



**HERON RESOURCES LIMITED**

**UNAUDITED INTERIM FINANCIAL REPORT**  
(Prepared by Management)

**For the three months and nine months  
ended 31 March 2017**

**26 April 2017**

Heron Resources Limited  
ABN 30 068 263 098

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**HERON RESOURCES LIMITED**  
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## **CONTENTS**

	<b>PAGE</b>
Consolidated statement of profit or loss and other comprehensive income	2
Consolidated statement of financial position	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to consolidated financial statements	6
Directors' declaration	13



## HERON RESOURCES LTD

ABN 30 058 263 098

### Management Comments on Unaudited Consolidated Financial Statements

26 April 2017

To the Shareholders of Heron Resources Limited

The accompanying unaudited interim Consolidated Financial Statements of Heron Resources Limited for the 3 and 9 month period ended 31 March 2017 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 period ended 31 March 2017.

For further commentary on the operations of Heron during the quarter ended 31 March 2017, 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**

**HERON RESOURCES LIMITED**  
**ABN 30 068 263 098**

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

**for the three and nine months ended 31 March 2017**

<i>All amounts shown are expressed in Australian dollars</i>	Three months ended 31 March		Nine months ended 31 March	
	2017	2016	2017	2016
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>Continuing operations</b>				
Other Income <span style="float: right;">2</span>	192	250	482	917
Accountancy fees	-	-	(96)	(11)
Audit Fees	(17)	-	(52)	(18)
Consultants expense	-	-	(16)	-
Depreciation expense	(13)	(14)	(52)	(43)
Directors Fees	(75)	(75)	(225)	(225)
Employee benefits expense	(314)	(143)	(833)	(567)
Insurance expense	(30)	(24)	(120)	(62)
Legal fees	(8)	(8)	(74)	(132)
Equity settled share based payments	-	-	(354)	(163)
Rental expense	(30)	(84)	(162)	(255)
Other expenses from ordinary activities	(183)	(207)	(806)	(648)
Exploration expenditure <span style="float: right;">4</span> expensed as incurred	(175)	(452)	(918)	(698)
Gain/(Impairment) of investment <span style="float: right;">5</span>	2,762	720	2,984	1,254
<b>Loss from ordinary activities before income tax expense</b>	<b>2,120</b>	<b>(37)</b>	<b>(242)</b>	<b>(651)</b>
<b>Loss from ordinary activities after income tax expense for the period</b>				
<b>Other comprehensive income</b>				
<b>Total comprehensive loss for the period attributable to members</b>	<b>2,120</b>	<b>(37)</b>	<b>(242)</b>	<b>(651)</b>
<b>Loss per share attributable to the ordinary equity of the company (on a weighted average equity basis)</b>				
Basic loss per share (in dollars)	0.005	(0.00009)	(0.0006)	(0.002)
Diluted loss per share (in dollars)	0.005	(0.00009)	(0.0006)	(0.002)

**HERON RESOURCES LIMITED**  
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**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2017**

All amounts shown are expressed in Australian dollars	Note	31 March 2017 \$'000	30 June 2016 \$'000
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents		16,339	22,891
Receivables and other assets	3	1,016	522
<b>TOTAL CURRENT ASSETS</b>		<b>17,355</b>	<b>23,413</b>
NON-CURRENT ASSETS			
Receivables		35	35
Investments	5	4,747	1,907
Property, plant and equipment		63	436
Exploration and evaluation expenditure	4	25,831	31,068
<b>TOTAL NON-CURRENT ASSETS</b>		<b>30,676</b>	<b>33,446</b>
<b>TOTAL ASSETS</b>		<b>48,031</b>	<b>56,859</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables		579	893
Provisions – employee entitlements		985	840
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,564</b>	<b>1,733</b>
NON-CURRENT LIABILITIES			
Provisions – employee entitlements		42	42
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>42</b>	<b>42</b>
<b>TOTAL LIABILITIES</b>		<b>1,606</b>	<b>1,775</b>
<b>NET ASSETS</b>		<b>46,425</b>	<b>55,084</b>
<b>EQUITY</b>			
Contributed equity - ordinary shares	6	129,637	138,410
Option reserve		1,290	935
Accumulated losses		(84,502)	(84,260)
<b>TOTAL EQUITY</b>		<b>46,425</b>	<b>55,084</b>

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the three months ended 31 March 2017**

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All amounts shown are expressed in Australian dollars		CONTRIBUTED EQUITY	OPTION RESERVE	ACCUMULATED LOSSES	TOTAL EQUITY
	Note	\$	\$	\$	\$
<b>Balance at 1 January 2017</b>		138,410	1,290	(86,622)	53,078
Return of capital via in-specie distribution - Ardea Spin out		(8,773)	-	-	(8,773)
Total Comprehensive profit for the quarter		-	-	2,120	2,120
<b>Balance at 31 March 2017</b>	5	<b>129,637</b>	<b>1,290</b>	<b>(84,502)</b>	<b>46,425</b>

