



HERON RESOURCES LIMITED

UNAUDITED INTERIM FINANCIAL REPORT

(Prepared by Management)

**For the three and nine months ended 31
March 2016**

3 May 2016

Heron Resources Limited

ABN 30 068 263 098

Level 1/37 Ord Street, West Perth, WA, 6005

Tel: +61 (0) 8 6500 9200

Suite 702, 191 Clarence Street, Sydney, New South Wales, 2000

Tel: +61 (0) 2 9119 8111

In Canada: telephone +1 647 862 1157



HERON RESOURCES LIMITED
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HERON RESOURCES LTD

ABN 30 058 263 098

Management Comments on Unaudited Consolidated Financial Statements

3 May 2016

To the Shareholders of Heron Resources Limited,

The accompanying unaudited interim Consolidated Financial Statements of Heron Resources Limited for the 3 and 9 month periods ended 31 March 2016 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 and 9 month periods ended 31 March 2016.

For further commentary on the operations of Heron during the quarter ended 31 March 2016, please refer to the Management Discussion and Analysis report lodged on the ASX and TSX on 3 May 2016 and posted on the Heron website at www.heronresources.com.au.

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

HERON RESOURCES LIMITED
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**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME**

for the three and nine months ended 31 March 2016

All amounts shown are expressed in Australian dollars		Three months ended 31 March		Nine months ended 31 March	
	Note	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's
Continuing operations					
Other Income	2	250	220	917	946
Accountancy fees		-	-	(11)	(12)
Audit fees		-	-	(18)	(13)
Consultants		-	-	-	(132)
Depreciation expense		(14)	(14)	(43)	(38)
Directors Fees		(78)	(63)	(225)	(169)
Wages, salaries and employee benefits		(143)	(271)	(567)	(818)
Insurance expense		(24)	(17)	(62)	(114)
Legal		(8)	(23)	(132)	(124)
Rental expense		(84)	(83)	(255)	(238)
Other expenses from ordinary activities		(204)	(141)	(648)	(617)
Share based payments		-	-	(163)	(255)
Gain/(Impairment) of investments	5	720	(188)	1,254	(1,101)
Exploration expenditure expensed as incurred	3	(452)	(534)	(698)	(2,210)
Loss from ordinary activities before income tax expense		(37)	(1,114)	(651)	(4,895)
Income tax expense		-	-	-	-
Loss from ordinary activities after income tax expense for the period		(37)	(1,114)	(651)	(4,895)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period attributable to members		(37)	(1,114)	(651)	(4,895)
Loss per share attributable to the ordinary equity of the company (on a weighted average equity basis)					
Basic loss per share (in dollars)		(\$0.00009)	(\$0.003)	(\$0.002)	(\$0.014)
Diluted loss per share (in dollars)		(\$0.00009)	(\$0.003)	(\$0.002)	(\$0.014)

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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

All amounts shown are expressed in Australian dollars	Note	31 March 2016 \$'000	30 June 2015 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	25,175	24,015
Trade and other receivables		476	362
TOTAL CURRENT ASSETS		25,651	24,377
NON-CURRENT ASSETS			
Trade and other receivables		35	35
Investments	5	2,260	2,328
Property, plant and equipment	4	445	493
Exploration and evaluation costs carried forward	3	31,334	27,119
TOTAL NON-CURRENT ASSETS		34,074	29,975
TOTAL ASSETS		59,725	54,352
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	564	1,461
Provisions – employee entitlements		768	740
TOTAL CURRENT LIABILITIES		1,332	2,201
TOTAL LIABILITIES		1,332	2,201
NET ASSETS		58,393	52,151
EQUITY			
Contributed equity	8	138,410	131,680
Option reserve		2,789	2,626
Accumulated losses		(82,806)	(82,155)
TOTAL EQUITY		58,393	52,151

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2016

All amounts shown are expressed in Australian dollars		CONTRIBUTED EQUITY	OPTION RESERVE	ACCUMULATED LOSSES	TOTAL EQUITY
	Note	\$	\$	\$	\$
Balance at 1 January 2016		138,410	2,789	(82,769)	58,430
Total Comprehensive loss for the quarter		-	-	(37)	(37)
Balance at 31 March 2016	8	138,410	2,789	(82,806)	58,393

