



Heron Resources Limited

ACN 068 263 098

FINANCIAL REPORT

For the half year ended 31 December 2014



Heron Resources Limited

Corporate Directory

ABN 30 068 263 098

DIRECTORS

Chairman (Non-Executive)

Craig Readhead BJuris LL.B. FAICD

Managing Director (Executive)

Wayne Taylor BE (Min.), MBA, MAusIMM

Director (Executive)

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

Director (Non-Executive)

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

Director (Non-Executive)

Borden Putnam III MSc, RPG

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Toronto Stock Exchange

TMX Group Ltd

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TSX CODE HER

SEAT ABBREVIATION

Heron

HOME BRANCH

Perth

INDUSTRY CLASSIFICATION

GICS classification code is 15104020

Diversified Metals and Mining

ISIN AU000 000 HRR6

Cover: Aerial photograph of the Woodlawn mine site.

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For the half year ended 31 December 2014

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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 2014 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 2014.

Board

The names of the Directors of the Company during the period and at 31 December 2014 were:

Craig Leslie Readhead

Ian James Buchhorn

Stephen Bruce Dennis

Wayne Taylor (appointed 11 August 2014)

Borden Putnam (appointed 12 December 2014)

Dr James Gill (appointed 11 August 2014, resigned 19 August 2014)

There were 7 meetings of directors held during the period with all directors appointed attending each of the meetings

Introduction

Heron Resources ("Heron" or the "Company") is pleased to provide the report for the Half Year December 2014. This represents the first half year period since the merger of Heron and TriAusMin Ltd in August 2014. During this reporting period the Company has principally been focused on advancing the high-grade Woodlawn Zinc-Copper Project through the continuation of the drilling program that was commenced in September 2014 and advancing the Preliminary Economic Assessment ("PEA") for the underground project. Excellent drilling results have been returned with further results pending and the early work on the PEA has been very supportive for the re-establishment of mining operations.

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 200km south-west of Sydney, in southern NSW, Australia. It is Heron's aim to create a profitable, long life and low cost mineral processing operation at Woodlawn that produces base and precious metal concentrates. Heron also holds a portfolio of tenements adjacent to the Woodlawn site covering the prospective felsic volcanics that host the Woodlawn VMS deposit.

Historically, the Woodlawn Mine operated from 1978 to 1998 and processed 13.8 million tonnes of ore from the Woodlawn open pit, underground and satellite deposits grading 9.1% zinc, 1.6% copper; 3.6% lead, 0.5g/t gold and 74g/t silver. The mine was closed in March 1998 due to prevailing low metal prices and external corporate issues. Post mine closure, the mineral rights contained within the Woodlawn Mining Licence SML20 were purchased by TriAusMin Ltd. Since that time, work has focused on evaluating the potential to re-process tailings from previous mining operations (termed the **Woodlawn Retreatment Project – WRP**), and to re-develop the underground mine (the **Woodlawn Underground Project – WUP**). Regional exploration has also been undertaken in the vicinity of Woodlawn with the objective of discovering new, high grade satellite deposits (**Woodlawn Exploration Project – WEP**).

The WRP has previously been studied to a higher level of detail (Feasibility Study and Front End Engineering Design Study) than the WUP. The Company recently initiated a new study (the PEA) focused on the WUP with the principal objective of demonstrating the viability of recommencing operations. Whilst this study has a focus on the high-grade underground mineralisation, the development plan for the Woodlawn Project will involve the combined development of the WUP and WRP at the Woodlawn site. The PEA marks the first step in raising the level of review on the WUP to allow for an integrated Feasibility Study to be completed.



Woodlawn Underground Project (WUP) (100% Heron)

Drilling Program

First phase of the program is nearing completion with some 17 diamond drill holes (6,650m) and 11 RC Drill holes (1,145m) completed to date.

- The drilling program which commenced in September 2014 has generated excellent results to date with a number of significant intercepts being returned:
 - **WNDD0001: 14.4m at 4.6% Zn, 4.1% Cu, 0.8% Pb, 1.0g/t Au and 57g/t Ag from 374m (Kate Lens)**
 - **WNDD0002: 8.8m at 12.6% Zn, 1.6% Cu, 7.5% Pb, 2.3g/t Au and 152g/t Ag from 374m (Kate Lens)**
 - **WNDD0002: 2.3m at 12.0% Zn, 0.6% Cu, 5.4% Pb, 1.3g/t Au and 116g/t Ag from 368m (Kate Lens)**
 - **WNDD0006: 5.6m at 13.3% Zn, 0.7% Cu, 5.4% Pb, 1.2g/t Au, 26g/t Ag from 626m (I Lens)**
 - **WNDD0006: 4.0m at 4.8% Zn, 0.5% Cu, 0.2% Pb, 14g/t Ag from 679m (I Lens)**
 - **WNDD0006: 8.1m at 3.0% Zn, 2.3% Cu, 3.1% Pb, 2.6g/t Au, 68.8g/t Ag from 699m (D Lens)**
 - **WNDD0006: 10.0m at 1.6% Zn, 1.7% Cu, 0.2% Pb, 0.2g/t Au, 15g/t Ag from 759m (D Lens)**
 - **WNDD0007: 12.3m at 20.0% Zn, 2.1% Cu, 6.1% Pb, 0.8g/t Au and 53g/t Ag from 414m (Kate Lens)**
 - **WNDD0007: 2.4m at 20.1% Zn, 1.6% Cu, 4.2% Pb, 2.1g/t Au and 40g/t Ag from 435m (Kate Lens)**
 - **WNDD0008: 5.4m at 11.1% Zn, 1.6% Cu, 0.8% Pb, 0.6g/t Au, 11g/t Ag from 434m (Kate Lens)**
 - **WNDD0009: 14.8m at 5.4% Zn, 2.7% Cu, 2.0% Pb 1.2g/t Au, 48.5 Ag from 198m (G Lens)**
 - **WNDD0009: 8.1m at 7.2% Zn, 1.1% Cu, 2.3% Pb, 0.9g/t Au, 28g/t Ag from 309m (Kate Lens)**
 - **WNDD0010: 4.4m at 4.1% Zn, 3.2% Cu, 0.9% Pb, 0.5g/t Au, 39g/t Ag from 206m (G Lens)**
 - **WNRC0010: 8.0m grading 3.6% Zn, 1.3% Cu, 2.6% Pb, 1.0g/t Au and 65g/t Ag from 37m (G Lens)**
 - **WNDD0011: 5.9m at 6.3% Zn, 3.2% Cu, 1.7% Pb, 1.3g/t Au, 74g/t Ag from 348m (Kate Lens)**
 - **WNDD0012: 5.8m at 3.6% Zn, 0.7% Cu, 1.5% Pb, 1.0g/t Au, 60g/t Ag from 74m (H/G Lens)**
 - **WNDD0012: 4.2m at 14.8% Zn, 2.2% Cu, 6.2% Pb, 0.7g/t Au, 37g/t Ag from 135m (E Lens)**
 - **WNDD0013: 9.3m at 6.4% Zn, 3.2% Cu, 2.8% Pb, 2.4g/t Au, 151g/t Ag from 76m (G Lens)**
 - **WNDD0014: 2.1m at 3.1% Zn, 6.5% Cu, 1.3% Pb, 1.2g/t Au, 146g/t Ag from 61m (G Lens)**
- Other massive sulphide intercepts where assays are pending include:
 - **WNDD0015: 2.9m of massive sulphides from 237m (new Lisa Lens)**
 - **WNDD0015: 4.1m of massive sulphides from 242m (new Lisa Lens)**
 - **WNDD0016: 9.4m of copper-rich massive sulphides from 436.6m (Kate Lens)**
 - **WNDD0017: 9.5m of complex and copper-rich massive sulphides from 254.1m (D Lens)**

The focus of the diamond drilling has primarily been on recently discovered Kate Lens where seven of the nine holes drilled to-date intersected massive sulphide mineralisation (see Figures 1, 2 & 3 below). Overall, the boundaries from drilling the Kate Lens have been interpreted and are expected to provide a significant addition to the overall Mineral Resource tonnage. Kate Lens is viewed as a likely source for early, high-grade tonnage for the planned underground operation. Importantly, the lens still remains open in a number of directions.

Other areas tested in the current program include the up-dip positions of the A, E, G and I lenses. Significant mineralisation was recently intercepted in the E and G lens that are expected to add shallow, high-grade tonnages. Modelling of the DHEM data from two holes into the I Lens up-dip position indicates that mineralisation occurs nearby and that a modest zone of mineralisation is likely to lie between the two holes.

As this initial phase of drilling nears completion, a number of "step-out" targets are being drilled which include the new Lisa Lens and a target to the south of the existing open pit. At this stage, the results from these holes will not be included in the revised Mineral Resource estimate, however it is expected these results may demonstrate further potential upside to the Woodlawn mineral inventory.

DHEM Surveys - The majority of the holes drilled in the current program have been surveyed with DHEM probes which provide an indication of the potential occurrence of conductive massive sulphides adjacent to the drill hole ('off-hole'). The recorded and modelled response from the DHEM surveys has, in many cases, successfully guided follow-up drilling, and continues to be an important component of drill-targeting.