*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 2017

All amounts shown are expressed in Australian dollars	Notes	Three months ended 31 March	
		2017 \$'000	2016 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		180	166
Expense reimbursed by Ardea		145	-
Payments to suppliers		(1,149)	(461)
R&D Tax incentive received		3,171	2,302
Net cash used in operating activities		<b>2,348</b>	<b>2,007</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Exploration expenditure		(2,607)	(2,094)
Proceeds from sale of listed investments		86	1,629
Payments for fixed assets		-	(1)
Net cash used in investing activities		<b>(2,521)</b>	<b>(466)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	-
Payment of share issue cost		-	-
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash & cash equivalents held		<b>(173)</b>	1,541
Cash & cash equivalents at the beginning of the reporting period		<b>16,512</b>	23,634
Cash & cash equivalents at the end of the reporting period		<b>16,339</b>	<b>25,175</b>



**HERON RESOURCES LTD**  
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**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2017**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**a) General**

This general purpose financial report for the reporting period ended 31 March 2017 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 2016 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 26 April 2017. 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 generated a profit for the 3 month period to 31 March 2017, after tax of \$2,120 (2016: loss of \$37) and a net cash out flow from operating and investing activities of \$173 (2016: inflow \$1,541). The interim financial statements for the 3 month period ended 31 March, 2017 have been prepared on the basis of a Going Concern, notwithstanding the fact that the Company incurred a loss for the 9 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.



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**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2017**

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**NOTE 2 OTHER INCOME**

	Quarter ended 31 March 2017 \$'000	Quarter ended 31 March 2016 \$'000
Sundry Income	34	10
Loss on disposal of fixed assets	-	(6)
Realised gain on sale of shares	86	67
Interest received - other persons/corporations	72	179
<b>Total other income</b>	<b>192</b>	<b>250</b>

**NOTE 3 RECEIVABLES AND OTHER ASSETS**

	Quarter ended 31 March 2017 \$'000	Quarter ended 31 March 2016 \$'000
Loan to Ardea Resources Ltd <sup>(1)</sup>	348	-
Prepayments	146	75
Accrued Interest	26	69
GST Receivable	42	37
Bonds and Guarantees	327	272
Other Receivables	127	24
<b>Total Receivables and Other Assets</b>	<b>1,016</b>	<b>476</b>

- (1) On 9 February 2017, Ardea successfully completed its Initial Public Offering (IPO). In consideration for the IPO preparation costs paid, Heron received 10M options in Ardea on 9 February 2017. These options are now recorded in Investments in Other Entities – Non Current (see Note 5). The remaining loan of \$348,000 as at 31 March 2017 represents non IPO costs such as rent, salary and tenement costs of Ardea. These costs will be repaid in cash by Ardea.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2017**

**NOTE 4 EXPLORATION EXPENDITURE**

	Quarter ended 31 March 2017 \$'000	Quarter ended 31 March 2016 \$'000
Balance at beginning of period	34,840	29,872
Assets distributed to Ardea	(8,300)	-
R&D refund received	(3,171)	-
Exploration – Woodlawn	2,462	1,462
Exploration costs incurred during the period	175	452
Exploration costs expensed as incurred	(175)	(452)
<b>Balance at end of period</b>	<b>25,831</b>	<b>31,334</b>

	Woodlawn \$'000	Lewis Ponds <sup>1</sup> \$'000	KNP <sup>1</sup> \$'000	Exploration \$'000	Total \$'000
Balance brought forward	26,540	4,903	3,397	-	34,840
Exploration expenditure	2,462	-	-	175	2,637
Exploration expensed as incurred	-	-	-	(175)	(175)
R&D Incentive received	(3,171)	-	-	-	(3,171)
Assets held for distribution	-	(4,903)	(3,397)	-	(8,300)
<b>Balance carried forward</b>	<b>25,831</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,831</b>

(1) - BOTH LEWIS PONDS AND KNP HAVE BEEN TRANSFERRED TO ARDEA RESOURCES

The Directors have determined that the carrying values of exploration and evaluation expenditure have not been impaired as of 31 March 2017, 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.

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**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2017**

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**NOTE 5 INVESTMENTS IN ENTITIES - NON CURRENT**

**Centennial Mining Ltd** (CTL) (formerly: A1 Consolidated Gold Limited (AYC)) is an Australian listed public exploration company with 705,444,920 fully paid ordinary shares on issue. Heron holds 23,000,000 fully paid shares at 31 March 2017, which have been valued at the closing price on that day of \$0.014 cents per share.

**Metalicity Limited** (MCT) is an Australian listed public exploration company with 452,169,654 fully paid ordinary shares on issue. Heron holds 13,375,000 fully paid shares at 31 March 2017, which have been valued at the closing price of \$0.05 on that day.

