



HERALD RESOURCES LIMITED ABN 15 008 672 071

Level 3/50 Colin Street West Perth Western Australia 6005 | PO Box 893 West Perth WA 6872

T +61 8 9322 2788 F +61 8 9481 1669 E hrl@herald.net.au W www.herald.net.au

31 August 2009

Company Announcements Office
The Australian Securities Exchange
Level 10
20 Bridge Street
SYDNEY NSW 2000

Via ASX Online

RE: INTERIM FINANCIAL REPORT

Please find enclosed half year report to 30 June 2009.

For announcement to the market:				(\$'000)
Revenues from ordinary activities	down	98%	to	\$ 26
Profit (loss) from ordinary activities after tax attributable to members	down	30%	to	(\$7,556)
Net profit (loss) for the period attributable to members	down	30%	to	(\$7,556)

Yours faithfully

EVAN BALL
Chief Executive Officer

For personal use only



HERALD RESOURCES LIMITED ABN 15 008 672 071

Level 3/50 Colin Street West Perth Western Australia 6005 | PO Box 893 West Perth WA 6872

T +61 8 9322 2788 **F** +61 8 9481 1669 **E** hr@herald.net.au **W** www.herald.net.au

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2009**

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 31 December 2008 and any public announcements made by Herald Resources Limited since that date in accordance with the continuous disclosure requirements of the Corporations Act 2001.

For personal use only

HERALD RESOURCES LIMITED
INTERIM FINANCIAL REPORT
30 JUNE 2009

Contents	Page
DIRECTORS' REPORT	1
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
DIRECTORS' DECLARATION	13
AUDITORS' INDEPENDENCE DECLARATION	14
INDEPENDENT AUDITORS REVIEW REPORT	15

For personal use only

HERALD RESOURCES LIMITED
INTERIM FINANCIAL REPORT
30 JUNE 2009

DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity consisting of Herald Resources Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2009.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Ken P Farrell (Chairman, Director)	Evan W Ball (Chief Executive Officer, Director)
Andrew Beckham (Director)	Andrew Wilson (Non-Executive Director)
Brian J Hurley (Non-Executive Director)	James Dracopoulos (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year by geographic segments is set out below:

	30 June 2009	30 June 2009
	Revenues	Results
	\$'000	\$'000
Australia	26	(7,556)
Indonesia	0	0
Consolidated entity revenues and profit	<u>26</u>	<u>(7,556)</u>

Comments on the operations and the results of those operations are set out below:

The consolidated entity recorded a loss for the half year of \$7.6m compared to a loss of \$10.9 m for the previous half year. Total revenues were down to \$26k from \$1.1m previously, due to lower interest income.

Administration and employee benefit expense were considerably reduced at \$0.8m and \$11.4m respectively. Exchange losses were \$5.4m (\$0.5m previously) due to changes in the value of US dollars asset and cash holdings.

Major capitalised items on the balance sheet were construction work in progress \$105.7m, exploration and pre-production expenditure (\$35.8m), and plant & equipment \$7.6m.

Significant cash outflows were construction work in progress of \$3m (2008: \$24m) and exploration and pre-production outlays of \$2.1m (2008: \$2.4m). Significant cash inflows were receipt of loan funds of \$ 8.3m from the majority shareholder, PT Bumi Resources Tbk.

The Company has suspended construction activities at the Dairi Project while awaiting final forestry approval.

HERALD RESOURCES LIMITED
INTERIM FINANCIAL REPORT
30 JUNE 2009

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of Directors.



EVAN BALL
Chief Executive Officer

Dated at Perth this 28th day of August 2009

For personal use only

HERALD RESOURCES LIMITED
INTERIM FINANCIAL REPORT
30 JUNE 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2009

	30 June 2009 \$'000	30 June 2008 \$'000
REVENUE	26	1,148
EXPENDITURE		
Employee benefits expense	(216)	(511)
Interest and other costs of finance	-	-
Exchange gains (losses)	(5,413)	(543)
Depreciation and amortisation expense	(12)	(23)
Exploration expenditure written off	-	(106)
Administration and other expenses	(633)	(10,875)
Option issue expense	(1,308)	-
	<hr/>	<hr/>
(LOSS) BEFORE INCOME TAX	(7,556)	(10,910)
	<hr/>	<hr/>
Income tax	-	-
(LOSS) FOR THE HALF YEAR	(7,556)	(10,910)
OTHER COMPREHENSIVE INCOME		
Net gain/(loss) on revaluation of available for sale financial assets at fair value	-	-
	<hr/>	<hr/>
TOTAL COPMPREHENSIVE (LOSS) FOR THE HALF-YEAR	(7,556)	(10,910)
(Profit) Loss attributable to non controlling interest	-	43
	<hr/>	<hr/>
TOTAL COPMPREHENSIVE (LOSS) ATTRIBUTABLE TO MEMBERS OF HERALD RESOURCES LIMITED	(7,556)	(10,867)
	<hr/>	<hr/>
Basic and diluted (loss) per share (cents)	(3.7)	(5.5)

The accompanying notes form part of these financial statements.