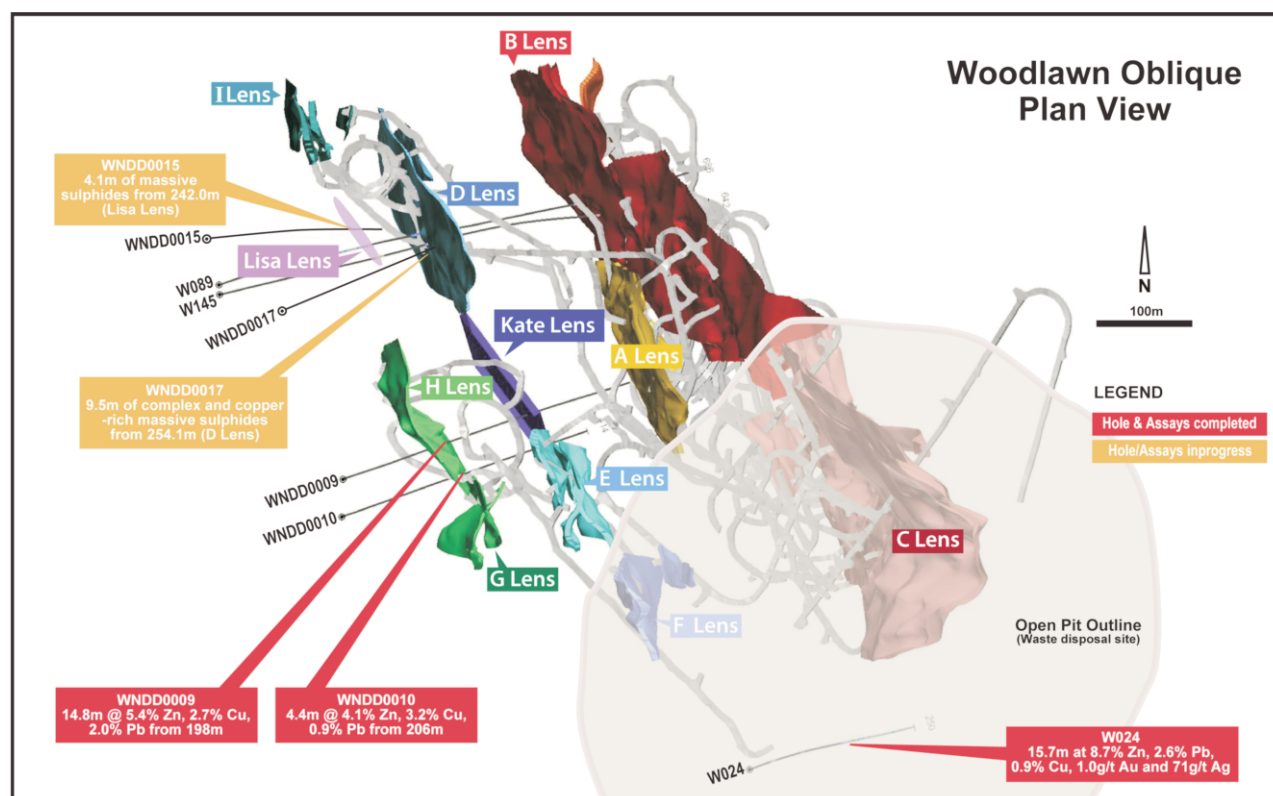
Two conductors have now also been modelled from drill hole WNDD0009, providing down-plunge indicators for the G Lens, and indicating the Kate Lens is open in the up-dip position. These are robust targets for future drilling. Given this success, DHEM will continue to be a key contributor to future exploration programs at Woodlawn.

Woodlawn Project – PEA

- PEA is on track to release findings within the 1st Half 2015, with excellent progress being made across all technical disciplines
- Updated Mineral Resource model is being prepared in accordance with JORC and CIM standards
- Mine planning and rock mechanics work has identified mining methods adapted to localised conditions
- Metallurgical testwork on underground and blended underground/tailings samples is demonstrating improvements in metal recoveries compared to historical production

Mineral Resource Estimation - The revised Mineral Resource estimate is progressing well. Work continues on incorporating historic survey data of underground workings into the model, which has been improved by better methodology and knowledge from intercepts from the recent drilling campaign. It is expected that part of the current Mineral Resource will reduce due to the overlay of the revised mining engineering parameters, however it is expected this will be partially offset by gains made in new areas from the current drilling, such as the Kate and I Lenses. In addition, the overall technical quality of the Mineral Resource estimation will be improved. The establishment of the PEA mining inventory is expected to be generated from both within the bounds of the existing Mineral Resource and from the additions generated through the current drilling program.

Figure 1: Plan overview of the Woodlawn Lenses showing pit and existing underground decline.



[illegible]

Rock Mechanics / Geotechnical Engineering - Beck Engineering has reviewed the extensive historical mining records to better understand the ground conditions previously encountered at Woodlawn, as well as past ground control practices. Inspection and geotechnical logging of Kate Lens diamond drill core has shown improved ground competency in this area. Along with the use of consolidated backfill, it is expected that the selection of an appropriate mining method will provide for maximum metal recovery and high productivity. The new operation contemplated by the PEA has presented the Company with the opportunity to implement a number of changes that will greatly improve the future management of ground conditions. These changes include the use of full time geotechnical resources on site, structural modelling to improve the predictive capacity for mine planning, tailored extraction techniques that will minimise the creation of isolated sill pillars and, critically, the implementation of cemented paste fill as a competent support medium.

Proposed Boxcut, Portal & Decline - A component of the current drilling program includes the drilling of specific geotechnical holes along the proposed decline route. The first geotechnical drill hole encountered low-competency black shale and mudstone units. This led Beck Engineering to recommend a revised decline route and a redesigned geotechnical drill program. Three geotechnical holes have now been completed with adequate ground conditions encountered at the designed decline depths.

Mining Studies and Costs - SRK and Beck Engineering, with input from Heron (including past Woodlawn employees), have been working on examining a number of different mining methods that could be applied to both existing resources in and around the former workings, as well as the new resource areas defined by the recent drilling programs. Future mining at Woodlawn will utilise several different mining techniques determined by localised factors, such as mineralised width, length and height, proximity to other workings, new resource areas, and assessment of the likely ground conditions. Due to the high-grade nature of the mineralisation, a target for the mine planning work is to maximise metal recovery. The application of competent cement paste fill will be integral to achieving this. SRK has estimated a set of preliminary production rates and costs for these mining methods that will be incorporated into the proposed mining inventory, production schedule and financial assessment of the PEA.

Backfill Studies - Outotec has commenced paste fill and rheology work on a 134kg large sample collected from the South Tailings Dam which has then been ground to 30 microns at the Australian Minmet Metallurgical Laboratories ("AMML") laboratory in Gosford. Initial testwork indicates that approximately 48% of the material will be of a size suitable for paste fill. Following the completion of flotation test work by AMML on the core samples from underground, the resulting tailings will be forwarded to Outotec for further paste fill and rheology test work.

Metallurgical Testwork - Testwork is ongoing at AMML. This has demonstrated that readily saleable copper, lead and zinc concentrates can be produced at high metal recoveries in a conventional sequential flotation circuit. Utilising improvements to process technologies, flotation results from the combined underground mineralisation and former tailings, have exceeded the historical recoveries achieved during the original flotation of fresh Woodlawn underground ore by itself.

Process and Plant Engineering - GR Engineering Services is undertaking the process and plant engineering work which builds upon their 2012 Front End Engineering Design ("FEED") Study for the tailings retreatment plant, as well as taking into account the metallurgical test results for the underground and underground/tailings samples. A revised flowsheet has now been agreed, and the engineering study work is proceeding on a plant design capable of processing variable blends of underground ore and tailings at a total feed rate of 1.5 million tonnes per annum.

Project Development Permitting / Licensing - Whilst permitting and licensing aspects do not influence the completion of the PEA, these are advancing in parallel with the study, to prepare the site for commencement of on-ground development activity. This will avoid the extended delays often encountered after decisions to proceed are taken. The Woodlawn Project received NSW State Government approval for development on 4 July 2013. As a condition of this approval, a number of management plans are required prior to the commencement of construction. It is anticipated these plans will be lodged with the Department before the end of March 2015. Heron has received notification from the Division of Resources & Energy ("DRE") that SML20, the mining lease that covers the Woodlawn site, is to be renewed for a further 15 year period. Final renewal documents are expected from the DRE within the next few weeks.

Woodlawn Project Development Plan - Following completion of the PEA, it is anticipated that a Feasibility Study ("FS") will be undertaken. The FS is expected to take up to 12 months and will encompass the combined development of both the underground and tailings projects. Subject to a positive FS and project funding, first production of zinc concentrates at Woodlawn is presently estimated to be early in 2018.

