

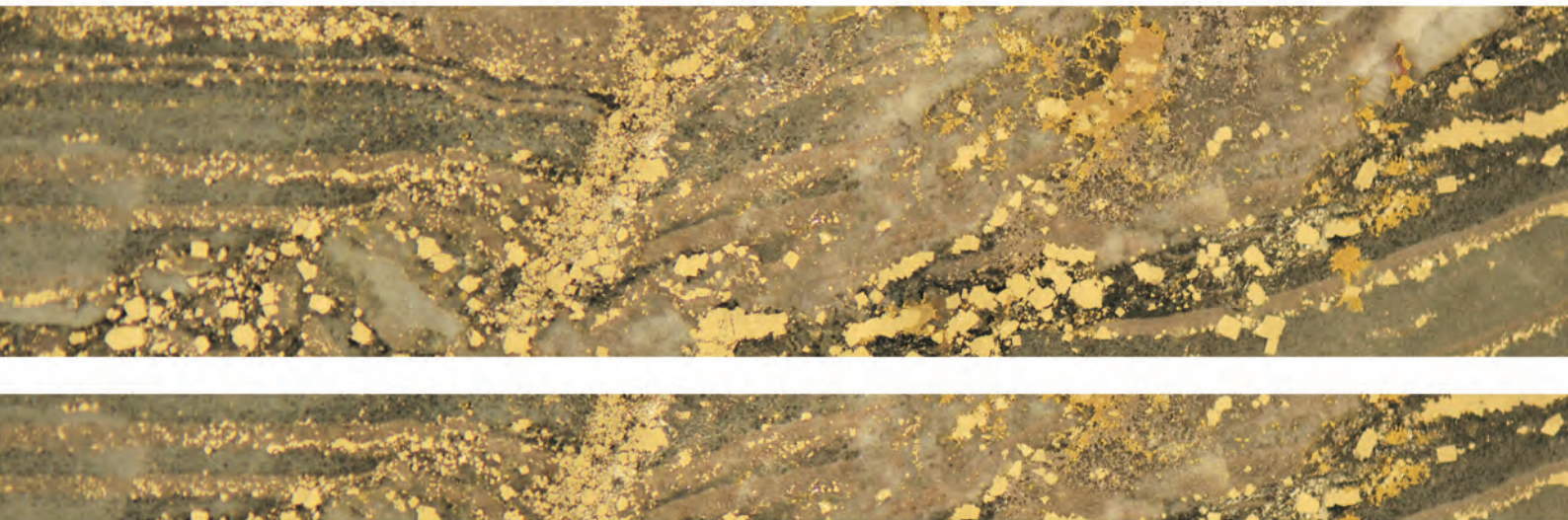


Heron Resources Limited

ACN 068 263 098

FINANCIAL REPORT

For the Half Year ended 31 December 2016



Heron Resources Limited

Corporate Directory

ABN 30 068 263 098

DIRECTORS

Chairman (Non-Executive)

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

Managing Director (Executive)

Wayne Taylor BE (Min.), MBA, MAusIMM

Director (Executive)

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

Director (Non-Executive)

Borden Putnam III MSc, RPG

Director (Non-Executive)

Fiona Robertson MA (Oxon), MAusIMM, FAICD

Director (Non-Executive)

Mark Sawyer LL.B.

COMPANY SECRETARY

Simon Smith B.Bus, CA

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Telephone: +61 8 6500 9200

Woodlawn Site Office

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Email: heron@heronresources.com.au

Website: www.heronresources.com.au

AUDITOR

Ernst & Young

200 George St

SYDNEY 2000 New South Wales

BANKERS

Westpac Bank

230-236 Hannan Street

Kalgoorlie 6430 Western Australia

SHARE REGISTRY

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Email: registrar@securitytransfer.com.au

TMX Equity Transfer Services Inc.

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Toronto, Ontario M5H 4H1

Tel: +1 (416) 361-0152

Email: info@tmx.com

SOLICITORS TO THE COMPANY

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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

INDUSTRY CLASSIFICATION

GICS classification code is 15104020

Diversified Metals and Mining

Heron Resources Limited
ABN 30 068 263 098

FINANCIAL REPORT

For the half year ended 31 December 2016

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This interim 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 during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DIRECTORS' REPORT

The Directors submit their report for the consolidated entity consisting of Heron Resources Limited (Heron or the Company) and the entities Heron controlled at the Half Year ended 31 December 2016.

BOARD

The names of the Directors of the Company during the period and at 31 December 2016 were:

- Stephen Dennis
- Wayne Taylor
- Ian Buchhorn
- Borden Putnam III
- Fiona Robertson
- Mark Sawyer

There were 3 meetings of directors held during the period with all directors appointed attending each of the meetings they were eligible to attend.

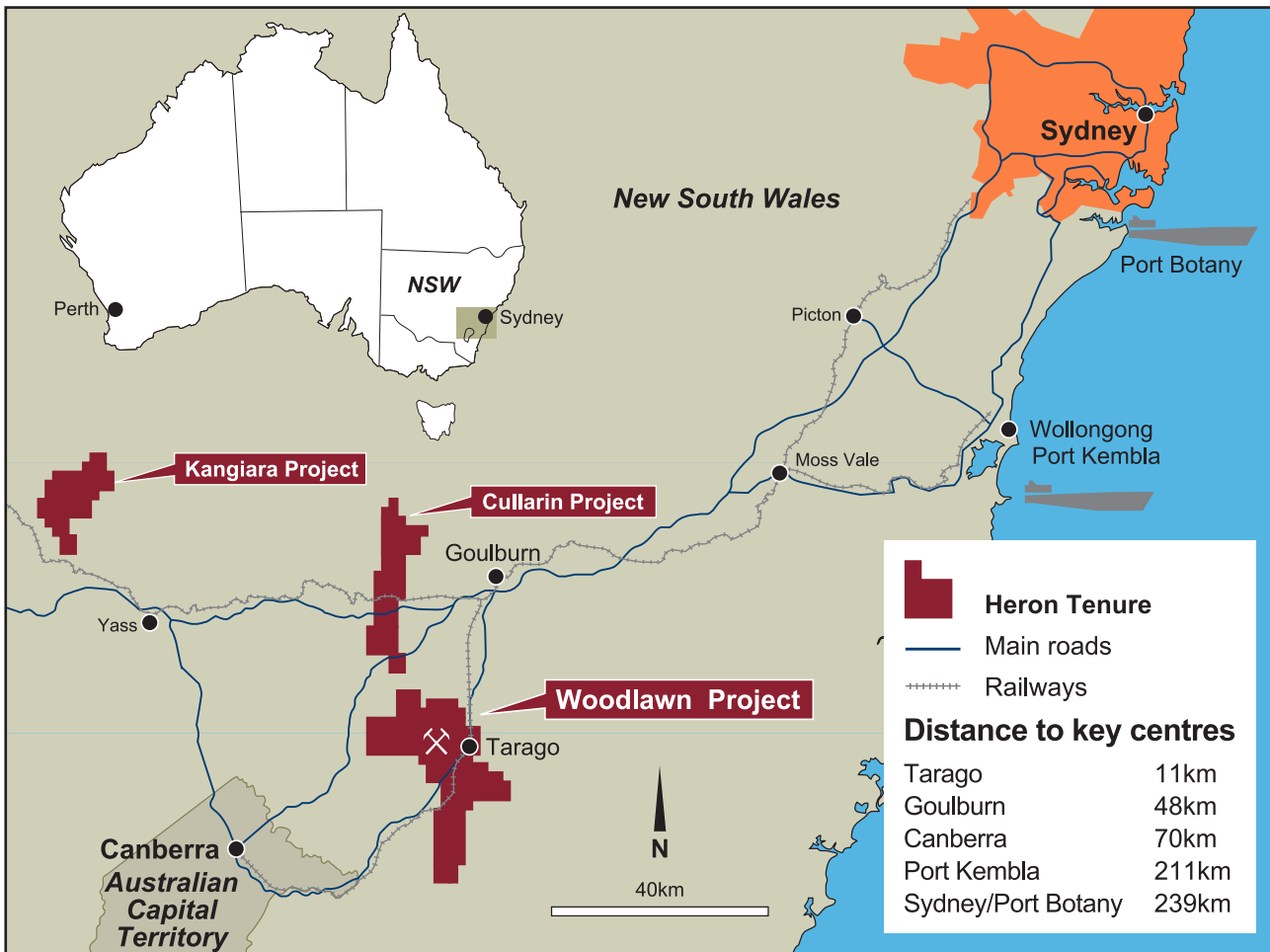
INTRODUCTION

WOODLAWN ZINC-COPPER PROJECT

Heron holds a direct 100% ownership of the mineral rights at the Woodlawn Mine site situated 40km south of Goulburn and 250km south-west of Sydney, in southern NSW, Australia (Figure 1). It is Heron's aim to create a profitable, long life and low cost mineral processing operation at Woodlawn that produces base metal concentrates. Heron also holds a portfolio of advanced stage exploration tenements adjacent to the Woodlawn site covering the prospective felsic volcanic units that host the Woodlawn Volcanogenic Massive Sulphide (VMS) deposit.

The last 24 months have seen Heron directing its efforts to developing the Woodlawn Zinc-Copper Project with the successful completion of a Preliminary Economic Assessment (PEA) in 2015 then the Feasibility Study (FS) in June 2016. This was conducted in a commodity market environment that continues to support a strengthening zinc price over the next several years driven by a significant and growing supply shortfall.