During the quarter Heron sold 1,000,000 Metalicity shares on market realising gross proceeds of \$86K.

**Alchemy Resources Ltd** (ALY) is an Australian listed public exploration company with 230,788,035 shares on issue. Heron owns 2,000,000 shares and 2,500,000 options with a 3 year term and an exercise price of \$0.10. The shares were valued at \$0.018 per share. The options have no ascribed value as at 31 March 2017.

**Ardea Resources Ltd** (ARL) is an Australian listed public exploration company with 67,000,747 shares on issue. Heron owns 10,000,000 options with a 3 year term and an exercise price of \$0.25. There is no active market for options in Ardea, so the Company has used the Black Scholes valuation methodology to value the options issued during the reporting period. As a condition of the Ardea ASX Listing, the Company's option holding in Ardea is currently subject to an escrow period that expires in February 2019.

The following table lists the inputs used to value the options issued for the period ended 31<sup>st</sup> March 2017.

Number of options	10,000,000
Method adopted	Black Scholes
Average volatility	90%
Average risk free interest rate	1.90%
Average expected life of option (years)	3
Average exercise price	\$0.25
Underlying Ardea share price at 31 March 17	\$0.52
<b>Average value per option</b>	<b>\$0.372</b>

**HERON RESOURCES LIMITED**  
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**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2017**

	<b>Quarter ended 31 March 2017 \$'000</b>	<b>Quarter ended 31 December 2016 \$'000</b>
Investments in other entities at fair value		
<b>Centennial Mining Ltd:</b>		
Opening carrying value	529	800
Gain/(impairment) – mark to market	(207)	(138)
Sold on market - Shares	-	(133)
Carrying value	322	529
<b>Metalicity Limited</b>		
Opening carrying value	1,006	719
Sold on market – Shares	(86)	-
Gain/(impairment) – mark to market	(251)	288
Carrying value	669	1,006
<b>Ardea Resources Ltd</b>		
Opening carrying value	-	-
Investment via expense contribution to IPO	500	-
Gain – mark to market	3,220	-
Carrying value	3,720	-
<b>Alchemy Resources Ltd</b>		
Opening Carrying value	35	50
Gain/(Impairment) – mark to market	1	(15)
Carrying Value	36	35
<b>Summary:</b>		
Opening carrying value	1,570	1,747
Investment	500	-
Sold on market - Shares	(86)	(133)
Net gain/(impairment) – mark to market	2,762	135
Assets held for distribution to owners		(178)
<b>Total carrying value</b>	<b>4,747 <sup>(1)</sup></b>	<b>1,570</b>

(1) - Rounding

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2017**

**NOTE 6: CONTRIBUTED EQUITY – ORDINARY SHARES**

	Quarter ended 31 Mar 2017 \$'000	Half year ended 31 Dec 2016 \$'000	Quarter ended 31 Mar 2017 Number	Half year ended 31 Dec 2016 Number
<i>Reconciliation of issued capital</i>				
a) <i>Ordinary shares</i>				
Opening balance	138,410	138,410	415,009,381	415,009,381
Return of capital via In-specie distribution to shareholders of Ardea shares	(8,773)	-	-	-
Closing balance	<b>129,637</b>	<b>138,410</b>	<b>415,009,381</b>	<b>415,009,381</b>

b) *Unquoted options:*

Date	Details	Exercise price	Expiry date	Number
31 December 2016	Opening balance	-	Various	28,934,621
	Options issued	\$0.13	1/02/2022	2,650,000
31 March 2017	Closing balance	-	-	31,584,621

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**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the three months ended 31 March 2017**

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**NOTE 7: CONTINGENT LIABILITIES**

a) Performance bonds and rental bond commitment

The Company has entered into performance bonds with the National Australia Bank Limited of \$67,000 as at 31 March 2017 in relation to environmental rehabilitation of NSW tenements (31 December 2016: \$153,000) and a rental bond commitment of \$12,969 and \$15,634 over its offices in Sydney and Perth respectively. All the Environmental Bonds are cash backed.

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

On 29 March 2017, the company signed a new Cooperation Deed with Veolia. 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 up to a maximum limitation of liability of \$20M.
- IV. To establish a cash backed Bank Guarantee of \$10M to be placed in 3 tranches being \$1M by 28 April 2017, \$4M prior to the beginning of construction of the box-cut and a final \$5M within 30 months after the beginning of the box-cut. On 20 April 2017, the Company established the first \$1M tranche of the Veolia Bank Guarantee.

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.

Exploration expenditure requirements to maintain all the exploration licences (excluding SML 20 which does not have a minimum) in good standing total \$457,500 per annum.

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

**HERON RESOURCES LIMITED**

**ABN 30 068 263 098**

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**DIRECTORS' DECLARATION**

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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 2017 and of the performance for the three and nine 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**

**Sydney**  
26 April 2017