



HERON RESOURCES LIMITED

UNAUDITED INTERIM FINANCIAL REPORT
(Prepared by Management)

**For the three months ended 30 September
2015**

28 October 2015

Heron Resources Limited

ABN 30 068 263 098

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HERON RESOURCES LTD
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Management Comments on Unaudited Consolidated Financial Statements

28 October 2015

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 2015 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, 2015.

For further commentary on the operations of Heron during the quarter ended 30 September 2015, please refer to the Quarterly Activities report lodged on the ASX and TSX and posted on the Heron website.

Heron Resources Limited

A handwritten signature in black ink, appearing to read 'S Dennis'.

S Dennis
Chairman

A handwritten signature in black ink, appearing to read 'F Robertson'.

F Robertson
Chair- Audit Committee

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**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
 COMPREHENSIVE INCOME**

For the three months ending 30 September 2015

All amounts shown are expressed in Australian dollars		Three months ended 30 September	
		2015 \$ 000's	2014 \$ 000's
Continuing operations			
Revenue from Continuing Activities	2	183	319
Accountancy & audit		(5)	-
Consultants		-	(67)
Depreciation expense		(14)	(8)
Directors Fees		(68)	(63)
Wages, salaries and employee benefits		(196)	(194)
Insurance expense		(17)	(22)
Legal		(91)	(20)
Rent & utilities		(83)	(65)
Stock exchange fees (ASX/TSX)		(42)	(76)
Other expenses from ordinary activities		(164)	(75)
Investment gain/ (loss)	4	814	-
Exploration expenditure expensed as incurred		(487)	(1,474)
Loss from ordinary activities before income tax expense		(170)	(1,745)
Income tax expense		-	-
Loss from ordinary activities after income tax expense for the period		(170)	(1,745)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to members		(170)	(1,745)
Loss per share attributable to the ordinary equity of the company			
Basic loss per share (in cents)		(0.0004)	(0.054)
Diluted loss per share (in cents)		(0.0004)	(0.054)

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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

All amounts shown are expressed in Australian dollars	Note	30 Sept 2015 \$'000	30 June 2015 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		27,177	24,015
Receivables		542	362
TOTAL CURRENT ASSETS		27,719	24,377
NON-CURRENT ASSETS			
Receivables		35	35
Investments	4	3,079	2,328
Property, plant and equipment		487	493
Exploration and evaluation expenditure	3	29,393	27,119
TOTAL NON-CURRENT ASSETS		32,994	29,975
TOTAL ASSETS		60,713	54,352
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,262	1,461
Provisions – employee entitlements		740	740
TOTAL CURRENT LIABILITIES		2,002	2,201
TOTAL LIABILITIES		2,002	2,201
NET ASSETS		58,711	52,151
EQUITY			
Contributed equity - ordinary shares	5	138,410	131,680
Option reserve		2,626	2,626
Accumulated losses		(82,325)	(82,155)
TOTAL EQUITY		58,711	52,151

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 30 September 2015

All amounts shown are expressed in Australian dollars		CONTRIBUTED EQUITY	OPTION RESERVE	ACCUMULATED LOSSES	TOTAL EQUITY
	Note	\$	\$	\$	\$
Balance at 1 July 2015		131,680	2,626	(82,155)	52,151
Issue of Share Capital		6,821	-	-	6,821
Costs of issue		(91)	-	-	(91)
Total Comprehensive loss for the quarter		-	-	(170)	(170)
Balance at 30 September 2015	5	138,410	2,626	(82,325)	58,711

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The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes



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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 30 September 2015

All amounts shown are expressed in Australian dollars		Three months ended 30 September	
	Notes	2015 \$'000	2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		158	292
Payments to suppliers		(858)	(968)
Net cash used in operating activities		(700)	(676)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(2,934)	(1,370)
Proceeds from sale of shares		63	-
Payments for fixed assets		(9)	(4)
Proceeds from disposal of fixed assets		12	-
Purchase of Investments		-	(178)
Net cash used in investing activities		(2,868)	(1,552)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	5	6,821	-
Payment of share issue cost		(91)	-
Net cash provided by financing activities		6,730	-
Net increase/(decrease) in cash & cash equivalents held		3,162	(2,228)
Cash & cash equivalents at the beginning of the reporting period		24,015	32,915
Cash acquired from TriAusMin acquisition		-	315
Cash & cash equivalents at the end of the reporting period		27,177	31,002



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NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three months ended 30 September 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) General

This general purpose financial report for the reporting period ended 30 September 2015 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 2015 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 October 28, 2015. The accounting policies adopted in the preparation of this financial report are consistent with those of the previous financial year and corresponding reporting periods.

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 months period after tax of \$170 (2014: \$1,745) and a net cash out flow from operating activities of \$700 (2014: out flow \$676). The interim financial statements for the three month period ended 30 September, 2015 have been prepared on the basis of a Going Concern, notwithstanding the fact that the Company incurred a loss for the 3 month period.