Figure 1: Woodlawn Project Location Plan

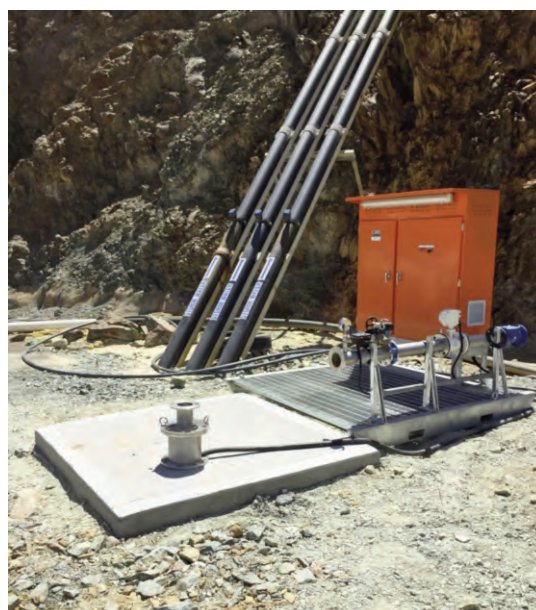


Woodlawn Project – Development Progress

The Company has worked toward project readiness to enable construction to commence efficiently once finance has been secured. Efforts on a number of fronts to enhance project outcomes were also progressed during the period. The main work areas included:

- Mine plan – A refined underground mine plan has provided improvements in the production schedule and significant capital and operating cost reductions. This has been achieved through the increased utilisation of existing infrastructure and general design efficiencies. Further detailed work has commenced on a specific Mine Re-entry Plan that covers the intended breakthrough into the existing underground development, ground support requirements including the backfilling of old workings proximal to the open pit, the installation of new bulkheads, mine dewatering and the re-establishment of ventilation and second means of egress rises. A focus of this study is the separation of Veolia's open pit and Heron's underground activities. This in-depth study scope will continue through the current quarter and incorporate detailed activity scheduling;
- Personnel appointments – As previously announced, the Company appointed two senior site management personnel. Mr Brian Hearne and Mr Des O'Sullivan commenced as Woodlawn General Manager and Process Manager on 31st October 2016. These new appointments add to the Owners Team in readiness for project construction;
- Project Engineering – Following a tender process Sedgman Pty Ltd (Sedgman) were awarded a front-end engineering design (FEED) for the plant and infrastructure of the Woodlawn Project. Sedgman commenced the FEED on 31st October 2016 and work is progressing to schedule. The scope of the FEED work program includes plant layout design, preliminary engineering design, construction earthworks tender and procurement of major equipment packages;
- Metallurgical test work – Further flotation test work was undertaken with a focus on Tailings Dam West (TDW) and an early underground production composite. TDW results were consistent with the FS and the early production composites indicate an opportunity for improved performance against FS assumptions;
- Water balance – Consultant studies have been completed balancing all sources and uses of site water including tailings dams; underground mine workings; on site storage dams; used in operations; rainfall; and evaporation rates. This work has been completed to assist in determining water make-up and treatment requirements as well as ensuring Woodlawn remains a nil discharge site;
- Water treatment – Water treatment test work continued to optimise the flowsheet design of the selected treatment route. The work has shown that the various sources of site water can be suitably treated for use as plant process water. Water management work commenced during the period to empty Tailings Dam South in readiness for mining;
- Mine dewatering – A bore pump to permit mine dewatering was installed in early January. The pump will be connected and commissioned in the current quarter in preparation for the scheduled mine dewatering;
- Community – The project community consultation committee met in November with no concerns being raised and the project continues to enjoy widespread community support; and
- EPL Licence – The environment protection licence (EPL) application lodged with the NSW Environment Protection Authority (EPA) was progressed. Meetings with EPA and Veolia to finalise segregation of areas and responsibilities were conducted. This licence is expected to be granted imminently.

Figures 2 & 3: Installation of Woodlawn mine dewatering bore



Project Finance – The Company has continued to advance negotiations with a number of potential debt and equity providers for the project development funding. Whilst it is noted that the outcome from these discussions is not yet certain there has been good progress made on funding components with strong interest from multiple groups. The Company is targeting to close the project financing on or around the end of the 1st quarter.

In support of the financing activities a final independent technical review was completed within the period for the full scope of the Woodlawn Project. The summary conclusions were favourable and in support of the project development.

There are select items that are to be finalised ahead of concluding project finance and include:

- New cooperation agreement with Veolia for the joint use of the Woodlawn site including the division of statutory and operational boundaries. This initiative is well advanced;
- Subdivision of the Woodlawn freehold land to accommodate Heron’s area of operations (approval in principle received from the Goulburn Mulwarree Council); and
- Finalising concentrate offtake, including the provision of a working capital facility.

Concentrate Offtake – Discussions with off-takers for the zinc, copper and lead concentrates are also proceeding well. The demand for the Woodlawn concentrates was shown to be exceedingly strong when expressions of interest were sought during the FS process, and since that time the Company has continued to progress discussions with a smaller number of parties who are keen to refine and improve upon the detailed terms of the off-take agreements. The Company is progressing these discussions in parallel with the financing process and expects to conclude one or more agreements within a similar timeframe to the project financing.

Woodlawn Exploration

The near-mine exploration strategy is to focus on known mineralisation proximal to the decline and able to be accessed early in the mine life ahead of reaching the main production source, Kate Lens.

G2 Lens

A program of in-fill reserve definition drilling has been designed for the G2 Lens where 2016 drilling confirmed significant high-grade mineralisation adjacent to the proposed route of the decline (Figures 4 and 5). Previously reported significant results include:

- o 11m @ 11% ZnEq from 133m (6.3% Zn, 0.5% Cu, 3.3% Pb, 0.1g/t Au, 10g/t Ag), WNDD0106
- o 9.8m @ 28% ZnEq from 107m (8.7% Zn, 0.5% Cu, 5.2% Pb, 4.0g/t Au, 326g/t Ag), WNDD0110
 - Including 3.7m @ 56% ZnEq (18.7% Zn, 1.2% Cu, 10.0% Pb, 6.9g/t Au, 650g/t Ag), WNDD0110
- o 6.0m @ 10% ZnEq from 140m (7.9% Zn, 0.2% Cu, 0.7% Pb, 0.2g/t Au, 13g/t Ag), WNDD0110
- o 2.9m @ 9% ZnEq from 160m (5.1% Zn, 0.3% Cu, 2.8% Pb, 0.5g/t Au, 11g/t Ag), WNDD0111

Figure 4: Woodlawn G2 Lens long-section showing interpreted lens shape, recent drilling and proposed infill holes. The pit off-set refers the area from the pit surface projected out 200m and is a limited access zone as contemplated in agreement with Veolia.