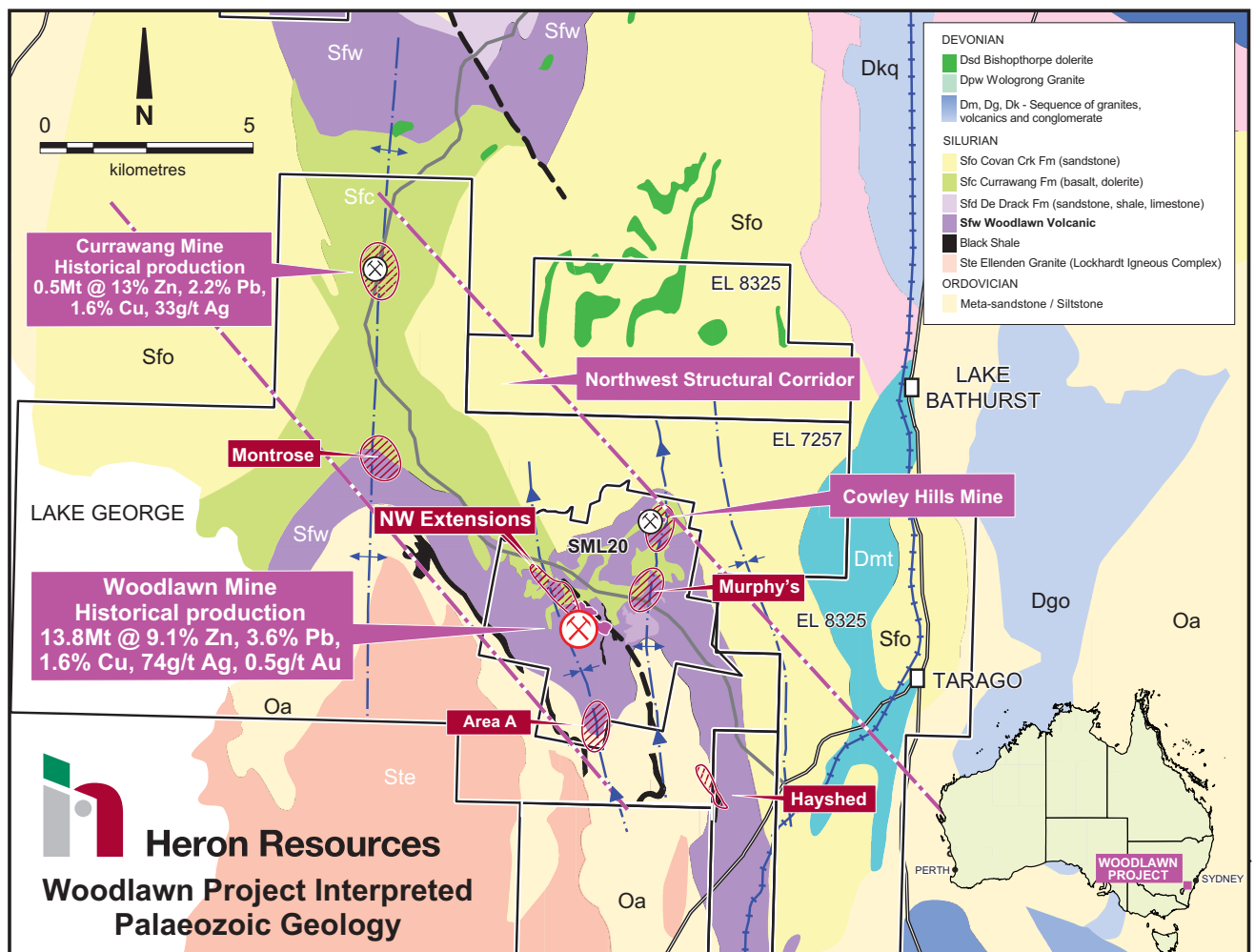
Woodlawn Exploration Project (WEP) (100% Heron unless otherwise stated)

- **Currawang Prospect** – new targets defined from historic DHEM
- **Hayshed Prospect** – auger sampling completed with anomalies identified
- **Cowley Hills Prospect** – target generation underway

The Woodlawn Project includes a 556km² exploration portfolio which is prospective for Volcanogenic Massive Sulphide (VMS) style mineralisation (Figure 4).

As a VMS centre, the Woodlawn mineralising system can be reasonably expected to generate multiple mineralised positions. High priority “brownfields” targets have been defined in and around SML20, including Currawang, Cowley Hills and Hayshed.

Figure 4: Woodlawn location and regional exploration targets



Currawang (10km NW of Woodlawn) – a program of fixed loop EM surveying is planned for the current quarter to follow-up targets north and south of the old underground mine. This deposit was mined from underground up until 1995 producing around 0.5Mt of high-grade ore at similar grades to the Woodlawn operation. The deposit consists of a lenticular pod of massive sulphide mineralisation within the Currawang Basalt and there is reasonable potential to find additional mineralisation in the poorly tested down-dip and along strike positions.

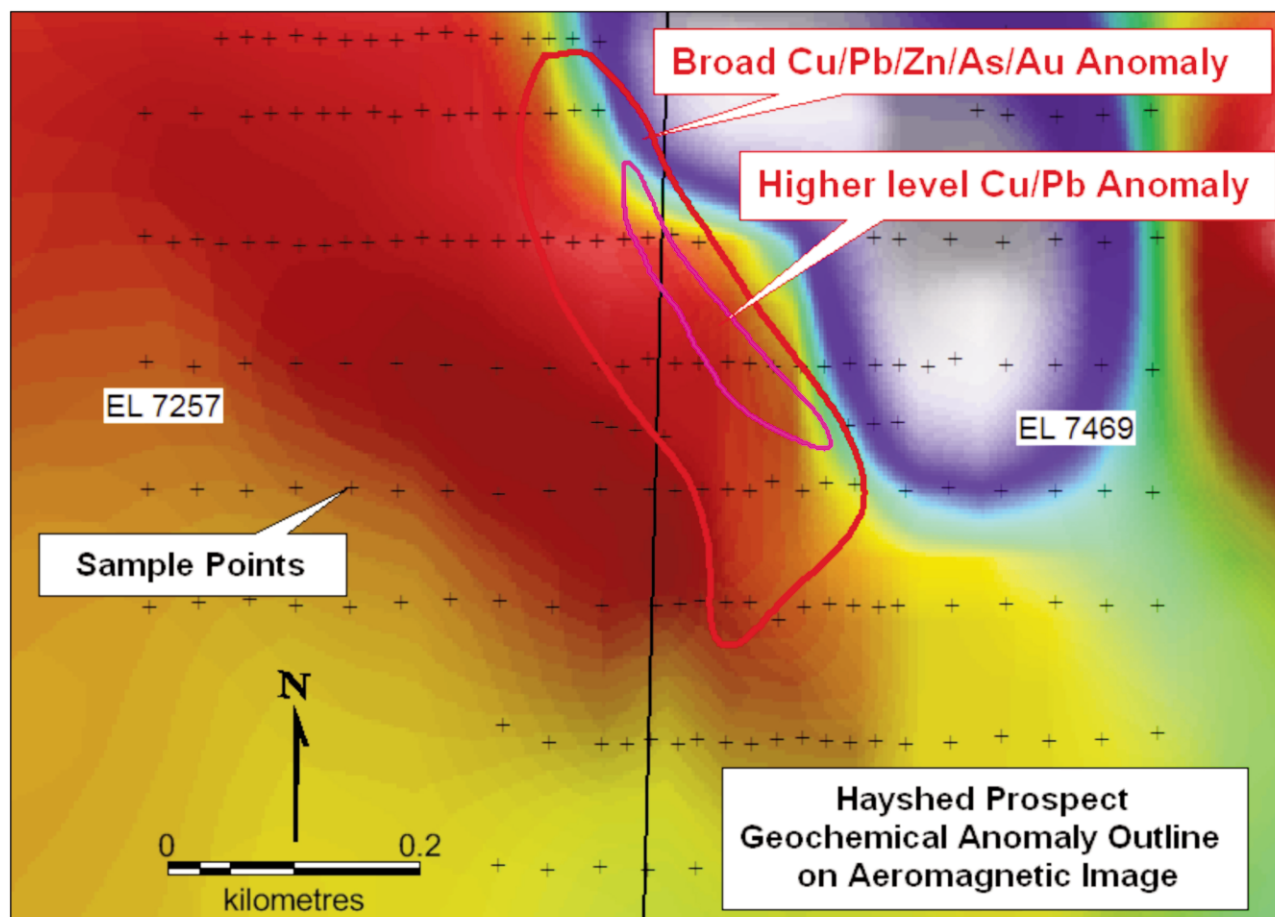
Cowley Hills (2.5km NE of Woodlawn) – a review of this mine area is currently being undertaken. The mine produced around 35,000 tonnes and operated between 1990 and 1991 with ore being hauled to and processed at Woodlawn. Limited drilling has been undertaken directly south and down-plunge from the known mineralisation and this will be the focus of the current review.

Pylara/Hayshed (directly SE of Woodlawn, royalty payable to Variscan Mines Ltd on certain blocks of EL 7257) – a program of auger soil sampling was undertaken in the latter part of 2014 with some 350 samples collected. Assay results show a broad zone of Cu/Pb/Zn/Au/As anomalism within which there is higher level core of copper with results up to 203ppm (Figure 5). Within this zone, lead levels reported up to 358ppm, zinc up to 114ppm, gold up to 30ppb and arsenic (a base-metal path finder element) up to 304ppm. These soil assay results are considered significant given the depleted nature of the soils in the area. While not as large as the Woodlawn footprint, the anomalism may be pointing towards a potential zone of base-metal mineralisation.

Cullarin Joint Venture (Heron 78.9%, Golden Cross Resources Ltd 21.1%, 45km NNW of Woodlawn) – an airborne EM survey has been completed in the quarter and while no high priority targets have been generated for immediate drill testing, a number of more subtle, lower priority targets are being assessed for ground follow up.

Work on WEP areas will progress in parallel to the current SML20 activities and form an important part in Woodlawn becoming a regional processing centre for polymetallic sulphide mineralisation.

Figure 5: Hayshed Prospect geochemical anomaly on Aeromagnetic Image.



KALGOORLIE NICKEL PROJECT, 100% HERON (KNP)

• Partner search continuing

The KNP provides significant exposure to long-term, low cost nickel production in a highly stable and mining-orientated jurisdiction. The project is located in the Eastern Goldfields of Western Australia, 50-100km north and east from Kalgoorlie with a tenement holding covering 850km². The nickel laterite rights are 100% held by Heron on unencumbered tenure. With the combination of a large resource base and screen beneficiation of siliceous material, a potential Leach Feed Grade of 1.1-1.5% nickel is possible over a long mine life. The project is also well supported by gas, road and rail infrastructure that is suitably located to support the development of the KNP plant site. To date more than A\$50 million has been spent on the resource drill-out, with the most recent scoping studies focused on the use of Simulus' CFNP process, which demonstrated that the KNP has the potential to provide a source of long term, low capital intensity, and high margin nickel concentrates to the market.