The Financial Report has been prepared on the basis of a going concern, 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three months ended 30 September 2015

NOTE 2 REVENUE FROM ORDINARY ACTIVITIES

	Quarter ended 30 September 2015 \$'000	Quarter ended 30 September 2014 \$'000
Revenues from continuing activities		
Interest received - other persons/corporations	183	284
Sundry income	-	35
Total revenues from continuing activities	183	319

NOTE 3 EXPLORATION EXPENDITURE

	Quarter ended 30 September 2015 \$'000	Quarter ended 30 September 2014 \$'000
Balance at beginning of period	27,119	4,578
Capitalised Exploration acquired upon acquisition of TriAusMin	-	16,707
Exploration costs incurred during the period	2,761	1,473
Exploration costs expensed as incurred	(487)	(1,414)
Balance at end of period	29,393	21,344

	Woodlawn \$'000	Lewis Ponds \$'000	KNP \$'000	Exploration \$'000	Total \$'000
Balance brought forward	17,638	4,903	4,578	-	27,119
Transfer from TriAusMin					-
Exploration expenditure	-	19	327	141	487
Capitalised exploration expenditure	2,274	-	-	-	2,274
Exploration and evaluation expensed as incurred	-	(19)	(327)	(141)	(487)
Balance carried forward	19,912	4,903	4,578	-	29,393

The Directors have determined that the carrying values of exploration and evaluation expenditure have not been impaired as of 30 September 2015 (2014: nil), based on the current values as they are expected to be recouped through successful development, or alternatively, where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three months ended 30 September 2015

NOTE 4 INVESTMENTS IN ENTITIES - NON CURRENT

A1 Consolidated Gold Limited (AYC) is an Australian listed public exploration company with 446,356,265 fully paid ordinary shares on issue. Heron holds 30,366,666 fully paid shares at 30 September 2015, which have been valued at the closing price on that day of \$0.05. Heron also holds 10,955,556 options exercisable for \$0.03 expiring 30 November 2019 which have been valued the market closing price of \$0.015 per option as at 30 September 2015.

During the quarter the Company sold 1,564,995 shares on market for proceeds of \$63k.

Golden Cross Resources Limited (GCR) is an Australian listed public exploration company with 101,078,493 fully paid ordinary shares on issue. Heron holds 19,048,529 fully paid shares at 30 September 2015, which have been valued at the closing price of \$0.06 on that day.

Metalicity Limited (MCT) is an Australian listed public exploration company with 696,539,557 fully paid ordinary shares on issue. Heron holds 3,750,000 fully paid shares at 30 September 2015, which have been valued at the closing price of \$0.02 on that day.

See Note 7 – Subsequent Events for more information on the issue of MCT shares – Rocky Gully option.

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. Heron invested \$178,000 into Newamu Pty Ltd.

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NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three months ended 30 September 2015

	Quarter ended 30 September 2015 \$'000	Year ended 30 June 2015 \$'000
Investments in other entities at fair value		
A1 Consolidated Gold:		
Opening carrying value	1,122	1,441
Investment – Shares	-	200
Gain/(impairment)	624	(644)
Sold on market - Shares	(63)	(39)
Bonus issue of Options – initial valuation @ \$0.01	-	110
Gain - options	-	54
Carrying value	1,683	1,122
Golden Cross Resources:		
Opening carrying value	953	1,880
Investment - Shares	-	15
Gain/(impairment)	190	(942)
Carrying value	1,143	953
Metalicity Limited		
Opening carrying value	75	-
Investment	-	34
Gain	-	41
Carrying value	75	75
Newamu		
Opening carrying value	178	-
Investment	-	178
Revaluation	-	-
Carrying value	178	178
Summary:		
Opening carrying value	2,328	3,321
Investment	-	427
Bonus issue of options	-	110
Sold on market - Shares	(63)	(39)
Net gain/(impairment)	814	(1,491)
Total carrying value	3,079	2,328

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three months ended 30 September 2015

NOTE 5: CONTRIBUTED EQUITY – ORDINARY SHARES

	Quarter ended 30 Sept 2015 \$'000	Year ended 30 June 2015 \$'000	Quarter ended 30 Sept 2015 Number	Year ended 30 June 2015 Number
<i>Reconciliation of issued capital</i>				
<i>a) Ordinary shares</i>				
Opening balance	131,680	116,035	360,877,723	252,985,787
Heron shares issued ⁽¹⁾	6,821	15,645	54,131,658	107,891,936
Share issue costs	(91)	-	-	-
Closing balance	138,410	131,680	415,009,381	360,877,723

b) Unquoted options:

Date	Details	Exercise price	Expiry date	Number
1 July 2015	Opening balance	-	Various	13,055,077
	Options cancelled	-	-	-
30 September 2015	Closing balance	-	-	13,055,077

(1) The increase in issued capital is due to the investment by Greenstone which was completed in August 2015

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three months ended 30 September 2015

NOTE 6: 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 2015: \$153,000) 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 2015: \$94,000) 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 operations 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.

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

None of these contingent liabilities has been provided for in the financial report.

NOTE 7: EVENTS SUBSEQUENT TO 30 SEPTEMBER, 2015

On 2 July 2015, the shareholders of Metalicity (formerly PLD Corporation Ltd) voted in favour of the company acquiring 90% of Heron's Rocky Gully Project. In consideration, Heron were issued 14,375,000 Metalicity Shares which are escrowed for 1 year.

Furthermore, Metalicity performed a 1 for 2 share consolidation effective as of 2 July 2015 resulting in the number of shares being held by the Company at that date (refer note 4) being reduced to 1,875,000.

MCT re-listed on the ASX on 6 October 2015 when the changes noted above took effect. As of the date of this report Heron's fully paid shareholding in MCT is 16,250,000.

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 2015 and of the performance for the three month period ended on that date.
2. 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.
3. 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:



S Dennis
Chairman



F Robertson
Chair- Audit Committee

Perth
28 October 2015