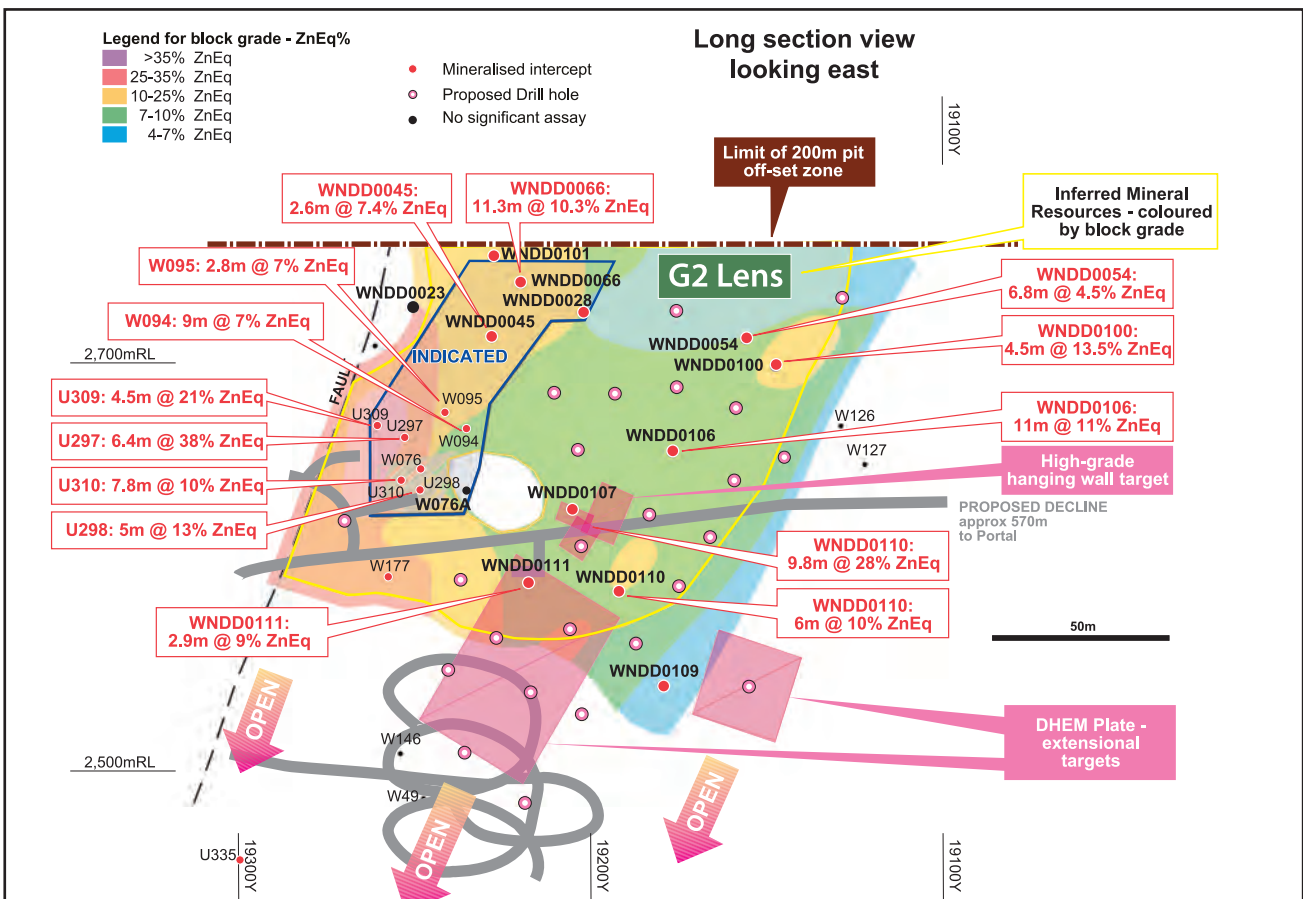
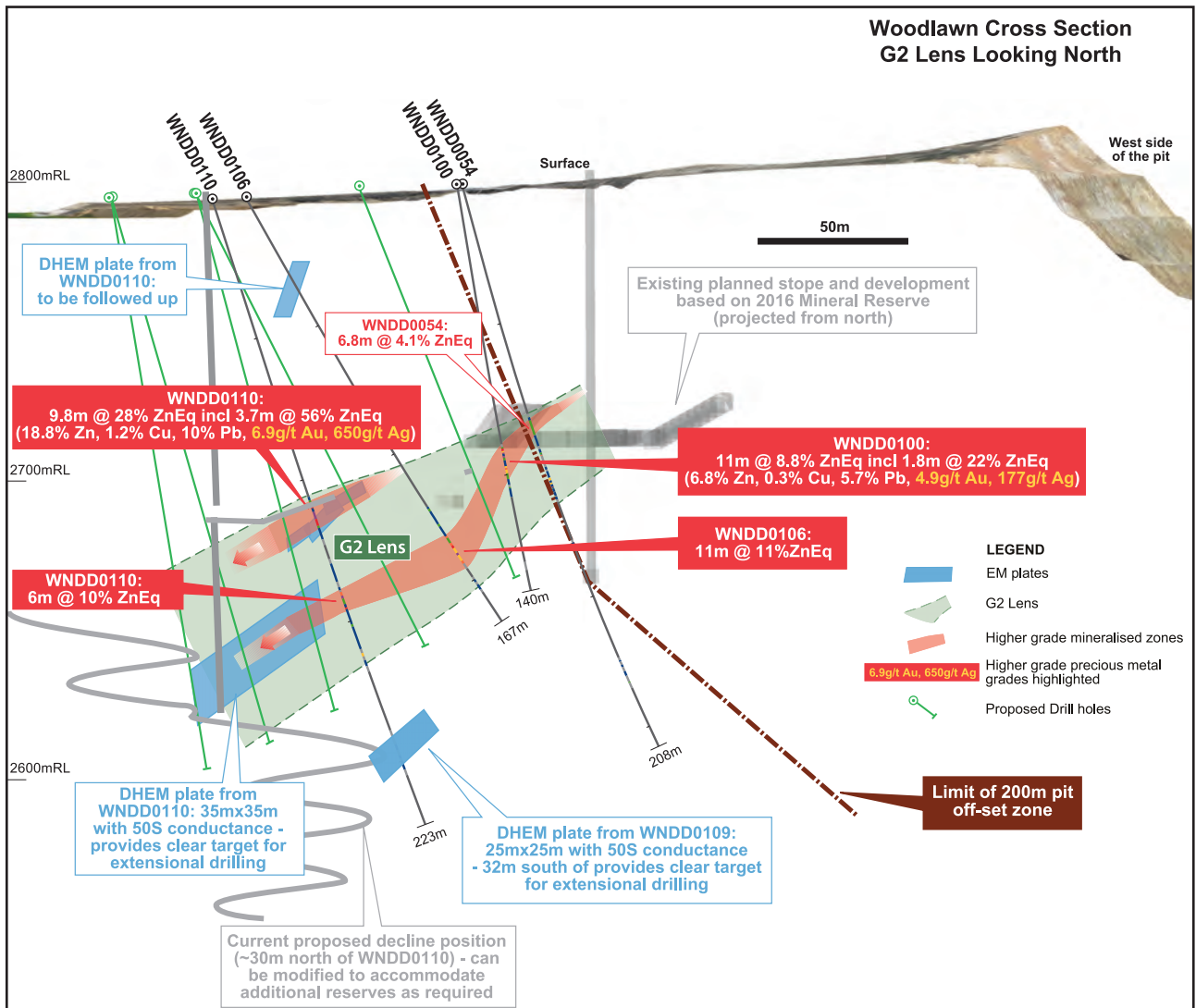


Figure 5: Woodlawn G2 Lens cross-section showing lens position and location of DHEM modelled plates.



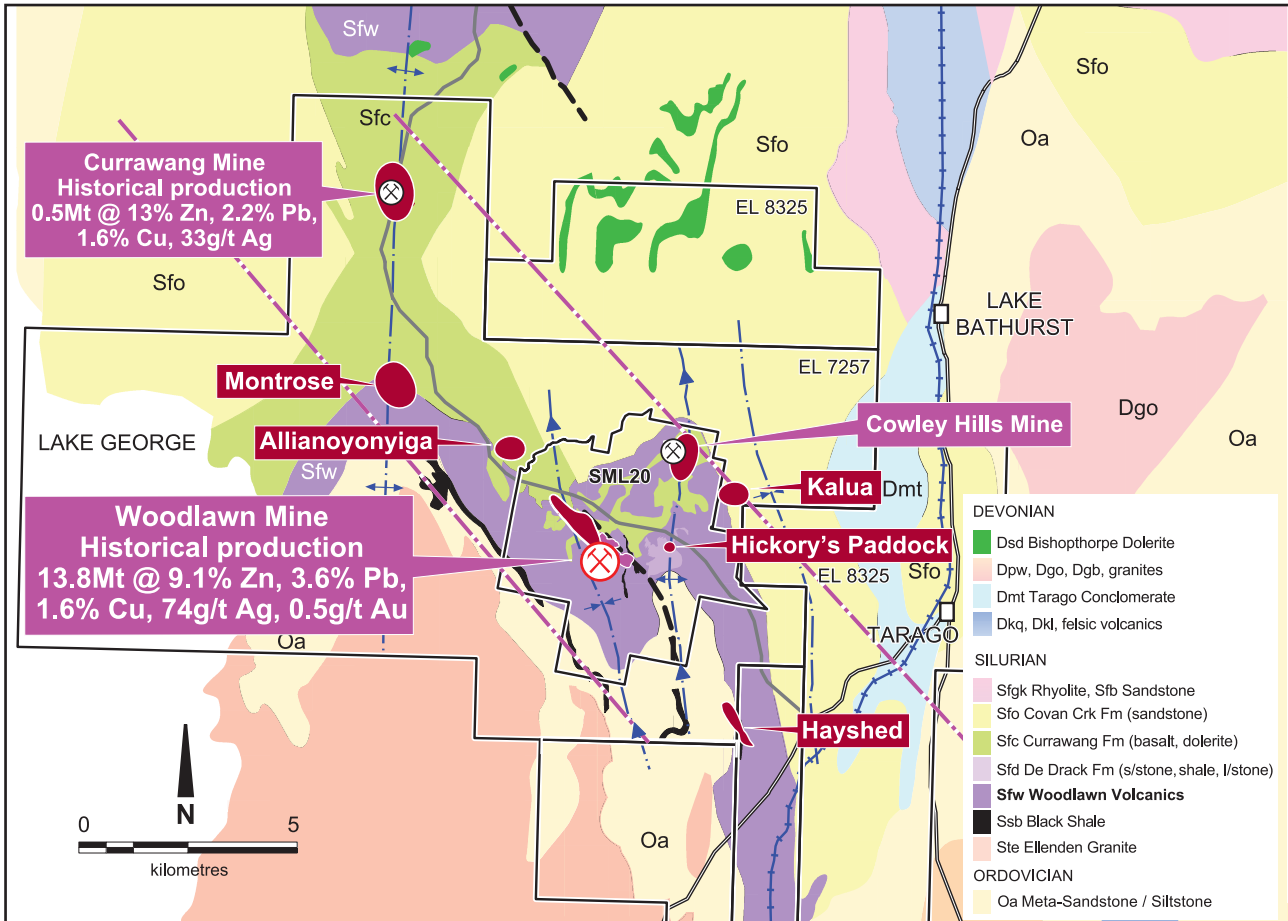
The proposed program will consist of approximately 26 diamond drill holes for 4,300m and will include a number of geotechnical holes to assess and sterilise the proposed route of the decline. The program is expected to deliver a significant addition to the early production reserve base and will be drilled to a level where stope design and development can be readily undertaken. Encouraging recent metallurgical testwork on the G2 mineralisation and a broader "early production" composite returned higher metal recoveries than those used in the FS.