During the period Heron continued its search to find a potential funding partner to commercialize the "KNP Optimised Flowsheet". KPMG Corporate Finance was mandated to assist in managing the interest received, and a data room has been opened to a number of parties. Whilst Heron has received positive feedback from parties on the merits of the Simulus CFNP process for the treatment of the KNP laterite, progress in finding a suitable partner has been slower than anticipated. It is also apparent that market sentiment, and consequently appetite for an investment in the KNP, has been affected by a steady decline in the nickel price from the year high of US\$9.62/lb in the June 2014 quarter to the current price of around US\$6.52/lb.

Work during the quarter focussed on pilot-scale screen upgrade testwork at Simulus Engineering, with encouraging results. The final report is awaited.

EXPLORATION PROJECTS

New South Wales – Copper-Gold Exploration

Heron maintains a significant tenement holding in the Lachlan Fold Belt with some 3,739km² under tenure (Figure 6). Three regional structural settings have been the focus for Heron acquisitions:

1 Woodlawn VMS Belt base metals

Centred on the Woodlawn Project, the exploration target is the world-class VMS systems occurring in the N-S Silurian acid volcanic rift from south to north being Stockmans, Captains Flat, Woodlawn, Cullarin and Lewis Ponds. All Lachlan VMS centres are characterized by multiple lenses associated with a discrete exhalative Silurian felsic volcanic/pelite stratigraphy, and all are suited to EM-based exploration approaches.

2 Lachlan Transverse Zone copper-gold

Centred on the Copper Hill mining centre, world-class porphyry copper-gold occurs within the N-S trending Macquarie Arc Ordovician andesite belt intruded by Silurian monzonite-tonalite in the WNW trending Lachlan Transverse Zone from east to west on the southern bounding fault being Forest Reefs, Cadia-Ridgeway, Cargo; and from east to west on the northern bounding fault being Sunny Corner, Lewis Ponds, Copper Hill, Eurow-Kamandra and Northparkes.

3 Gilmore Suture gold-copper

Centred on the Overflow mining centre, the exploration target is the porphyry/epithermal gold-copper systems occurring in Silurian-Devonian crustal rift from south to north Gundagai, Adrah, West Wyalong, Temora, Yellow Mountain, Mineral Hill, Overflow, Mt Boppy and Sussex. The key focus of the exploration is on the Lewis Ponds and Overflow projects. The other mainly grass-roots projects are being reviewed with the potential to farm out to suitable partners.

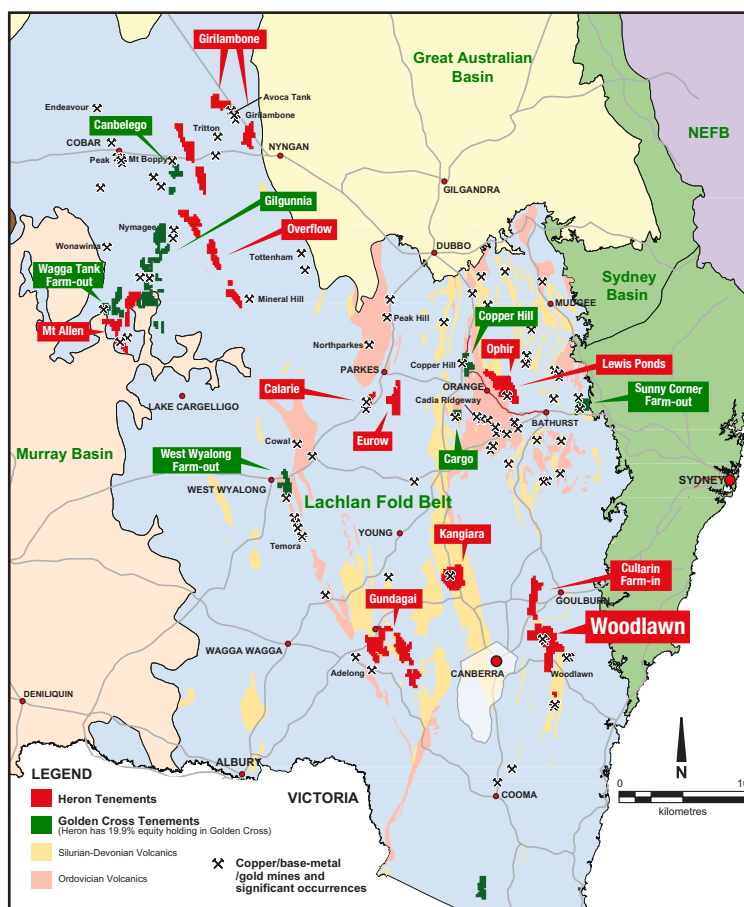


Figure 6: Heron's tenement holdings and interests in NSW

The key regional focus of the exploration is on the **Lewis Ponds** and **Overflow** projects. The other mainly grass-roots projects are being reviewed with the potential to farm out to suitable partners.

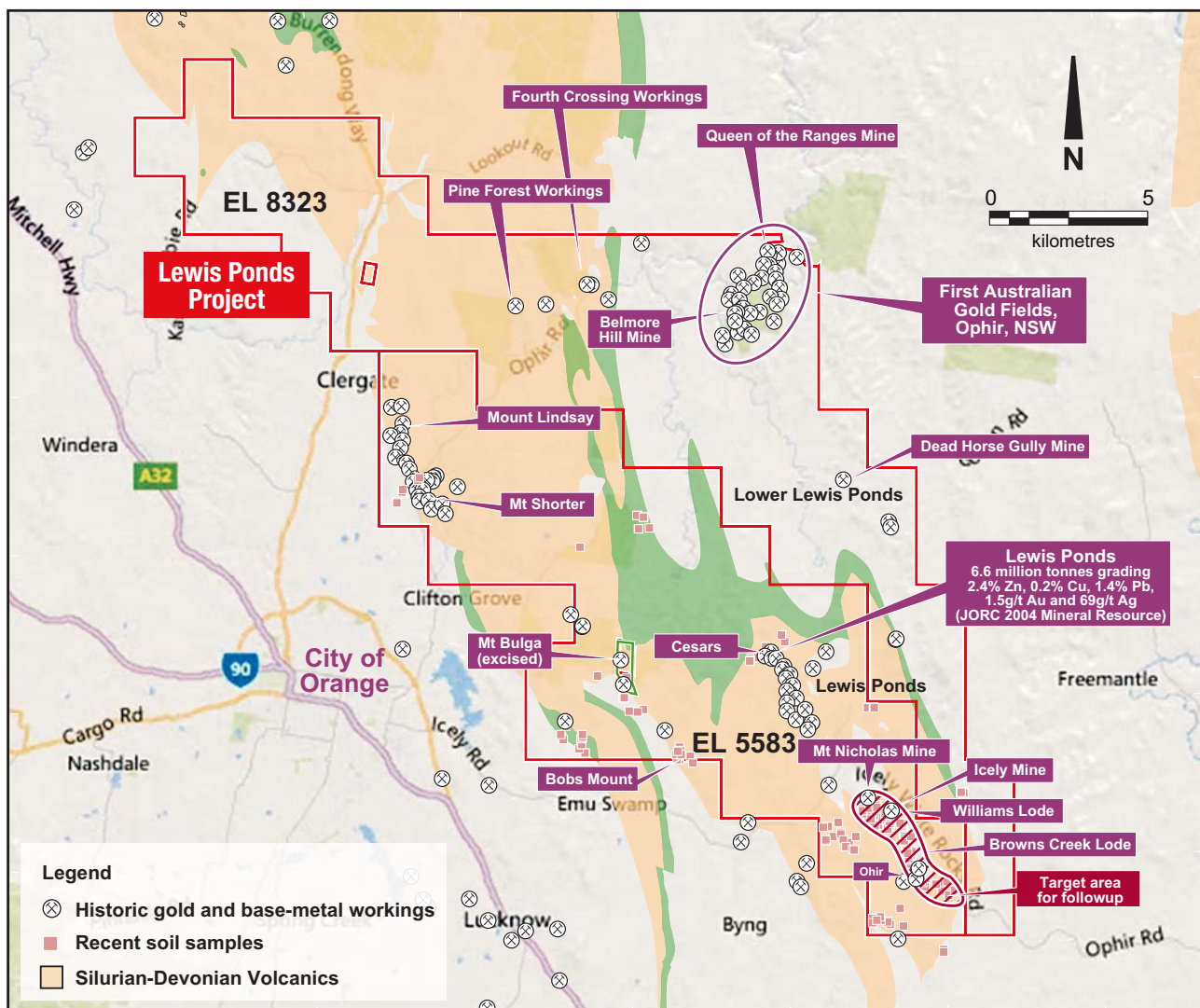
Lewis Ponds Gold-Copper Project (100% Heron)

Located 15km east of Orange, in central NSW (Figures 6 & 7) the project contains the Lewis Ponds VMS deposit (6.6 million tonnes grading 2.4% Zn, 0.2% Cu, 1.4% Pb, 1.5g/t Au and 69g/t Ag JORC 2004 Mineral Resource refer to Section 8.0 of Heron's 2014 Annual Report) – made up of Main Zone and Tom's Zone which occur in a sequence of deformed Silurian felsic-to intermediate-volcano marine-sedimentary rocks. As reported previously, a number of targets warrant follow-up in the immediate vicinity of the existing resource.

