Heron holds 18,798,529 (on a post consolidation basis) fully paid shares at 30 September 2014, which have been valued at the closing price on that day.

PLD Corporation Limited (PLD) is an Australian listed public exploration company with 587,582,141 fully paid ordinary shares on issue. Heron holds 3,750,000 fully paid shares at 30 September 2014, which have been valued at the closing price on that day.

Newamu Pty Ltd is an Australian private company that holds the Intellectual Property for the Simulus technology that is being used in the Heron KNP project. During the quarter, Heron invested \$178,000 into Newamu Pty Ltd.

	Qtr ended 30 Sept 2014 \$'000	Year ended 30 June 2014 \$'000
Investments in other entities at fair value		
Golden Cross Resources:		
Cost	1,880	1,880
Impairment	-	-
Revaluation	-	-
Carrying value	1,880	1,880
A1 Consolidated Gold:		
Cost	6,555	6,555
Impairment	(5,114)	(5,114)
Revaluation	(131)	-
Carrying value	1,311	1,441
PLD Corporation:		
Cost	34	-
Impairment	-	-
Revaluation	-	-
Carrying value	34	-
Newamu:		
Cost	178	-
Impairment	-	-
Revaluation	-	-
Carrying value	178	-
Summary:		
Total cost of investments	8,647	8,435
Impairment brought forward	(5,114)	(5,114)
Revaluation for quarter ended 30 September 2014	(131)	-
Total carrying value	3,402	3,321

	Qtr ended 30 Sept 2014 \$'000	Year ended 30 June 2014 \$'000
NOTE 6. ACCOUNTS PAYABLE		
Trade creditors and accruals – Exploration activities:	373	166
Trade creditors and accruals - Other	138	115
	511	281
	511	281

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

NOTE 7. PROVISIONS

Provision for annual leave	324	266
Provision for long service leave	295	294
Provision for tenement rehabilitation	30	-
	649	560
	649	560

NOTE 8: CONTRIBUTED EQUITY – ORDINARY SHARES

	Qtr ended 30 Sept 2014 \$'000	Year ended 30 June 2014 \$'000	Qtr ended 30 Sept 2014 Number	Year ended 30 June 2014 Number
Reconciliation of issued capital				
a) <i>Ordinary shares</i>				
Opening balance	116,035	116,035	252,985,787	252,985,787
Heron shares issued to TriAusMin shareholders in consideration for 100% of TriAusMin	15,645	-	107,891,936	-
Closing balance	131,680	116,035	360,877,723	252,985,787
b) <i>Unquoted options:</i>				
Date	Details	Exercise price	Expiry date	Number
1 July 2014	Opening balance	-	Various	14,000,000
	Options cancelled	-	-	-
	Options Issued to existing TriAusMin optionholders ¹	Various	Various	2,424,890
30 September 2014	Closing balance	-	-	16,424,890

⁽¹⁾ The Heron options issued to existing TriAusMin optionholders will be revalued in the Heron Option Reserve as at 31 December 2014

NOTE 7: CONTINGENT LIABILITIES

a) Performance bonds and rental bond commitment

The Company has entered into performance bonds with the National Australia Bank Limited in relation to environmental rehabilitation of the previous TriAusMin NSW tenements (30 September 2014: \$148,000) and a rental bond commitment (\$12,969) over its office in Sydney. The performance bonds and rental bond commitment are secured by a way of mortgage against the Company's Lewis Ponds freehold land. The Company also has performance bonds with Westpac Banking Corporation in relation to environmental rehabilitation of the WA tenements (30 September 2014: \$377,000) and a rental bond commitment (\$46,545) over its Perth office. The Westpac bonds are secured by term deposits.

b) Agreement with Veolia Environmental Services (Australia) Pty Ltd ("Veolia")

In 2011 the Company, and Tarago Operations Pty Ltd ("TOP") a wholly owned subsidiary of the Company, entered into an agreement with Veolia, under which the Company agreed

(i) To assume the environmental liabilities associated with the Woodlawn site, excluding Veolia's area of operation. The Company will be required to provide a performance bond with the NSW Division of Resources and Energy (DRE) as surety against completion of environmental rehabilitation once mining on the site is complete. The amount of the bond is \$3,577,000.

(ii) Subject to certain approvals being received by Veolia and the Company, the Company will receive "free-on-board" compost from Veolia to be utilised in the rehabilitation of the site.

(iii) To fully indemnify Veolia for all direct and or consequential loss and damage suffered by Veolia as a result of or caused by or contributed to by any act or omission or default of the Company, or TOP, connected with its operation at the Woodlawn site.

c) Other contingent liabilities

Native title claims have been made with respect to areas which include tenements in which the Company has interests. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the consolidated entity or its projects. Agreement is being reached with native title claimants regarding certain areas in which the company has interests.

Rehabilitation of the Jump Up Dam tenements would cost up to \$1 million if the Company were to surrender the tenements.

NOTE 8: EVENTS SUBSEQUENT TO 30 SEPTEMBER, 2014

There have been no material events subsequent to 30 September 2014.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the consolidated entity's financial position as at 30 September 2014 and of the performance for the three month period ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

On behalf of the Board



C READHEAD
Chairman



S Dennis
Chairman- Audit Committee

Perth, 7 November, 2014



Heron Resources Limited

ASX:HRR • TSX:HER

www.heronresources.com.au