WOODLAWN REGIONAL PROSPECTS

Heron continues to maintain and explore a strategic, 620km² tenement package over the prospective Silurian volcanic rocks around the Woodlawn Mine (Figure 6).

The exploration strategy is to focus on known mineralisation with comparable metallurgy to Woodlawn and within proximal trucking distance of the proposed Woodlawn concentrator. A number of excellent targets exist, which are described in more detail below.

Figure 6: Woodlawn Regional Exploration Project – Key Targets



Currawang Prospect

The Currawang Prospect, wholly owned by Heron, is located 10km northwest of the Woodlawn mine (Figure 6) and produced approximately 0.5Mt of high-grade polymetallic ore from an underground operation in the early 1990s that was processed at Woodlawn. The attraction of the Currawang mine is it has the potential to open up a second, nearby production centre at Woodlawn which could provide an additional high grade production source.

The Company is undertaking a comprehensive review of the project covering:

- Data validation
- Geophysical analysis (magnetics and down-hole electromagnetics (DHEM))
- Digitising and wireframing of the 1990's underground geology plans to generate a 3D geology and fault model
- Review of mineralised intercepts outside the mined stopes

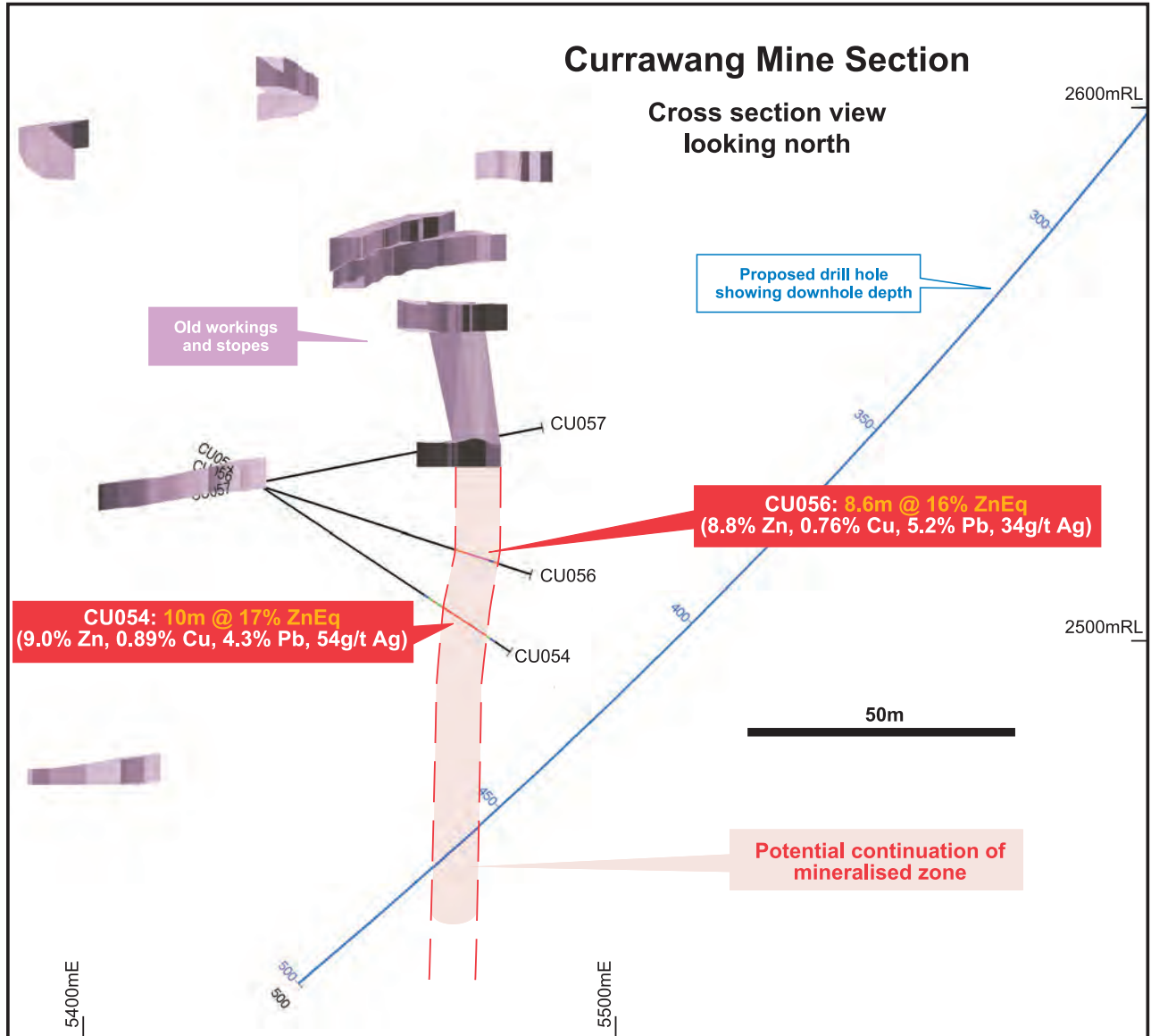
A number of significant historical intercepts that occur outside the mined areas have been identified, including:

- 10.1m @ 17% ZnEq (9.0% Zn, 0.89% Cu, 4.3% Pb, 54g/t Ag), CU054:
- 8.6m @ 16% ZnEq (8.8% Zn, 0.76% Cu, 5.2% Pb, 34g/t Ag), CU056:

These drill holes are in the northern part of the mine and were not followed up during the previous operations. Further assessment is on-going and a drill hole program has been designed to test the down plunge extension of these intercepts (as shown in Figure 7).

Combined with high-powered DHEM survey, this program has the potential to identify new extensions to the Currawang mineralisation. An initial program of 3 diamond drill holes for 2,120m has received a NSW New Frontiers Cooperative Drilling grant which provides for reimbursement of 50% of the drilling costs. Drilling is expected to commence later in 2017.

Figure 7: Currawang Prospect north facing cross section in northern section of the old mine



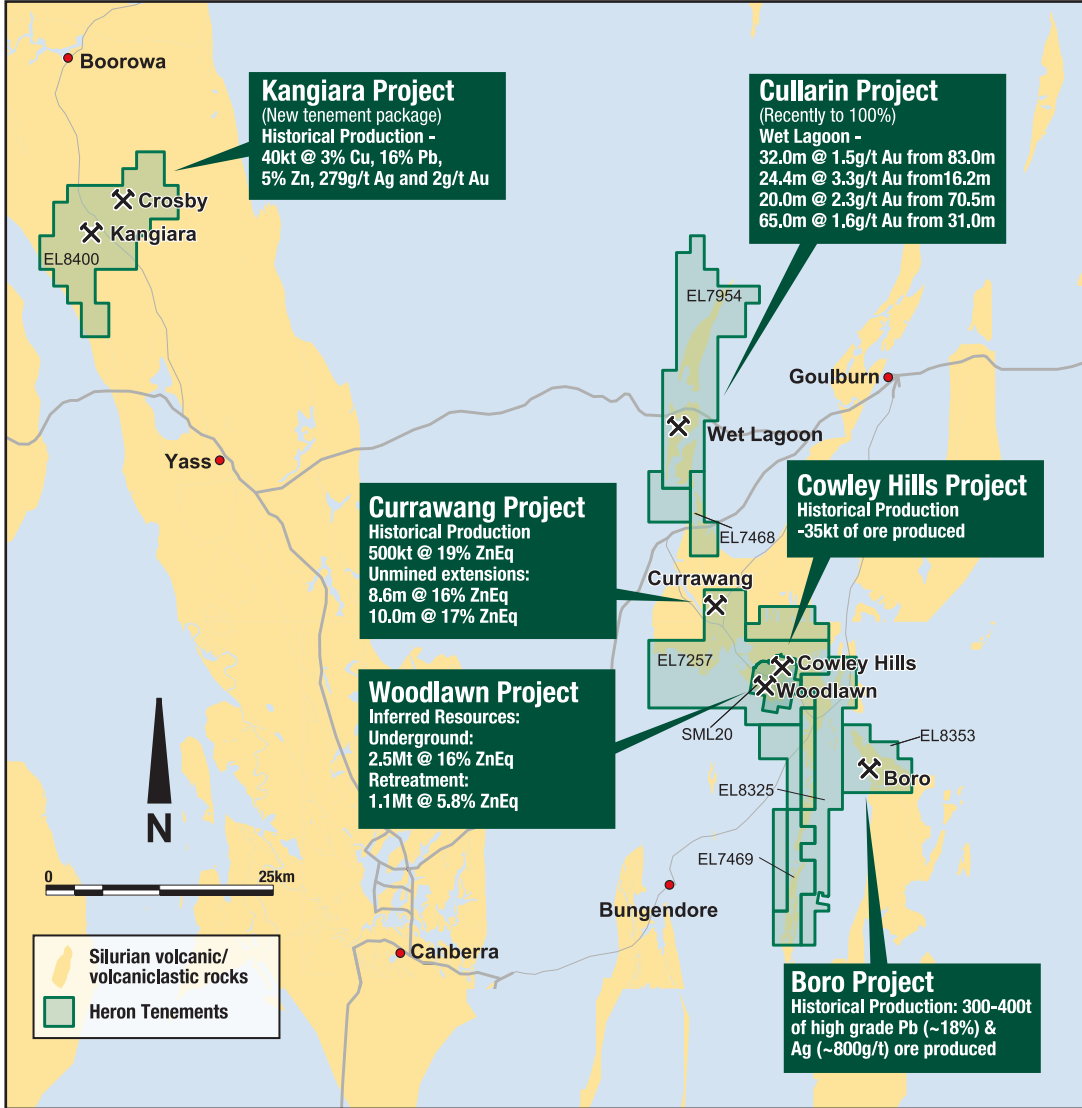
Montrose Prospect: 6km WNW of Woodlawn, where broad zones of intense pyrite-sericite alteration in Woodlawn Volcanics are present. Limited drilling in the 1980's and 1990's intercepted zones of modest-grade mineralisation which received little follow-up work. Remodelling of the numerous historic fixed- and moving-loop EM geophysical anomalies has provided clear targets for testing.