The immediate focus for the Lewis Ponds project is on the strongly anomalous rock-chip samples taken from the Ophir and Browns Creek area in the south-east of the tenement. These areas have received very little past exploration and the Heron results suggest a significant mineralising system may be present. A program of systematic soil auger sampling will be planned to better delineate the size of the system prior to potential reconnaissance drilling to determine the nature of the mineralisation.

Additional tenure was granted directly to the north of the existing tenement during the period.

Figure 7: Lewis Ponds Project showing key prospects and target areas for follow-up in the SE corner (recent rock-chip samples are shown as pink squares)



Overflow Gold-Base Metal Project (Heron 75.5% on certain blocks and 100% on the remainder)

The Overflow project is located 110km south-east of Nyngham and 50km north-west along strike from the Mineral Hill operation (owned by KBL Mining Ltd). The project is located along the northern extension of the Gilmore Suture within Ordovician and Devonian aged meta-sediments. It has the potential to host both epithermal and Cobar-style gold and base-metal mineralisation. No field work was undertaken during the period.

West Australia – Nickel Sulphide Exploration

Bedonia Project (100% Heron)

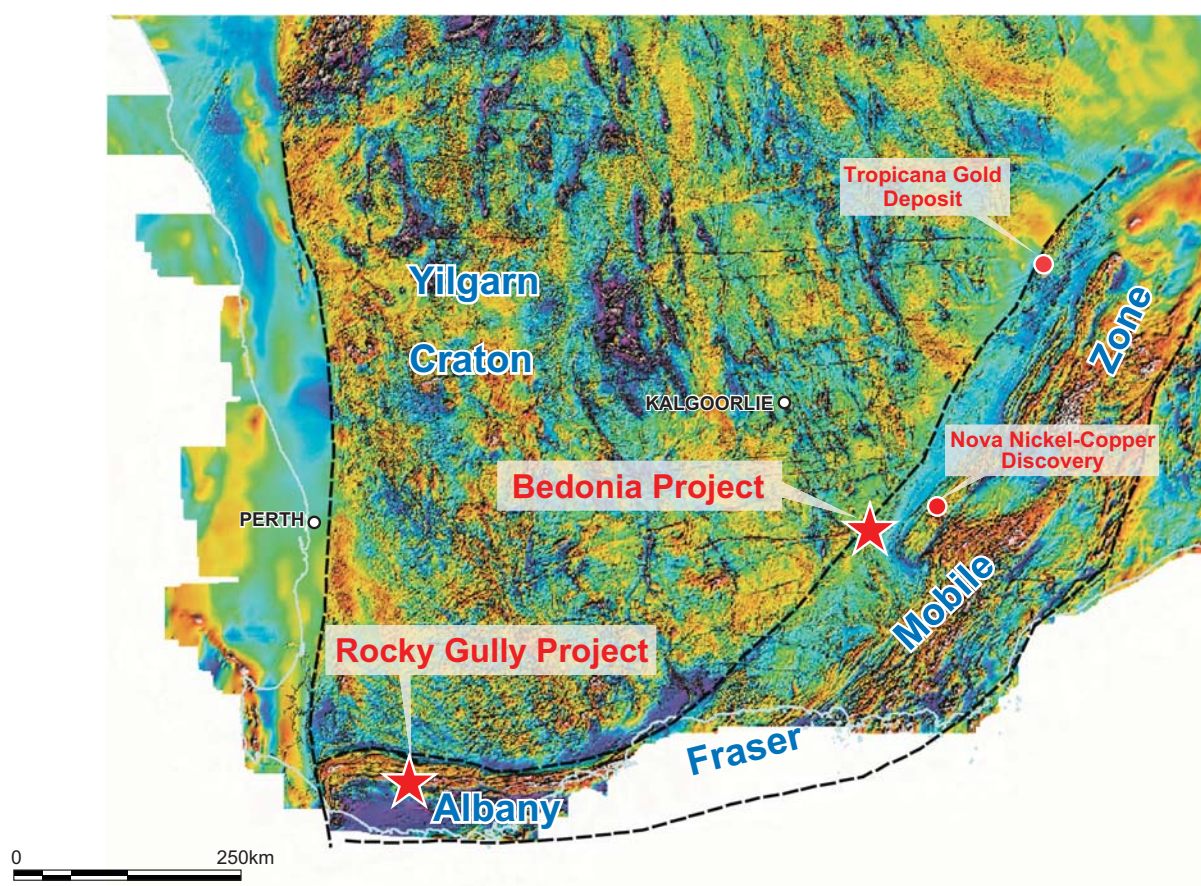
The Company's Bedonia Project is located 75km east of Norseman, Western Australia and 60km west-southwest of the Nova-Bollinger nickel-copper discovery (by Sirius Resources NL) (Figure 8) within the Albany Fraser Mobile Zone. Total tenement holding is now approximately 1,500 km².

In the south of the project area the Company is seeking Nova-style nickel-copper mineralisation hosted within the interpreted Proterozoic-aged Mount Andrews Gneiss Complex where there is potential for discrete mineralised mafic intrusive bodies.

To this end, Heron completed an initial four hole RC drill program in late 2013 to test a bedrock EM conductor which intersected gneissic mafic to intermediate rocks with disseminated sulphides.

Auger programs in 2014 identified a number of nickel sulphide targets at the Beaker, Woodline and Mordicus prospects. The Company is currently seeking a joint venture partner to advance the Bedonia targets

Figure 8: Bedonia Project location on aeromagnetic image



Mt Zephyr Gold and Nickel Sulphide Project (100% Heron)

The Mt Zephyr Project is located 80km north-northeast of Leonora and is prospective for Archaean gold mineralisation within high-grade laminated quartz occurrences identified by a local prospector in the north of the project area (Paul's Find).

In addition, a strong basal contact anomaly of 500-1,000ppm nickel was generated in 2014 through soil auger sampling north of Paul's Find where Archaean ultramafic units occur at a similar stratigraphic level to the Mt Windarra mineralised ultramafic units north of Laverton. Follow-up sampling and a possible EM survey is being planned.

Mt Zephyr is a contiguous strategic greenstone holding which Heron ranks highly within its WA exploration portfolio. No further work was completed during the current period, however once targets are better defined, the Company will be seeking a joint venture partner to advance specific targets.

Queensland Exploration Projects (100% Heron)

The Company held four tenements covering some 550km² in the Mt Isa Inlier of northwest Queensland, targeting copper-gold-REE mineralisation in Iron Oxide Copper Gold (IOCG) settings. Following an unsuccessful search for a joint venture partner the Company has relinquished this ground and focus its resources on its other projects in NSW and WA.

Joint Venture Projects WA and NSW

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

The Bulong Gold Project is located 30km east of Kalgoorlie. No field work was undertaken during the period by Southern Gold Ltd, who are the managers of the Joint Venture. An Information Memorandum relating to the potential nickel sulphide prospectivity of the Joint Venture tenements has been distributed to a number of interested parties. Southern Gold continues to seek potential partners to evaluate the significant sulphide nickel prospectivity of the area as it also moves towards gold production at its wholly-owned Canon deposit located adjacent to the joint venture ground.

Rocky Gully Nickel-Copper Prospect (100% Heron, PLD Corporation right to purchase 90%)

The Rocky Gully Project is located 85km northwest of Albany, Western Australia within the western extension of the Albany Fraser Mobile Zone and is prospective for Nova-style nickel-copper sulphide deposits. PLD Corporation Limited (ASX:PLD) (PLD) has entered into an agreement with Heron whereby PLD has a 12 month option to acquire a 90% interest in Heron's tenements for a consideration of A\$280,000 cash or equivalent PLD shares (PLD election). No recent field work has been reported by PLD.

Calarie Copper-Gold Project (EL7023 and ML739 – farmed out to Kimberley Diamonds Ltd who are earning a 75% interest)

Located 25km south-southwest of Parkes the area is principally prospective for gold mineralisation associated with the old Lachlan gold workings where several encouraging drill intercepts have been returned in recent years. No recent field work has been reported.

CORPORATE

• **General Meeting of Shareholders scheduled for 12 February 2015**

General Meeting - At the Annual General Meeting (AGM) in November last year, the Company received a second strike vote against its remuneration report for the financial year ended 30 June 2014. The shareholders also approved the convening of a spill meeting (General Meeting). The Company subsequently entered into discussions with its major shareholders, including Sprott Inc., with a view to resolving a board composition that would meet with a high degree of support across the share register. As a result, it was agreed that Mr Borden Putnam III would join the Board (appointed 12/12/2014) as a Non-Executive Director, and that Sprott Inc. would support the re-election of Messrs Ian Buchhorn, Stephen Dennis, Borden Putnam III and Craig Readhead as directors at the General Meeting.

Following the General Meeting, the Company will further consider the Board makeup having regard to a composition of a majority of independent directors including a decision on the position of Chairman, with Mr Craig Readhead volunteering not to offer himself for consideration and that the Chairman of the Board be independent for both the purposes of Australian and Canadian securities regulation.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the Board of Directors:



Craig Leslie Readhead
Director

Date: 12 February 2015

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Heron Resources Limited and its controlled entities for the half year ended 31 December 2014, I declare that, 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 half year.