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

**HERON RESOURCES LTD**

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2016

All amounts shown are expressed in Australian dollars		Three months ended 31 March	
	Notes	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(461)	(1,165)
Interest received		166	227
R&D Tax incentive received	3	2,302	523
Net cash used in operating activities		2,007	(415)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration activities		(2,094)	(1,937)
Payments for fixed assets		(1)	(54)
Payments for exploration prospects		-	-
Proceeds from sale of exploration prospects		-	-
Proceeds from sale of Investments	5	1,629	-
Purchase of Investments		-	(15)
Net cash used in investing activities		(466)	(2,006)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
Payment of share issue cost		-	-
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash & cash equivalents held		1,541	(2,421)
Cash & cash equivalents at the beginning of the reporting period		23,634	28,316
Cash & cash equivalents at the end of the reporting period	7	25,175	25,895



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NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three and nine months ended 31 March 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) General

This general purpose financial report for the reporting period ended 31 March 2016 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, the financial report for the half year ended 31 December 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 May 3, 2016. 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 2015 annual audited Financial Statements on 27 August 2015.

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.

Share based payments expense

Share based payments expense is recorded in the Consolidated Statement of Profit and Loss and other Comprehensive income every six months.

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 \$37 (2015: loss \$1,114) and a net cash inflow from operating and financing activities of \$2,007 (2015: out flow \$415). The interim financial statements for the three month period ended 31 March, 2016 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three and nine months ended 31 March 2016

NOTE 2: OTHER INCOME

	Quarter ended 31 March 2016 \$'000	Quarter ended 31 March 2015 \$'000
Other Income		
Sundry income	10	-
Loss on disposal of fixed assets	(6)	-
Realised gain on sale of shares	67	-
Interest received - other persons/corporations	179	220
Total Other Income	<u>250</u>	<u>220</u>

NOTE 3: CAPITALISED EXPLORATION EXPENDITURE

	Quarter ended 31 March 2016 \$'000	Quarter ended 31 March 2015 \$'000
Balance at beginning of period	29,872	23,417
Exploration and evaluation costs incurred - Woodlawn	1,462	1,575
Exploration and evaluation costs incurred – other projects	452	534
R&D tax incentive received ⁽¹⁾	-	(523)
Exploration and evaluation expensed as incurred	(452)	(534)
Balance at end of period	<u>31,334</u>	<u>24,469</u>

The Directors have determined that the carrying values of exploration and evaluation expenditure have not been impaired as of 31 March 2016, 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.

(1) The R&D refund relates to expenditure incurred by the Company at Woodlawn and the KNP which are both assets that have carry forward capitalised expenditure. The R&D tax incentive refund was received in February 2016 and recorded as a receivable as at 31 December 2016.

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NOTE 4: PROPERTY, PLANT AND EQUIPMENT

	Quarter ended 31 March 2016 \$'000	30 June 2015 \$'000
Plant and equipment at cost	333	327
Accumulated depreciation	(310)	(305)
	23	22
Office equipment & furniture at cost	906	901
Accumulated depreciation	(829)	(795)
	77	106
Motor vehicles at cost	229	229
Accumulated depreciation	(209)	(205)
	20	24
Land & buildings at cost	325	341
Accumulated depreciation	-	-
	325	341
Total property, plant and equipment	445	493
Reconciliation		
Plant and equipment:		\$'000
Carrying value at 1 July 2015		24
Additions		1
Depreciation expense		(2)
Carrying value at 31 March 2016		23
Office equipment and furniture:		
Carrying value at 1 July 2015		88
Additions		-
Depreciation expense		(11)
Carrying value at 31 March 2016		77
Motor vehicles:		
Carrying value at 1 July 2015		21
Additions		-
Depreciation expense		(1)
Carrying value at 31 March 2016		20
Land & buildings:		
Carrying value at 1 July 2015		343
Additions		-
Disposals		(18)
Depreciation expense		-

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Carrying value at 31 March 2016

325

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three and nine months ended 31 March 2016

NOTE 5: INVESTMENTS IN ENTITIES - NON CURRENT

INVESTMENTS IN OTHER ENTITIES AT FAIR VALUES

	31 Mar 2016	31 Dec 2015
	\$'000	\$'000
A1 Consolidated Gold Limited	1,075	1,075
Golden Cross Resources Limited	-	1,524
Metalicity Limited	1,007	325
Newamu Pty Ltd	178	178
	2,260	3,102