Other Woodlawn Prospects: The Allianoyonyiga and Kalua Prospects are both grassroots prospects defined by pre-Heron moving loop EM surveys, situated along strike, west and east respectively from the Cowley Hills deposit. Moderate silica/pyrite alteration in rhyolitic volcanic rocks has been mapped at Kalua along strike from the EM anomalies, whereas the Allianoyonyiga Prospect is wholly covered by alluvium of the Allianoyonyiga Creek and will require drilling to test further. At Hickory's Paddock a recent soil program has defined a 300m long Zn/Cu/Pb anomaly associated with a gossanous black shale horizon.

East Lachlan Regional Projects

The Company retains a significant portfolio of tenements in the East Lachlan area of New South Wales within hauling distance of Woodlawn, the key project areas being Cullarin and Kangiara (see Figure 8).

Figure 8: Heron’s East Lachlan Projects



Cullarin Project (EL7954, EL7468, 100% Heron)

The Cullarin Project is located 20km NW of Woodlawn and 30km west of Goulburn and covers the prospective Silurian-aged Wet Lagoon Volcanics – a sequence of rhyolite and dacitic volcanic and volcaniclastic rocks with potential for VMS, skarn and shear-related gold and base-metal deposits.

The project had been a joint venture with Golden Cross Resources Ltd (ASX: GCR), however Heron recently acquired GCR’s interest thereby terminating the agreement between the parties and Heron now owns the project 100% with no further encumbrances.

Previously reported exploration in the south of the area has highlighted the prospectivity of the Wet Lagoon Prospect where several encouraging gold intercepts were drilled by North Ltd and others in the 1980s (nominal 0.5g/t cut-off grade applied):

- 32.0m @ 1.5g/t Au from 83.0m, WL017
- 24.4m @ 3.3g/t Au from 16.2m, WL031
- 20.0m @ 2.3g/t Au from 70.5m, WL024
- 65.0m @ 1.6g/t Au from 31.0m, WL028

These results have been sourced from historical open-file reports and have not been verified by the Company, except where original drill logs and assay sheets have been used to validate within a dedicated database.

Many of these better drill results occur close to the carriageway of the major Hume Highway and future work will need to be directed away from infrastructure areas.

The Wet Lagoon Prospect will be re-evaluated for its potential to host a major gold deposit as it is clear a very significant mineralising event has taken place over a broad, 5km long area.

Kangiarra Project (EL8400, 100% Heron)

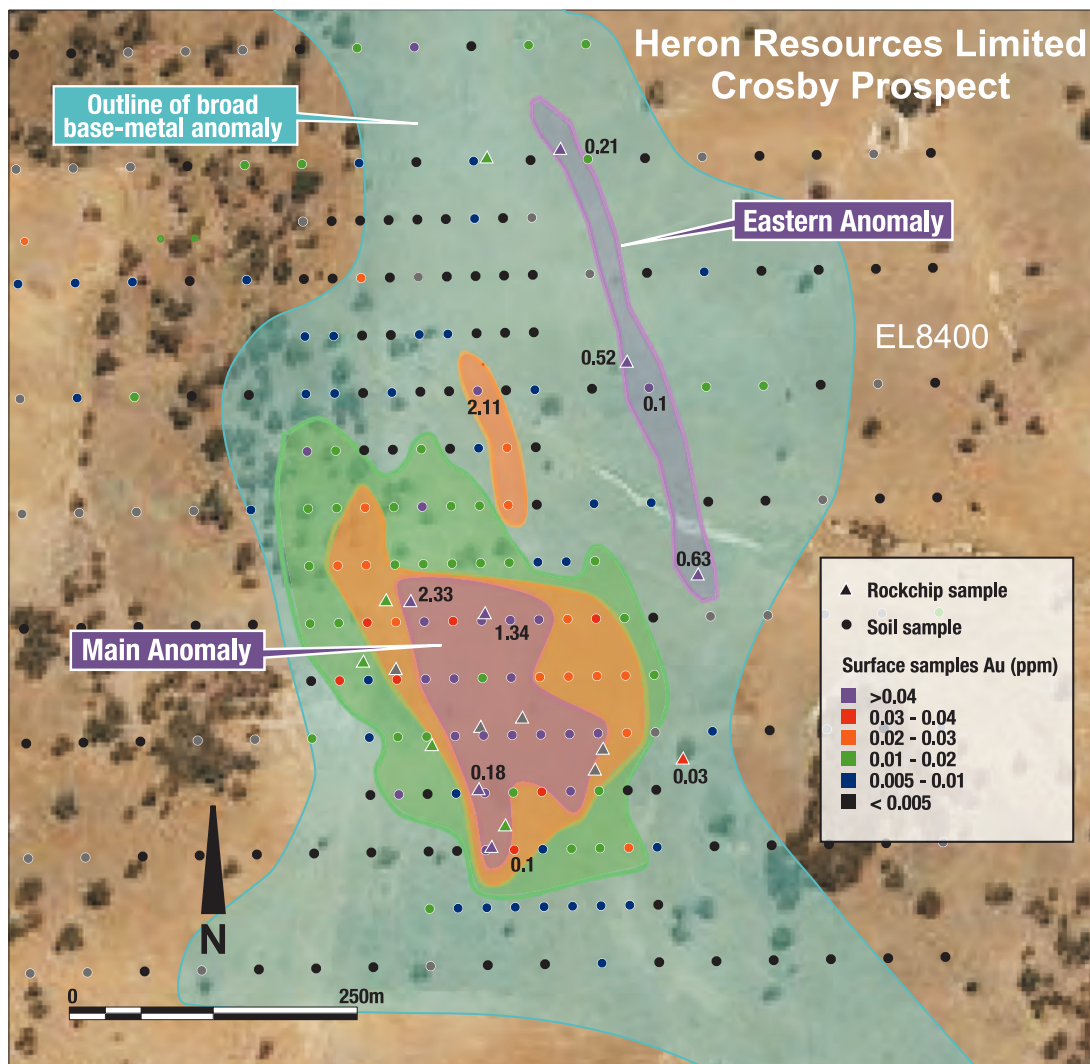
The Kangiarra Project is located 90km NW of Woodlawn and 26km NNW of the town of Yass. It covers felsic volcanic and related sedimentary rocks of the Silurian Douro Group. Kangiarra itself is a historical copper mine with reported production of 40kt @ 3% Cu, 16% Pb, 5% Zn, 279g/t Ag and 2g/t Au. Previous explorers (to 2014) have delineated a small, low-grade gold, silver, copper, lead zinc deposit, which is not JORC 2012 compliant and potential exists to build on this position.

At the Crosby Prospect (named after the nearby trig station) 5km to the NE of Kangiarra, previous explorers (in particular Oakland Resources Ltd around 2011) outlined a strong gold anomaly (2.3g/t Au in rock chips and 0.17g/t Au in soils) within a 2.5km NW-trending zone of anomalous geochemistry (Au, As, Zn, Pb, Cu; Figure 9). These results are from public open-file sources and the Company has not been able to verify these, however earlier (1970s) soil sampling showed Pb and Cu anomalism in the same area (not assayed for Au at the time) providing some confirmation for the more recent results.

The anomaly has reported zones of pyrite at surface and lies within rhyolitic to dacitic volcanics and volcanoclastic units of the Hawkins Volcanics. The setting is similar to the McPhillamys gold deposit (approximately 2.2Moz Au as reported by Regis Resources Ltd <http://www.regisresources.com.au/>) located 130km to the NNE.

The Crosby Prospect (Figure 9) provides the opportunity for a greenfields gold/base-metals discovery. Oakland Resources Ltd were proposing to drill the prospect before their very limited funding was redirected. Access is relatively straightforward being on privately owned sheep grazing paddocks approximately 2km from the nearest homestead. The Company is planning to conduct a program of verification sampling and mapping prior to designing a drill program to test for mineralisation at depth.

Figure 9: Crosby Prospect showing surface geochemistry anomaly



Exploration Projects – New South Wales and Western Australia

Following the Ardea Resources Ltd (Ardea) spin-off on 9 February 2017 and in addition to the Woodlawn tenure, Heron retains a free-carried high quality tenement holding in the Lachlan Fold Belt of NSW and the Eastern Goldfields of Western Australia. This tenure is held through joint venture and other free-carried residual or royalty interests which results in minimal costs to Heron.

Joint Venture Projects

Alchemy Farm-In and JV (Overflow, Girilambone, Eurow and Yellow Mountain)

Heron entered into a Farm-Out Agreement with Alchemy Resources Limited (Alchemy) (ASX:ALY) covering a portfolio of Heron's NSW exploration tenements in May 2016. The Farm-Out Agreement covers 674 km² of the central Lachlan Orogen in NSW, including the following exploration tenements: EL5878 Overflow, EL7941 Overflow, EL8267 Overflow, EL8192 Eurow, EL8318 Girilambone and EL8356 Yellow Mountain.