BUTLER SETTINERI (AUDIT) PTY LTD
Registered Company Audit No. 289109



LUCY P GARDNER
Director

Perth
Date: 12 February 2015

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDING 31 DECEMBER 2014

	Notes	31 Dec 2014 \$'000	31 Dec 2013 \$'000
REVENUES FROM CONTINUING ACTIVITIES	2	726	754
Audit & accounting fees		(25)	(15)
Consultants expense		(132)	(99)
Depreciation expense	4(b)	(24)	(32)
Directors fees		(106)	(86)
Employee benefits expense		(547)	(149)
Insurance expense		(97)	(29)
Legal fees		(101)	(26)
Equity Settled Share based payments	3, 12(b)	(255)	(510)
Other expenses from ordinary activities	4(a)	(631)	(324)
Exploration expenditure expensed as incurred	10	(1,676)	(2,044)
Impairment of investments	8	(913)	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(3,781)	(2,560)
INCOME TAX EXPENSE		-	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(3,781)	(2,560)
OTHER COMPREHENSIVE INCOME			
Changes in market value of financial assets	12(a)	-	149
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR		(3,781)	(2,411)
		\$	\$
Basic earnings per share	5	(0.01113)	(0.01012)
Diluted earnings per share	5	(0.01113)	(0.01012)

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 2014

	Notes	31 Dec 2014 \$'000	30 June 2014 \$'000
CURRENT ASSETS			
Cash assets	13	28,316	32,915
Trade and other receivables	6	422	337
Investments	7	-	1,359
TOTAL CURRENT ASSETS		28,738	34,611
NON-CURRENT ASSETS			
Trade and other receivables	19	35	35
Investments	8	2,930	3,321
Property, plant and equipment	9	440	58
Exploration and evaluation costs carried forward	10	23,417	4,578
TOTAL NON-CURRENT ASSETS		26,822	7,992
TOTAL ASSETS		55,560	42,603
CURRENT LIABILITIES			
Trade and other payables	11	899	281
Provisions – employee entitlements		780	560
TOTAL CURRENT LIABILITIES		1,679	841
TOTAL LIABILITIES		1,679	841
NET ASSETS		53,881	41,762
EQUITY			
Contributed equity	14	131,680	116,035
Revaluation reserve	12(a)	-	-
Option reserve	12(b)	2,696	2,441
Accumulated losses	12(c)	(80,495)	(76,714)
TOTAL EQUITY		53,881	41,762

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 2014

	Note	Issued Capital \$'000	Retained Earnings \$'000	Revaluation Reserve \$'000	Option Reserve \$'000	Total \$'000
As at 30 June 2014		116,035	(76,714)	-	2,441	41,762
Total comprehensive income for the half year	12(c)	-	(3,781)	-	-	(3,781)
Issue of share capital	20	15,645	-	-	-	15,645
Option reserve transfer on exercise		-	-	-	-	-
Option reserve write back	12(b)	-	-	-	-	-
Cost of share based payments	3, 12(b)	-	-	-	255	255
As at 31 December 2014		131,680	(80,495)	-	2,696	53,881
As at 30 June 2013		116,035	(73,924)	-	5,591	47,702
Total comprehensive income for the half year		-	(2,560)	149	-	(2,411)
Issue of share capital		-	-	-	-	-
Option reserve transfer on exercise		-	-	-	-	-
Option reserve write back		-	49	-	(49)	-
Cost of share based payments		-	-	-	510	510
As at 31 December 2013		116,035	(76,435)	149	6,052	45,801

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 2014

	Notes	31 Dec 2014 \$'000	31 Dec 2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		557	793
Payments for services & administration expenses		(1,805)	(725)
NET CASH FROM/USED IN OPERATING ACTIVITIES		(1,248)	68
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and development expenditure		(3,348)	(2,119)
Proceeds from sale of shares		89	-
Purchase of shares		(378)	-
Purchase of plant and equipment		(29)	(15)
Proceeds from sale of plant and equipment		-	3
NET CASH USED IN INVESTING ACTIVITIES		(3,666)	(2,131)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH HELD		(4,914)	(2,063)
Cash acquired upon acquisition of TriAusMin	20	315	-
Cash at the beginning of the reporting period		32,915	39,597
CASH AT THE END OF THE REPORTING PERIOD	13	28,316	37,534

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 2014

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 2014 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.

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 2014 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 2014 annual financial report for the financial year ended 30 June 2014.

NOTE 2 REVENUE – INCOME STATEMENT

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Profit on sale of investments	30	-
Profit / (Loss) on sale of fixed assets	-	3
Interest received – other persons/corporations	539	731
Bonus issue of options ¹	110	-
Sundry income	47	20
Total revenues from continuing activities	<u>726</u>	<u>754</u>

(1) Bonus issue of options from A1 Consolidated Gold Limited. The options have been valued at the initial market price of \$0.01 per option and then marked to market as at 31 December 2014 (refer Note 8).

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	<u>(255)</u>	<u>(510)</u>
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The Black Scholes valuation methodology has been used to value the options issued during the reporting period.

NOTE 4 OTHER EXPENSES – INCOME STATEMENT

(a) Other Expenses comprise the following items:

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Payroll tax	(4)	2
Media and public relations	(62)	(20)
Rental expense	(155)	(132)
ASX and TSX fees	(188)	(38)
Travel and accommodation	(71)	(21)
Office expenses and supplies	(50)	(39)
Computer support services	(34)	(24)
Report expenses and printing	(19)	(16)
Conferences and seminars	(22)	(9)
Subscriptions	(1)	(8)
Miscellaneous expenses	(25)	(19)
	<u>(631)</u>	<u>(324)</u>

(b) Depreciation expense

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Plant & equipment	(8)	(10)
Office furniture & equipment	(14)	(10)
Motor vehicles	(2)	(12)
	<u>(24)</u>	<u>(32)</u>

Overall increase in expenses is due to the merger with TriAusMin Ltd on 5 August 2014 with staff headcount, associated office expenses and share registry expenses all higher compared to the corresponding period.

NOTE 5 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the half yearly loss of \$3,781,081 by the weighted average number of ordinary shares outstanding during the half-year of 339,653,080.

NOTE 6 TRADE AND OTHER RECEIVABLES CURRENT

	31 Dec 2014	30 June 2014
	\$'000	\$'000
Accrued Interest	139	157
Prepayments	85	31
GST receivable	53	24
Sundry Debtors	145	125
	<u>422</u>	<u>337</u>

NOTE 7 INVESTMENTS IN OTHER ENTITIES – CURRENT

Black Oak Minerals Ltd (BOK) (formerly Southern Cross Goldfields Limited (SXG)) is an Australian listed public exploration company with 887,450,815 fully paid ordinary shares on issue. Heron held 5,875,528 fully paid shares all of which were sold during the 6 months to 31 December 2014 realising a net profit of \$29,896.

TriAusMin Limited was an Australian listed public exploration company prior to merging with Heron Resources Limited on 5 August 2014. Heron purchased 1.3 million \$1 convertible notes in March 2014 which are eliminated on consolidation following the merger.

	31 Dec 2014 \$'000	30 June 2014 \$'000
Black Oak Minerals Limited	-	59
TriAusMin Limited	-	1,300
	-	1,359

NOTE 8 INVESTMENTS IN OTHER ENTITIES – NON CURRENT

A1 Consolidated Gold Limited (AYC) is an Australian listed public exploration company with 250,016,873 fully paid ordinary shares on issue. Heron holds 32,866,668 fully paid shares at 31 December 2014, which have been valued at the closing price of \$0.04 on that day. Heron also holds 10,955,556 options exercisable for \$0.03 expiring 30 November 2019 which have been valued at the initial market price of \$0.01 per option and then marked to market at the closing price of \$0.009 per option as at 31 December 2014 (refer Note 2).

Golden Cross Resources Limited (GCR) is an Australian listed public exploration company with 94,797,744 fully paid ordinary shares on issue. Heron holds 18,798,529 fully paid shares at 31 December 2014, which have been valued at the closing price of \$0.07 on that day.

PLD Corporation Limited (PLD) is an Australian listed public exploration company with 627,582,141 fully paid ordinary shares on issue. Heron holds 3,750,000 fully paid shares at 31 December 2014, which have been valued at the closing price of \$0.006 on that day.

Newamu IP Holdings Pty Ltd is a subsidiary of The Stimulus 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 cost.

INVESTMENTS IN OTHER ENTITIES AT FAIR VALUES

	31 Dec 2014 \$'000	30 June 2014 \$'000
A1 Consolidated Gold Limited	1,413	1,441
Golden Cross Resources Limited	1,316	1,880
PLD Corporation Limited	23	-
Newamu Pty Ltd	178	-
	2,930	3,321

Movement in investments

\$'000

Golden Cross Resources Limited

Carrying value 30 Jun 2014	1,880
Impairment	(564)
Carrying value 31 Dec 2014	1,316

A1 Consolidated Gold Limited

Carrying value 30 Jun 2014	1,441
Investment - Shares	200
Impairment - Shares	(327)
Bonus issue of Options – initial val'n	110
Impairment - Options	(11)
Carrying value 31 Dec 2014	1,413

PLD Corporation Limited

Carrying value 30 Jun 2014	-
Investment	34
Impairment	(11)
Carrying value 31 Dec 2014	23

Newamu Pty Ltd

Carrying value 30 Jun 2014	-
Investment	178
Carrying value 31 Dec 2014	178

Summary

Carrying value 30 Jun 2014	3,321
Investment	412
Bonus issue of options	110
Impairment	(913)
Carrying value 31 Dec 2014 ⁽¹⁾	2,930

(1) - Rounding

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2014 \$'000	30 June 2014 \$'000
Plant and equipment at cost	326	259
Accumulated depreciation	(297)	(235)
	29	24
Office equipment & furniture at cost	846	530
Accumulated depreciation	(773)	(496)
	73	34
Motor vehicles at cost	243	180
Accumulated depreciation	(230)	(180)
	13	-
Land & buildings at cost	325	-
Accumulated depreciation	-	-
	325	-
Total property, plant and equipment	440	58