Movement in investments

	\$'000
A1 Consolidated Gold Limited	
Carrying value 31 Dec 2015	1,075
Carrying value 31 March 2016	1,075
Golden Cross Resources Limited	
Carrying value 31 Dec 2015	1,524
Realised gain on sale of shares on market	48
Proceeds from shares sold on market	(1,572)
Carrying value 31 March 2016	-
Metalicity Limited	
Carrying value 31 Dec 2015	325
Realised gain on sale of shares on market	19
Proceeds from shares sold on market	(57)
Unrealised gain on mark to market	720
Carrying value 31 March 2016	1,007
Newamu Pty Ltd	
Carrying value 31 Dec 2015	178
Investment	-
Carrying value 31 March 2015	178
Summary	
Carrying value 31 Dec 2015	3,102
Realised gain on sale of shares on market	67
Proceeds from shares sold on market	(1,629)
Unrealised gain on mark to market	720
Carrying value 31 March 2016	2,260

HERON RESOURCES LIMITED

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A1 Consolidated Gold Limited (AYC) is an Australian listed public exploration company with 552,689,252 fully paid ordinary shares on issue. Heron holds 30,366,666 fully paid shares at 31 March 2016, which have been valued at the closing price of \$0.03 on that day. Heron also holds 10,955,556 options exercisable for \$0.03 expiring 30 November 2019 which have been valued at the closing price of \$0.015 on that day.

Golden Cross Resources Limited (GCR) is an Australian listed public exploration company with 101,078,493 fully paid ordinary shares on issue. At the start of the quarter Heron held 19,048,529 fully paid shares and, in the period, Heron sold the entire holding to HQ Mining for \$1.57M.

Metalicity Limited (MCT) is an Australian listed public exploration company with 969,539,557 fully paid ordinary shares on issue. Heron holds 14,375,000 fully paid shares at 31 March 2016, which have been valued at the closing price of \$0.07 on that day. During the quarter Heron sold 1,875,000 shares for \$57k.

Newamu IP Holdings Pty Ltd is a subsidiary of The Simulus Group Pty Ltd in which Kalgoorlie Nickel Project Pty Ltd (a wholly owned subsidiary of Heron) has invested \$178,000. The investment is carried at fair value.

NOTE 6: TRADE AND OTHER PAYABLES

	Quarter ended 31 March 2016 \$'000	Year ended 30 June 2015 \$'000
Trade and other payables - Exploration activities:	420	1,187
Trade and other payables - Other	144	274
	<u>564</u>	<u>1,461</u>

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

NOTE 7: CASH AT BANK

	Quarter ended 31 March 2016 \$'000	Year ended 30 June 2015 \$'000
Cash on hand and at bank	1,075	352
Deposits at call	24,100	23,500
Property Rental Bond	-	49
Environmental Bonds	-	114
	<u>25,175</u>	<u>24,015</u>

Cash security for Environmental bonds (31 March 2016: \$94K) and Property bonds (31 March 2016: \$48K) have been included in receivables in the current quarter whereas they were included in cash in the year ended 30 June 2015.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three and nine months ended 31 March 2016

NOTE 8: CONTRIBUTED EQUITY – ORDINARY SHARES

	Quarter ended 31 Mar 2016 \$'000	Quarter ended 31 Mar 2016 Number
<i>Reconciliation of issued capital</i>		
a) <i>Ordinary shares</i>		
Opening balance	138,410	415,009,381
Issue of new shares	-	-
Closing balance	138,410	415,009,381

b) *Unquoted options:*

Date	Details	Exercise price \$	Expiry date	Number
1 July 2015	Opening balance	Various	Various	13,055,077
	Options cancelled	Various	Various	(2,777,538)
	Options Issued	0.092	4/12/2020	20,700,000
31 March 2016	Closing balance	-	-	30,977,539

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three and nine months ended 31 March 2016

NOTE 9: 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 of \$153,000 and a rental bond commitment of \$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 of \$94,000 and a rental bond commitment of \$47,745 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.

NOTE 10: EVENTS SUBSEQUENT TO 31 MARCH, 2016

There have been no material events subsequent to 31 March 2016.

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 31 March 2016 and of the performance for the three and nine month periods 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:



S Dennis
Chairman



F Robertson
Chair - Audit Committee

Sydney
3 May, 2016