A diamond drilling program has been planned by Alchemy, targeting up and down-plunge positions of the mineralisation zones at the Overflow mining centre. This program has commenced with results expected in the next few weeks.

Rocky Gully Nickel-Copper JV (10% Heron, 90% Metalicity Ltd)

Metalicity Ltd (ASX:MCT) have acquired a 90% interest in the Rocky Gully Project comprising the three tenements: E70/2801, E70/4543 and E70/4437. Heron retains a 10% interest in the tenements free carried through to the completion of a pre-feasibility study. Heron currently holds 13,375,000 MCT shares.

Bulong Gold JV (Heron 20%, Southern Gold Ltd 80%; Heron 100% nickel laterite rights Bulong East)

The Bulong Gold Project is located 30km east of Kalgoorlie with Southern Gold (ASX:SAU) managing the joint venture as part of their exploration efforts around the producing Cannon Gold Mine. Work completed by SAU during the period and the forward plan includes:

1. A trial geochemical survey to test biogeochemical/geochemical responses will be conducted across the Tooting Bec prospect. If successful this will be extended across areas of the Bulong Gold JV which have previously not been explored due to thick cover. This will be followed by rotary air blast (RAB)/aircore drilling program early in 2017 to test targets defined by the geochemical survey.
2. Heritage and flora/fauna surveys have been conducted across portions of M25/134 and M25/209 to facilitate access and allow planning of a haul road for the Glandore project adjacent to the Bulong Gold JV tenements.
3. Geochemical anomalies in the P25/2256, M25/134 and M25/209 were investigated with field mapping and sampling. This work will continue into the next quarter.

Siberia Tenement Sale

As announced on 23 January 2017, Eastern Goldfields Ltd (EGS) is acquiring from Heron:

- (a) Title to 19 mining tenements in the Siberia area (Siberia Gold Tenements), near Kalgoorlie Western Australia in return for payment of \$100,000 to Heron plus payment of a royalty; and
- (b) The gold rights in respect of one mining tenement (Siberia Gold Rights Tenements) in the same area with Heron retaining title and non-gold rights, which have been assigned to Ardea.

While Ardea (as assigned from Heron) has acquired the non-gold rights in respect of both the Siberia Gold Tenements and the Siberia Gold Rights Tenements, Eastern Goldfields will be responsible for payment of rates and taxes on the Siberia Gold Rights Tenements and for keeping these tenements in good standing under the Mining Act. Further details can be found in the EGS ASX release dated 23 January 2017.

ARDEA RESOURCES LTD

Following the positive Woodlawn Project Feasibility Study in June 2016, Heron's primary focus has been to bring the Woodlawn Project into development. This resulted in limited funding being available for allocation to Heron's extensive portfolio of non-Woodlawn development and exploration projects, which are of sufficient high quality to warrant further activity and funding in their own right. Accordingly, Heron decided to spin-off the non-Woodlawn assets into the new company Ardea Resources Limited, with the objective of ensuring that the underlying value of these assets is realised by Ardea to the benefit of existing and new shareholders.

On 29 September 2016 Heron Shareholders overwhelmingly approved the proposed spin-off of Ardea to raise up to A\$6 million through the issue of up to 30 million new shares under a Public Offer. The IPO closed on 20 January 2017, with A\$5.1 million subscribed and Ardea successfully listed on the Australian Stock Exchange 9 February 2017.

Ardea's development focus is the Kalgoorlie Nickel Project Cobalt Zones and chrysoprase gemstone in WA and Lewis Ponds Gold-Zinc Project in central NSW. Ardea has a 100% interest in all of its projects. Due to the expenditure focus on the KNP and Lewis Ponds feasibility programs, a number of corporate and joint venture proposals will be under consideration for the Ardea exploration portfolio.

Heron considers that its shareholders will continue to benefit from the Ardea tenements as further shareholder value is generated from Ardea corporate transactions during 2017.

Heron was granted 10 million options in Ardea on 9 February 2017, and three months from Ardea's listing, Heron will along with all other Ardea shareholders, receive a 1 for 3 Loyalty Option issue.

Ardea has a separate board of directors and management team and two Heron employees have transferred to Ardea as at 1 February 2017 to form a separate autonomous exploration team. Office accommodation is being shared until the Ardea team is finalized.

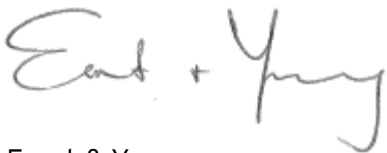
Auditor's Independence Declaration to the Directors of Heron Resources Limited

As lead auditor for the review of Heron Resources Limited for the half-year ended 31 December 2016,

I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Heron Resources Limited and the entities it controlled during the financial period.



Ernst & Young



Scott Jarrett
Partner
Sydney
24 February 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDING 31 DECEMBER 2016

	Notes	31 Dec 2016 \$'000	31 Dec 2015 \$'000
OTHER INCOME	2	290	667
Accountancy/Professional fees		(96)	(11)
Audit Fees		(34)	(18)
Consultants expense		(17)	-
Depreciation expense	4(b)	(40)	(29)
Directors fees		(155)	(147)
Employee benefits expense		(495)	(424)
Insurance expense		(90)	(38)
Legal fees		(66)	(124)
Equity Settled Share based payments	3, 11(a)	(355)	(163)
Rental expense		(131)	(171)
Other Expenses from Ordinary Activities	4(a)	(652)	(444)
Exploration expenditure		(743)	(794)
Gain/(Impairment) of investments	7	222	534
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(2,362)	(1,162)
INCOME TAX EXPENSE		-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(2,362)	(1,162)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		(2,363)	(1,162)
		\$	\$
Basic loss per share	5	(0.005)	(0.003)
Diluted loss per share	5	(0.005)	(0.003)

The Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 Dec 2016 \$'000	30 June 2016 \$'000
CURRENT ASSETS			
Cash assets	12	16,513	22,891
Trade and other receivables	6	825	522
TOTAL		17,338	23,413
Assets held for distribution to owners	14	8,778	-
TOTAL CURRENT ASSETS		26,116	23,413
NON-CURRENT ASSETS			
Trade and other receivables		491	35
Investments	7	1,570	1,907
Property, plant and equipment	8	71	436
Exploration and evaluation costs carried forward	9	26,540	31,068
TOTAL NON-CURRENT ASSETS		28,672	33,446
TOTAL ASSETS		54,788	56,859
CURRENT LIABILITIES			
Trade and other payables	10	730	893
Provisions – employee entitlements		918	840
TOTAL CURRENT LIABILITIES		1,648	1,733
NON-CURRENT LIABILITIES			
Provisions – employee entitlements		63	42
TOTAL NON-CURRENT LIABILITIES		63	42
TOTAL LIABILITIES		1,711	1,775
TOTAL NET ASSETS		53,077	55,084
EQUITY			
Contributed Equity		138,409	138,409
Option Reserve	11(a)	1,290	935
Accumulated losses	11(b)	(86,622)	(84,260)
TOTAL EQUITY		53,077	55,084

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDING 31 DECEMBER 2016

	Note	Issued Capital \$'000	Retained Earnings \$'000	Option Reserve \$'000	Total \$'000
As at 30 June 2016		138,409	(84,260)	935	55,084
Total comprehensive income	11(b)	-	(2,362)	-	(2,362)
Cost of share based payments	11(a)	-	-	355	355
Option reserve write back		-	-	-	-
As at 31 December 2016		138,409	(86,622)	1,290	53,077
As at 30 June 2015		131,680	(80,051)	522	52,151
Total comprehensive income		-	(1,162)	-	(1,162)
Issue of share capital		6,820	-	-	6,820
Cost of share issue		(91)	-	-	(91)
Cost of share based payments		-	-	207	207
Option reserve write back		-	-	(44)	(44)
As at 31 December 2015		138,409	(81,213)	685	57,881

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDING 31 DECEMBER 2016

	Notes	31 Dec 2016 \$'000	31 Dec 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		250	404
Payments for services & administration expenses		(2,451)	(1,603)
Exploration and development expenditure – expensed		(784)	(794)
NET CASH USED IN OPERATING ACTIVITIES		(2,985)	(1,993)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and development expenditure - capitalised		(3,772)	(5,184)
Proceeds from sale of shares/options		379	63
Purchase of plant and equipment		-	(9)
Proceeds from sale of plant and equipment		-	12
NET CASH USED IN INVESTING ACTIVITIES		(3,393)	(5,118)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	6,821
Cost of issue		-	(91)
NET CASH PROVIDED BY FINANCING ACTIVITIES		-	6,730
NET DECREASE IN CASH HELD		(6,378)	(381)
Cash at the beginning of the reporting period		22,891	24,015
CASH AT THE END OF THE REPORTING PERIOD	12	16,513	23,634

The Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance and Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit and loss, certain classes of property, plant and equipment and investment property. Assets held for distribution to owners are carried at fair value less cost to sell as at 31 December 2016 and have been recorded in the accounts of Ardea Resources Ltd at the same value as at the date of IPO (9 February 2017).

The consolidated interim financial report does not include all of the information required for a full annual report and 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 during the half year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016.

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
NOTE 2 OTHER INCOME		
Profit on sale of investments	-	16
Interest received	250	363
Proceeds from disposal of Rocky Gully	-	288
Sundry income	40	-
Total other income	290	667

NOTE 3 SHARE BASED PAYMENTS

Share based payments is the fair value of options issued and expensed over the vesting period.