Reconciliation

Plant and equipment:	\$'000
Carrying value at 1 July 2014	24
Additions	13
Depreciation expense	(8)
Carrying value at 31 December 2014	29
Office equipment and furniture:	
Carrying value at 1 July 2014	34
Additions ⁽¹⁾	55
Disposals	(2)
Depreciation expense	(14)
Carrying value at 31 December 2014	73
Motor vehicles:	
Carrying value at 1 July 2014	-
Additions ⁽²⁾	14
Depreciation expense	(1)
Carrying value at 31 December 2014	13
Land & buildings:	
Carrying value at 1 July 2014	-
Additions ⁽³⁾	325
Depreciation expense	-
Carrying value at 31 December 2014	325

(1) \$38K of Office Equipment additions acquired upon acquisition of TriAusMin Ltd

(2) \$14K of Motor Vehicles acquired upon acquisition of TriAusMin Ltd

(3) Freehold Land at Lewis Ponds, acquired upon acquisition of TriAusMin Ltd

NOTE 10 EXPLORATION AND EVALUATION COSTS CARRIED FORWARD

	31 Dec 2014	30 June 2014
	\$'000	\$'000
Balance brought forward	4,578	5,070
Acquisition costs	29	53
Exploration and evaluation costs incurred	3,756	3,357
Exploration and evaluation expensed as incurred	(1,676)	(3,497)
Exploration and evaluation costs from TriAusMin merger ⁽¹⁾	16,730	-
Exploration and evaluation impairment	-	(405)
Balance carried forward	<u>23,417</u>	<u>4,578</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.

(1) Capitalised exploration and evaluation costs from TriAusMin merger relate to Woodlawn (\$11,827) and Lewis Ponds (\$4,903)

NOTE 11 TRADE AND OTHER PAYABLES CURRENT

	31 Dec 2014	30 June 2014
	\$'000	\$'000
Trade creditors and accruals - Exploration activities	603	166
Trade creditors and accruals - Other	296	115
	<u>899</u>	<u>281</u>

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

NOTE 12 ACCUMULATED LOSSES AND RESERVES

	31 Dec 2014	30 June 2014
	\$'000	\$'000
(a) Revaluation Reserve		
Balance brought forward	-	-
Revaluations	-	-
Balance carried forward	<u>-</u>	<u>-</u>

The revaluation reserve is used to recognise the fair value of financial assets classified as available-for-sale assets.

Amounts are recognised in the income statements when the associated assets are sold.

(b) Option reserve

Balance brought forward	2,441	5,591
Cost of share based payments	255	449
Write back of lapsed options expense	-	(3,599)
Balance carried forward	<u>2,696</u>	<u>2,441</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.

(c) Accumulated losses

Balance brought forward	(76,714)	(73,924)
Write back of expense for lapsed options	-	3,599
Net profit / (loss)	(3,781)	(6,389)
Balance carried forward	<u>(80,495)</u>	<u>(76,714)</u>

NOTE 13 CASH

	31 Dec 2014	30 June 2014
	\$'000	\$'000
Cash on hand and at bank	254	110
Deposits at call	27,638	32,281
Property Rental Bond	47	47
Environmental Bonds	377	477
Balance carried forward	28,316	32,915

Cash security for environmental bonds of \$377,000 (June 2014: \$477,000) is included in Cash on hand and at bank. This is not available to the Company for ordinary activities.

Property Bonds of \$46,545 (June 2014: \$46,545) are included in Cash on hand and at bank. This amount is held as a security term deposit and is not available to the Company for ordinary activities.

NOTE 14 CONTRIBUTED EQUITY

	31 Dec 2014	30 June 2014	31 Dec 2014	30 June 2014
	Shares	Shares	\$'000	\$'000
Issue of ordinary shares				
Opening balance	252,985,787	252,985,787	116,035	116,035
Issue of shares (1)	107,891,936	-	15,645	-
Closing balance	360,877,723	252,985,787	131,680	116,035

(1) Issue of new Heron shares to complete the 100% acquisition of TriAusMin Ltd on 5 August 2014 on the basis of 1 Heron share for every 2.33 TriAusMin shares. Immediately prior to the acquisition, TriAusMin had 251,389,050 shares on issue.

NOTE 15 SUBSEQUENT EVENTS

Other than noted below there is no matter or circumstance which has arisen since 31 December 2014 that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company.

NOTE 16 CONTINGENT LIABILITIES**a) Performance bonds and rental bond commitment**

The Company has entered into performance bonds with the National Australia Bank Limited in relation to environmental rehabilitation of the previous TriAusMin NSW tenements (30 June 2014: \$148,000) and a rental bond commitment (\$12,969) over its office in Sydney. The performance bonds and rental bond commitment are secured by a way of mortgage against the Company's Lewis Ponds freehold land. The Company also has performance bonds with Westpac Banking Corporation in relation to environmental rehabilitation of the WA tenements (31 December 2014: \$377,000) and a rental bond commitment (\$46,545) over its Perth office. The Westpac bonds are secured by term deposits.

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

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

- (i) To assume the environmental liabilities associated with the Woodlawn site, excluding Veolia's area of operation. The Company will be required to provide a performance bond with the NSW Division of Resources and Energy (DRE) as surety against completion of environmental rehabilitation once mining on the site is complete. The amount of the bond is \$3,577,000.
- (ii) Subject to certain approvals being received by Veolia and the Company, the Company will receive "free-on-board" compost from Veolia to be utilised in the rehabilitation of the site.
- (iii) To fully indemnify Veolia for all direct and or consequential loss and damage suffered by Veolia as a result of or caused by or contributed to by any act or omission or default of the Company, or TOP, connected with its 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 17 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 five categories - tenements related to the Kalgoorlie Nickel Project (KNP project); tenements related to Jump up Dam, Boyce Creek and Aubils (Yerilla project); Woodlawn Underground Project & Woodlawn Retreatment Project (Woodlawn Project); Lewis Ponds tenements (Lewis Ponds Project) and tenements other than KNP, Yerilla or Lewis Ponds related (Exploration).

Segmental Information for Consolidated Statement of Comprehensive Income

Half year ended 31 December 2014	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP Project \$'000	Yerilla Project \$'000	Exploration \$'000	Total \$'000
Sale of investments	30	-	-	-	-	-	30
Bonus options	110	-	-	-	-	-	110
Sundry income	41	-	-	6	-	-	47
Interest received	539	-	-	-	-	-	539
Total revenues	720	-	-	6	-	-	726
Depreciation	(10)	(6)	-	-	(1)	(7)	(24)
E&E expensed as incurred	-	-	(9)	(653)	(38)	(976)	(1,676)
E&E expenditure incurred	-	2,233	-	-	-	-	2,233
E&E expenditure capitalised	-	(2,233)	-	-	-	-	(2,233)
Other expenses	(2,807)	-	-	-	-	-	(2,807)
Profit / (loss)	(2,097)	(6)	(9)	(647)	(39)	(983)	(3,781)

Half year ended 31 December 2013	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP Project \$'000	Yerilla Project \$'000	Exploration \$'000	Total \$'000
Sale of fixed assets	-	-	-	-	1	2	3
Sundry income	-	-	-	-	-	20	20
Interest received	731	-	-	-	-	-	731
Total revenues	731	-	-	-	1	22	754
Depreciation	(10)	-	-	-	(3)	(19)	(32)
E&E expensed as incurred	-	-	-	(1,109)	(63)	(872)	(2,044)
Other expenses	(1,238)	-	-	-	-	-	(1,238)
Profit / (loss)	(517)	-	-	(1,109)	(65)	(869)	(2,560)

Segmental Information for Consolidated Statement of Financial Position

Balance at 31 December 2014	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP Project \$'000	Yerilla Project \$'000	Exploration \$'000	Total \$'000
Other current assets	28,738	-	-	-	-	-	28,738
Total current assets	28,738	-	-	-	-	-	28,738
PPE	52	372	-	-	2	14	440
E&E Costs c/f	-	13,936	4,903	4,578	-	-	23,417
Other	2,965	-	-	-	-	-	2,965
Non-current assets	3,017	14,308	4,903	4,578	2	14	26,822
Total assets	31,755	14,308	4,903	4,578	2	14	55,560
Total liabilities	399	681	-	-	-	599	1,679

Movement half year ended 31 December 2014	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP Project \$'000	Yerilla Project \$'000	Exploration \$'000	Total \$'000
Other current assets	(5,873)	-	-	-	-	-	(5,873)
Total current assets	(5,873)	-	-	-	-	-	(5,873)
PPE	18	372	-	-	-	(8)	382
E&E c/f	-	13,936	4,903	-	-	-	18,839
Other	(391)	-	-	-	-	-	(391)
Non-current assets	(373)	14,308	4,903	-	-	(8)	18,830
Total assets	(6,246)	14,308	4,903	-	-	(8)	12,957
Total liabilities	204	681	-	-	-	(47)	838

Balance at 30 June 2014	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP Project \$'000	Yerilla Project \$'000	Exploration \$'000	Total \$'000
Other current assets	34,611	-	-	-	-	-	34,611
Total current assets	34,611	-	-	-	-	-	34,611
PPE	34	-	-	-	2	22	58
E&E Costs c/f	-	-	-	4,578	-	-	4,578
Other	3,356	-	-	-	-	-	3,356
Non-current assets	3,390	-	-	4,578	2	22	7,992
Total assets	38,001	-	-	4,578	2	22	42,603
Total liabilities	195	-	-	-	-	646	841

Movement half year ended 30 June 2014	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP Project \$'000	Yerilla Project \$'000	Exploration \$'000	Total \$'000
Other current assets	(5,418)	-	-	-	-	-	(5,418)
Total current assets	(5,418)	-	-	-	-	-	(5,418)
PPE	(15)	-	-	-	(5)	(19)	(39)
E&E c/f	-	-	-	(492)	-	-	(492)
Other	46	-	-	-	-	-	46
Non-current assets	31	-	-	(492)	(5)	(19)	(485)
Total assets	(5,387)	-	-	(492)	(5)	(19)	(5,903)
Total liabilities	23	-	-	-	-	14	37

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.