Cost of share based payments	(355)	(207)
Option reserve write back	-	44
	(355)	(163)

The Black Scholes valuation methodology has been used to value the options issued during the reporting period. The following table lists the inputs used to value the options issued for the period ended 31 December 2016.

Number of options	400,000
Method adopted	Black Scholes
Average volatility (%)	75
Average risk free interest rate (%)	2.38
Average expected life of option (years)	5
Average exercise price	\$0.154
Average deemed share price at grant date	\$0.154
Average value per option	\$0.059

NOTE 4 OTHER EXPENSES – INCOME STATEMENT

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
(a) Other Expenses comprise the following items:		
Payroll Tax	(24)	(17)
Media and public relations	(62)	(99)
ASX and TSX Fees	(137)	(68)
Travel and Accommodation	(96)	(84)
Office expenses and supplies	(96)	(42)
Computer expenses	(175)	(34)
Report expenses and printing	(37)	(56)
Conference and seminars	-	(18)
Miscellaneous expenses	(25)	(23)
	<u>(652)</u>	<u>(444)</u>
(b) Depreciation expense		
Plant & equipment	(8)	(3)
Office furniture & equipment	(29)	(24)
Motor vehicles	(3)	(2)
	<u>(40)</u>	<u>(29)</u>

NOTE 5 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the half yearly loss of \$2,362,570 by the weighted average number of ordinary shares outstanding during the half-year of 415,009,381 giving basic and diluted earnings per share of \$0.005 (2015: 0.003).

NOTE 6 TRADE AND OTHER RECEIVABLES CURRENT

	31 Dec 2016	30 June 2016
	\$'000	\$'000
Accrued Interest Receivable	29	56
Prepayments	197	75
GST receivable	161	82
Debtor – Ardea ⁽¹⁾	269	-
Sundry Debtors	169	309
	<u>825</u>	<u>522</u>

(1) The loan to Ardea Resources Ltd is for IPO preparation costs such as independent geologist reports and legal and taxation advice and will be repaid both via the issue of 10M options in Ardea to Heron to satisfy amounts up to \$500,000 and remainder via cash reimbursement. As at 31 December 2016, \$456k is shown as a non-current asset and will be repaid via the issue of 10M options and \$269k is shown as a current asset and will be repaid in cash. The Initial Public Offering was completed on 9 February 2017.

NOTE 7 INVESTMENTS IN OTHER ENTITIES – NON CURRENT

INVESTMENTS IN OTHER ENTITIES AT FAIR VALUES

	31 Dec 2016	30 June 2016
	\$'000	\$'000
Centennial Mining Limited	529	673
Metalicity Limited	1,006	1,006
Newamu Pty Ltd	178	178
Alchemy Resources Ltd	35	50
Asset held for distribution to owners	(178)	0
	1,570	1,907

Movement in investments

\$'000

Centennial Mining Limited

Carrying value 30 Jun 2016	673
Unrealised gain/loss on mark to market	237
Fair value of shares sold on market	(381)
Carrying value 31 Dec 2016	529

Metalicity Limited

Carrying value 30 Jun 2016	1,006
Unrealised gain/loss on mark to market	-
Carrying value 31 Dec 2016	1,006

Newamu Pty Ltd

Carrying value 30 Jun 2016	178
Asset held for distribution to owners	(178)
Carrying value 31 Dec 2016	-

Alchemy Resources Ltd

Carrying value 30 Jun 2016	50
Unrealised gain/(loss) on mark to market	(15)
Carrying value 31 Dec 2016	35

Summary

Carrying value 30 Jun 2016	1,907
Realised gain on sale of shares on market	(381)
Unrealised gain/(loss) on mark to market	222
Asset held for distribution to owners	(178)
Carrying value 31 Dec 2016	1,570

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 December 2016, which have been valued at the closing price on that day of \$0.023 cents per share.

During the period Heron sold 7,366,666 shares on market and also sold its holding of 10,955,556 options exercisable for \$0.03 expiring 30 November 2019.

Metalicity Limited (MCT) is an Australian listed public exploration company with 452,169,654 fully paid ordinary shares on issue. Heron holds 14,375,000 fully paid shares at 31 December 2016, which have been valued at the closing price of \$0.07 on that day.

Subsequent to 31 December 2016, Heron sold 1,000,000 Metalicity shares on market realising gross proceeds of \$85K.

Alchemy Resources Ltd (ALY) is an Australian listed public exploration company with 230,788,035 shares on issue. Heron owns 2,000,000 shares in Alchemy at 31 December 2016, which have been valued at the closing price of \$0.0175 on that day and 2,500,000 options with a 3 year term and an exercise price of \$0.10 which have no ascribed value as at 31 December 2016.

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. The Investment in Newamu was transferred to Ardea upon its listing on the ASX and accordingly forms part of assets held for distribution as at 31 December 2016.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2016	30 June 2016
	\$'000	\$'000
Plant and equipment at cost	333	333
Accumulated depreciation	(320)	(311)
	<u>13</u>	<u>22</u>
Office equipment & furniture at cost	911	911
Accumulated depreciation	(869)	(841)
	<u>42</u>	<u>70</u>
Motor vehicles at cost	229	229
Accumulated depreciation	(213)	(210)
	<u>16</u>	<u>19</u>
Land	325	325
Accumulated depreciation	-	-
Asset held for distribution to owners	(325)	-
	<u>-</u>	<u>325</u>
Total property, plant and equipment	<u><u>71</u></u>	<u><u>436</u></u>

Reconciliation

	\$'000
Plant and equipment:	
Carrying value at 1 July 2016	22
Additions	-
Depreciation expense	(8)
Carrying value at 31 December 2016	<u>14</u>
Office equipment and furniture:	
Carrying value at 1 July 2016	70
Additions	-
Depreciation expense	(29)
Carrying value at 31 December 2016	<u>41</u>
Motor vehicles:	
Carrying value at 1 July 2016	19
Additions	-
Depreciation expense	(3)
Carrying value at 31 December 2016	<u>16</u>
Land:	
Carrying value at 1 July 2016	325
Additions	-
Depreciation expense	-
Asset held for distribution	(325)
Carrying value at 31 December 2016	<u>-</u>

NOTE 9 EXPLORATION AND EVALUATION COSTS CARRIED FORWARD

	31 Dec 2016	30 June 2016
	\$'000	\$'000
Balance brought forward	31,068	27,119
Exploration and evaluation costs incurred – Woodlawn	3,772	7,432
Exploration and evaluation costs incurred – other projects	743	1,714
Exploration and evaluation expensed as incurred	(743)	(1,714)
Exploration and evaluation impairment	-	(1,181)
R&D Tax Incentive	-	(2,302)
Asset held for distribution	(8,300)	-
Balance carried forward	<u>26,540</u>	<u>31,068</u>

The ultimate recoupment of costs carried forward is dependent upon the successful development and/or commercial exploitation or alternatively, sale of respective areas of interest.

NOTE 10 TRADE AND OTHER PAYABLES CURRENT

	31 Dec 2016	30 June 2016
	\$'000	\$'000
Trade creditors and accruals - exploration activities	534	329
Trade creditors and accruals - other	196	564
	<u>730</u>	<u>893</u>

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

NOTE 11 ACCUMULATED LOSSES AND RESERVES

	31 Dec 2016	30 June 2016
	\$'000	\$'000
(a) Option reserve		
Balance brought forward	935	522
Cost of share based payments	355	457
Write back of lapsed options expense	-	(44)
Balance carried forward	<u>1,290</u>	<u>935</u>

The option reserve is used to recognise the fair value of options issued and expensed over the vesting period and credited to this reserve. The shares will reverse against the share capital when the underlying options are exercised.

(b) Accumulated losses		
Balance brought forward	(84,260)	(80,051)
Write back of expense for lapsed options	-	44
Net profit / (loss) for the period	(2,362)	(4,253)
Balance carried forward	<u>(86,622)</u>	<u>(84,260)</u>

NOTE 12 CASH

	31 Dec 2016	30 June 2016
	\$'000	\$'000
Cash on hand and at bank	891	733
Deposits at call	15,500	22,000
Property Rental Bond	58	49
Environmental Bonds	64	109
Balance carried forward	<u>16,513</u>	<u>22,891</u>

Cash security for environmental bonds of \$64,000 (June 2016: \$114,000) is included in Cash on hand and at bank. Property Bonds of \$57,865 (June 2016: \$48,865) are included in Cash on hand and at bank. This amount is held as a security term deposit.

NOTE 13 CONTRIBUTED EQUITY

	31 Dec 2016	31 Dec 2016
	Shares	\$'000
Issue of ordinary shares		
Opening balance as at 30 June 2016	415,009,381	138,409
Issue of shares	-	-
Cost of issue	-	-
Closing balance	<u>415,009,381</u>	<u>138,409</u>

NOTE 14 SUBSEQUENT EVENTS

On 9 February 2017, Ardea Resources Ltd listed on the ASX. Below is a Pro-forma balance sheet showing the impact of the spin-out the Ardea assets upon the Heron Balance Sheet as at 31 December 2016. The assets and liabilities of Ardea are accounted for as "Held for distribution to Owners" on the consolidated statement position as at 31 December 2016.

All amounts shown are expressed in Australian dollars

ASSETS

CURRENT ASSETS

Cash and cash equivalents

16,513

16,513

Receivables

825

825

TOTAL CURRENT ASSETS

17,338**17,338**

NON-CURRENT ASSETS

Receivables

491

491

Investments

1,748

(178)

i

1,570

Property, plant and equipment

396

(325)

ii

71

Exploration and evaluation expenditure

34,840

(8,300)

iii

26,540

TOTAL NON-CURRENT ASSETS

37,475**(8,803)****28,672****TOTAL ASSETS****54,813****46,010****LIABILITIES**

CURRENT LIABILITIES

Trade and other payables

730

730

Provisions – employee entitlements

943

(25)

iv

918

TOTAL CURRENT LIABILITIES

1,673**(25)****1,648**

NON-CURRENT LIABILITIES

Provisions – employee entitlements

63

63

TOTAL NON-CURRENT LIABILITIES

63**63****TOTAL LIABILITIES****1,736****1,711****NET ASSETS****53,077****(8,778)****44,299****EQUITY**

Contributed equity - ordinary shares

138,409

(8,778)

129,631

Option reserve

1,290

1,290

Accumulated losses

(86,622)

(86,622)

TOTAL EQUITY**53,077****44,299**

i The investment in Newamu Pty Ltd is now owned by Ardea

ii The Freehold land at Lewis Ponds is now owned by Ardea

iii The carried forward capitalised exploration expenditure of Lewis Ponds and the KNP is now owned by Ardea

iv Employee entitlement for Heron employees that are now Ardea employees.

NOTE 15 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 NSW tenements (31 December 2016: \$148,000) and a rental bond commitment (\$17,187) 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 (31 December 2016: \$64,000) and a rental bond commitment (\$15,623) over its Perth office. The Westpac bonds are secured by term deposits.

The impact of the Ardea spin out is that performance bonds held by the National Australia Bank have reduced to \$82,000 and are now secured by cash deposited with the Department of Resources and Energy NSW. Bonds held by Westpac have reduced to \$Nil.

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.

This agreement remains current through agreed extensions to the term and a new Co-operation agreement is expected to be finalised in the next few weeks.

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 \$400,000 if the Company were to surrender the tenements. The Jump Up Dam tenements have now transferred to Ardea upon its successful IPO. None of these contingent liabilities have been provided for the financial report.

As at 31 December 2016, exploration expenditure requirements to maintain all the exploration licences in good standing was \$2,442,000 per annum however this amount has decreased to \$655,000 following the successful spin-out of Ardea.

NOTE 16 SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged in the minerals industry in Australia. The Company's activities are divided into two main categories, corporate and exploration with exploration sub-divided into four categories - tenements related to the Woodlawn Underground Project & Woodlawn Retreatment Project (Woodlawn Project); Lewis Ponds tenements (Lewis Ponds Project); Kalgoorlie Nickel Project (KNP project) and tenements other than Woodlawn, KNP or Lewis Ponds related (Exploration).

The Lewis Ponds and KNP segment were transferred to Ardea as at the date of the IPO.

Segmental Information for Consolidated Statement of Comprehensive Income

Half year ended 31 December 2016	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP \$'000	Exploration \$'000	Total \$'000
Profit on sale of investments		-	-	-	-	
Interest received	250	-	-	-	-	250
Sundry Income	40	-	-	-	-	40
Other Income	290	-	-	-	-	290
Depreciation	(20)	(6)	-	-	(14)	(40)
Exploration expenditure expensed as incurred	-	-	(31)	(324)	(387)	(742)
Exploration expenditure incurred	-	3,772	-	-	-	3,772
Exploration expenditure capitalised	-	(3,772)	-	-	-	(3,772)
Investment Impairment	222	-	-	-	-	222
Other expenses	(2,092)	-	-	-	-	(2,092)
Profit / (loss)	(1,600)	(6)	(31)	(324)	(401)	(2,362)

Half year ended 31 December 2015	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP \$'000	Exploration \$'000	Total \$'000
Profit on sale of investments	16	-	-	-	-	16
Proceeds from disposal of interest in Rocky Gully	288	-	-	-	-	288
Interest received	363	-	-	-	-	363
Other Income	667	-	-	-	-	667
Depreciation	(19)	(7)	-	-	(3)	(29)
Exploration expenditure expensed as incurred	-	-	(58)	(420)	(316)	(794)
Exploration expenditure incurred	-	4,507	-	-	-	4,507
Exploration expenditure capitalised	-	(4,507)	-	-	-	(4,507)
Other expenses	(1,006)	-	-	-	-	(1,006)
Profit / (loss)	(358)	(7)	(58)	(420)	(319)	(1,162)

Segmental Information for Consolidated Statement of Financial Position

Balance at 31 December 2016

	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP \$'000	Exploration \$'000	Assets held for distribution \$'000	Total \$'000
Other current assets	17,338	-	-	-	-	8,778	26,116
Total current assets	17,338	-	-	-	-	8,778	26,116
Property, plant and equipment	47	11	325	-	13	(325)	71
Exploration expenditure carried forward	-	26,540	4,903	3,397	-	(8,300)	26,540
Investments	1,748	-	-	-	-	(178)	1,570
Other	491	-	-	-	-	-	491
Non-current assets	2,286	26,551	5,228	3,397	13	(8,803)	28,672
Total assets	19,624	26,551	5,228	3,397	13	(25)	54,788
Total liabilities	1,006	196	-	-	534	(25)	1,711

Movement for the half year to 31 December 2016

	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP \$'000	Exploration \$'000	Assets held for distribution \$'000	Total \$'000
Other current assets	(6,075)	-	-	-	-	8,778	2,703
Total current assets	(6,075)	-	-	-	-	8,778	2,703
Property, plant and equipment	21	(45)	-	-	(16)	(325)	(365)
Exploration expenditure carried forward	-	3,772	-	-	-	(8,300)	(4,528)
Investments	(159)	-	-	-	-	(178)	(337)
Other	456	-	-	-	-	-	456
Non-current assets	318	3,727	-	-	(16)	(8,803)	(4,774)
Total assets	(5,757)	3,727	-	-	(16)	(25)	(2,071)
Total liabilities	(242)	(50)	-	-	253	(25)	64

Segmental Information for Consolidated Statement of Financial Position

Balance at 30 June 2016	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP \$'000	Exploration \$'000	Total \$'000
Other current assets	23,413	-	-	-	-	23,413
Total current assets	23,413	-	-	-	-	23,413
Property, plant and equipment	26	56	325	-	29	436
Exploration expenditure carried forward	-	22,768	4,903	3,397	-	31,068
Investments	1,907	-	-	-	-	1,907
Other	35	-	-	-	-	35
Non-current assets	1,968	22,824	5,228	3,397	29	33,446
Total assets	25,381	22,824	5,228	3,397	29	56,859
Total liabilities	1,248	246	-	-	281	1,775

Because the segmental information in the previous tables agrees to the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position there is no need for a reconciliation of segmental information to those statements.

Directors' Declaration

The Directors declare that:

In the opinion of the Directors:

1. the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the financial statements and associated notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the half year ended on that date; and
3. there are reasonable grounds to believe that Heron Resources Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'S. Dennis', is written over a light grey rectangular background.

Stephen Dennis
Chairman

Date: 24 February 2017



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To the members of Heron Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Heron Resources Limited, which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Heron Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Heron Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive, stylized font.

Ernst & Young

A handwritten signature in black ink that reads 'Scott Jarrett' in a cursive, stylized font.

Scott Jarrett
Partner
Sydney
24 February 2017

Shareholder Information

Twenty Largest Shareholders as at 16 February 2017

	Number of Shares	Percentage
1 GREENSTONE HHR HLDGS LP	54,131,658	13.04%
2 CANADIAN REGISTER	48,541,241	11.70%
3 CITICORP NOM PL	26,786,342	6.45%
4 HAZURN PL	23,732,480	5.72%
5 KURANA PL	16,576,556	3.99%
6 MBM CORP PL	11,200,000	2.70%
7 COPPER INV PL	10,813,195	2.61%
8 HSBC CUSTODY NOM AUST LTD	6,731,437	1.62%
9 CHAOS INV PL	5,515,783	1.33%
10 JETOSEA PL	5,350,000	1.29%
11 HSBC CUSTODY NOM AUST LTD	5,246,266	1.26%
12 DUPUY OLIVIER + JULIE	5,200,000	1.25%
13 ZERO NOM PL	5,000,000	1.20%
14 FREMONT CAT PL	4,205,476	1.01%
15 KEMPSON TRUDI ANN	3,208,474	0.77%
16 WARDLE DAVID JAMES + J L	3,070,000	0.74%
17 KOLTAI HLDGS PL	2,973,179	0.72%
18 B & J O'SHANNASSY MGNT PL	2,858,051	0.69%
19 TOPWEAL PL	2,727,286	0.66%
20 BUCHHORN IAN JAMES	2,518,241	0.61%
TOTAL	246,385,665	59.36%

Substantial Shareholders including related parties who have notified the Company

	Number of Shares	Percentage
Greenstone Management (Delaware) LLC	54,131,658	13.04%
I Buchhorn and related parties	46,790,959	11.2%
Sprott Inc and related parties	37,577,126	9.05%

Summary of Option holders as at 16 February 2017

	Number of Options	% of Issued Options
1 Employees & Directors	23,934,621	100.00
TOTAL	23,934,621	100.00



Heron Resources Limited

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