NOTE 18 COMPARITIVES

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

NOTE 19 TRADE AND OTHER RECEIVABLES - NON CURRENT

	31 Dec 2014 \$'000	30 June 2014 \$'000
Employee share option plan – non-recourse loan	35	35
	<u>35</u>	<u>35</u>

NOTE 20 ACQUISITION OF TRIAUSMIN

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

	\$'000
Current Assets	
Cash	\$315
Receivables	\$16
Other Assets	\$8
Non-Current Assets	
Fixed Assets	\$52
Land (Lewis Ponds)	\$325
Capitalised Exploration costs	\$16,730
TOTAL ASSETS	\$17,446
Current Liabilities	
Accounts Payable	\$414
Provisions	\$88
Convertible Note	\$1,300
TOTAL LIABILITIES	\$1,802
EQUITY	
Issued Capital	\$15,644
TOTAL EQUITY/NET ASSETS	\$15,644

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 2014 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.



Craig Leslie Readhead
Chairman

Date: 12 February 2015

INDEPENDENT AUDITOR'S REVIEW REPORT 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 ("the company") and its controlled entities ("the Group") which comprises the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a statement of significant accounting policies and other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half year financial report

The directors 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 control as the directors determine is 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 the 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2014 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, 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 the 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*.

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 company's financial position as at 31 December 2014 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*.

BUTLER SETTINERI (AUDIT) PTY LTD
Registered Company Auditor No. 289109



LUCY P GARDNER
Director

Perth

Date: 12 February 2015

Shareholder Information

Twenty Largest Shareholders as at 31 December 2014

	Number of Shares	Percentage
1 Canadian Register	107,640,010	29.83
2 Hazurn Pty Ltd ¹	23,732,480	6.58
3 Kurana Pty Ltd ¹	16,576,556	4.59
4 Citicorp Nominees Pty Limited	13,754,686	3.81
5 National Nominees Limited	10,068,931	2.79
6 Jetosea Pty Ltd	10,000,000	2.77
7 MBM Corporation Pty Ltd	9,999,830	2.77
8 Chaos Investments Pty Limited	5,972,854	1.66
9 HSBC Custody Nominees	4,681,611	1.30
10 Fremont Cat Pty Ltd	4,205,476	1.17
11 Mr David James Wardle	4,070,000	1.13
12 Sheerwater Pty Ltd	3,071,500	0.85
13 Mr Olivier Robert Dupuy	2,600,000	0.72
14 Mr Ian James Buchhorn ¹	2,518,241	0.70
15 BGK Investments Pty Limited	2,412,445	0.67
16 Ms Trudi Ann Kempson	2,383,491	0.66
17 Kimlex Investments Pty Ltd	2,227,683	0.62
18 Mrs Pamela Jean Buchhorn ¹	2,137,690	0.59
19 Manorina Mining Pty Ltd ¹	1,825,992	0.51
20 J P Morgan Nominees Australia	1,790,537	0.50
TOTAL	231,670,013	64.22

Substantial Shareholders including related parties who have notified the Company

	Number of Shares	Percentage
¹ I Buchhorn and related parties	46,790,959	12.97

Summary of Option holders as at 31 December 2014

	Number of Options	% of Issued Options
1 Employees & Directors	15,909,869	96.87
2 Alan Snowden	85,837	0.52
3 James Gill	214,592	1.31
4 Robert Valliant	85,837	0.52
5 William Killinger	128,755	0.78
TOTAL	16,424,890	100.00

Appendix 1 – Unaudited Financial Statements for the 3 and 6 month period ended 31 December 2014

Management Comments on Unaudited Consolidated Financial Statements

12 February 2015

To the Shareholders of Heron Resources Limited,

The accompanying unaudited interim Consolidated Financial Statements of Heron Resources Limited for the 3 and 6 month period ended 31 December 2014 have been prepared by management and have been approved by the Board of Directors of the Company as an appendix to the Financial Report for the Half Year ended 31 December 2014.

The attached appendix relates to the 3 months ended 31 December 2014 and the corresponding comparative period ended 31 December 2013 and to the 6 months ended 31 December 2014 and the corresponding period ended 31 December 2013.

The financial statements relating to the half year ended 31 December 2014 and the comparative period have been subject to Audit Review by Butler Settineri. The financial statements for the 3 months ended 31 December 2014 and the comparative period have been approved by the Board of Directors of the Company and have not been subject to Audit or Audit Review and no opinion has been provided on those statements.

For further commentary on the operations of Heron during the quarter ended 31 December 2014, please refer to the Management Discussion and Analysis report and to the Quarterly Activities report lodged on the ASX and TSX on 12 February 2015 and posted on the Heron website at www.heronresources.com.au.

Heron Resources Limited



C Readhead
Chairman



S Dennis
Chairman- Audit Committee

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED 31 DECEMBER 2014

All amounts shown are expressed in Australian dollars

		Three months ended 31 December		Six months ended 31 December	
	Notes	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Continuing operations					
Revenue from Continuing Activities	4	407	347	726	754
Audit and accounting fees		(25)	(15)	(25)	(15)
Consultants expense		(65)	(71)	(132)	(99)
Depreciation expense	4(b)	(16)	(16)	(24)	(32)
Directors Fees		(43)	(42)	(106)	(86)
Employee benefits expense		(353)	(77)	(547)	(149)
Insurance expense		(75)	(15)	(97)	(29)
Legal fees	(81)	(5)	(101)	(26)	
Equity settled share based payments	3, 12 (b)	(255)	(510)	(255)	(510)
Other expenses from ordinary activities	4(a)	(415)	(182)	(631)	(324)
Exploration expenditure expensed as incurred	9	(202)	(951)	(1,676)	(2,044)
Impairment of investment	8	(913)	-	(913)	-
Loss from ordinary activities before income tax expense		(2,036)	(1,537)	(3,781)	(2,560)
Income tax expense		-	-	-	-
Loss from ordinary activities after income tax expense for the period					
Other comprehensive income					
Changes in market value of financial assets	11(a)	-	149	-	149
Total comprehensive loss for the period attributable to members		(2,036)	(1,388)	(3,781)	(2,411)
Loss per share attributable to the ordinary equity of the company (on a weighted average equity basis)					
Basic loss per share (in dollars)	5	(0.0055)	(0.0055)	(0.011)	(0.010)
Diluted loss per share (in dollars)	5	(0.0055)	(0.0055)	(0.011)	(0.010)

(1) Figures prior to 5 August 2014 do not contain the financial results of TriAusMin Limited as this was prior to the merger with Heron Resources Limited.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE AND SIX MONTHS ENDED 31 DECEMBER 2014

All amounts shown are expressed in Australian dollars

	Note	Contributed Equity \$'000	Revaluation Reserve \$'000	Option Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2014		116,035	-	2,441	(76,714)	41,762
Revaluation of Investments		-	(131)	-	-	(131)
Issue of Share Capital	19	15,645	-	-	-	15,645
Total Comprehensive loss for the quarter		-	-	-	(1,745)	(1,745)
Balance at 30 September 2014		131,680	(131)	2,441	(78,459)	55,531
Balance at 1 October 2014		131,680	(131)	2,441	(78,459)	55,531
Revaluation of Investments		-	131	-	-	131
Issue of share Capital		-	-	-	-	-
Cost of share based payments		-	-	255	-	255
Total Comprehensive loss for the quarter		-	-	-	(2,036)	(2,036)
Balance at 31 December 2014	11	131,680	-	2,696	(80,495)	53,881

- (1) Figures prior to 5 August 2014 do not contain the financial results of TriAusMin Limited as this was prior to the merger with Heron Resources Limited.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE AND SIX MONTHS ENDED 31 DECEMBER 2014

All amounts shown are expressed in Australian dollars

	Notes	Three months ended 31 December		Six months ended 31 December	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(837)	(398)	(1,805)	(725)
Interest received		265	377	557	793
Net cash used in operating activities		(572)	(21)	(1,248)	68
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration and development expenditure		(1,978)	(1,008)	(3,348)	(2,119)
Proceeds from sale of shares		89	-	89	-
Purchase of shares		(200)	-	(378)	-
Purchase of plant and equipment		(25)	-	(29)	(15)
Proceeds from sale of plant and equipment		-	3	-	3
Net cash used in investing activities		(2,114)	(1,005)	(3,666)	(2,131)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		-	-	-	-
Net cash provided by financing activities		-	-	-	-
Net increase/(decrease) in cash & cash equivalents held		(2,686)	(1,026)	(4,914)	(2,063)
Cash & cash equivalents at the beginning of the reporting period		31,002	38,560	32,915	39,597
Cash acquired from TriAusMin acquisition	20	-	-	315	-
Cash & cash equivalents at the end of the reporting period	13	28,316	37,534	28,316	37,534

- (1) Figures prior to 5 August 2014 do not contain the financial results of TriAusMin Limited as this was prior to the merger with Heron Resources Limited.



Heron Resources Limited

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