For personal use only

HERALD RESOURCES LIMITED
INTERIM FINANCIAL REPORT
30 JUNE 2009

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009

	30 June 2009 \$'000	31 Dec 2008 \$'000
CURRENT ASSETS		
Cash and cash equivalents	7,266	10,583
Trade and other receivables	495	647
TOTAL CURRENT ASSETS	7,761	11,230
NON-CURRENT ASSETS		
Receivables	8,193	8,162
Other financial assets	-	-
Plant, equipment and vehicles	7,602	9,670
Construction work in progress	105,660	117,950
Mineral exploration and evaluation expenditure	35,803	37,176
TOTAL NON-CURRENT ASSETS	157,258	172,958
TOTAL ASSETS	165,019	184,188
CURRENT LIABILITIES		
Trade and other payables	5,464	14,830
Provisions	545	465
TOTAL CURRENT LIABILITIES	6,009	15,295
NON CURRENT LIABILITIES		
Owing to Parent Entity	19,112	9,190
TOTAL NON CURRENT LIABILITIES	19,112	9,190
TOTAL LIABILITIES	25,121	24,485
NET ASSETS	139,898	159,703
EQUITY		
Issued capital	157,539	157,539
Reserves	3,263	15,512
Accumulated losses	(20,876)	(13,321)
Parent entity interest	139,926	159,730
Non controlling interest	(28)	(27)
TOTAL EQUITY	139,898	159,703

The accompanying notes form part of these financial statements.

For personal use only

HERALD RESOURCES LIMITED
INTERIM FINANCIAL REPORT
30 JUNE 2009

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2009

	Ordinary shares \$'000	Foreign currency translation reserve \$'000	Equity- settled share based payments reserve \$'000	Accumulated losses \$'000	Non controlling interest \$'000	Total equity \$'000
Balance at 1 January 2008	154,506	(3,443)	-	(12,206)	-	138,857
Total comprehensive loss for the period	-	-	-	(10,868)	-	(10,868)
Subtotal	154,506	(3,443)	-	(23,074)	-	127,989
Exchange difference on translation of foreign operations	-	(7,895)	-	-	-	(7,895)
Recognition of share-based payments	-	-	-	-	-	-
Total attributable to members of herald resources	154,506	(11,338)	-	(23,074)	-	120,094
Non controlling interest	-	-	-	-	(56)	(56)
Total Equity at 30 June 2008	154,506	(11,338)	-	(23,074)	(56)	120,038
Balance at 1 January 2009+	157,539	13,590	1,922	(13,320)	(28)	159,703
Total comprehensive loss for the period	-	-	-	(7,556)	-	(7,556)
Subtotal	157,539	13,590	1,922	(20,876)	(28)	152,175
Recognition of share-based payments	-	-	1,308	-	-	1,308
Exchange differences on translation of foreign operations	-	(13,557)	-	-	-	(13,557)
Total attributable to members of herald resources	157,539	33	3,230	(20,876)	-	139,926
Minority Interest	-	-	-	-	(28)	(28)
Total Equity at 30 June 2009	157,539	33	3,230	(20,876)	(28)	139,898

The accompanying notes form part of these financial statements.

HERALD RESOURCES LIMITED
INTERIM FINANCIAL REPORT
30 JUNE 2009

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 30 JUNE 2009

	30 June 2009 \$'000	30 June 2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Other income	14	10
Payments to suppliers and employees	(6,193)	(1,912)
Interest received	12	1,283
Interest paid	-	-
Net cash from (used in) operating activities	(6,167)	(619)
Advances to other entities	-	12
Advances repaid by other entities	-	105
Payments for property, plant & equipment	(9)	(1,349)
Exploration & evaluation expenditure	(2,056)	(2,435)
Construction work in progress	(2,996)	(23,974)
	(5,061)	(27,641)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	8,305	-
Net cash provided (used in) by financing activities	8,305	-
Net increase/(decrease) in cash and cash equivalents	(2,923)	(28,260)
Cash and cash equivalents at the beginning of the half-year	10,583	58,524
Effects of exchange rate changes on cash and cash equivalents	(394)	(1,944)
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	7,266	28,321

The accompanying notes form part of these financial statements.

For personal use only

HERALD RESOURCES LIMITED

ABN 72 112 320 251

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION

The financial report of Herald Resources Limited ("Herald" or the 'Company') for the half-year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 28 August 2009. Herald is a company incorporated in Australia and limited by shares which are publicly traded on the ASX.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements for the interim half-year reporting period ended 30 June 2009 are a general purpose financial statement prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards ('IFRS').

The half-year financial statement does not include full disclosures of the type normally included in an annual financial statement. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial statement.

It is recommended that this financial statement be read in conjunction with the annual financial statement for the year ended 31 December 2008 and any public announcements made by Herald Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statement are consistent with those adopted and disclosed in the Company's most recent annual financial statement except for the adoption of the following new and revised Accounting Standards as stated below.

New Accounting Standards and Interpretations

In the current period, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current interim reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Company's accounting policies. Disclosures required by these Standards that are deemed material have been included in this financial statement on the basis that they represent a significant change in information from that previously made available and are detailed below.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

HERALD RESOURCES LIMITED

ABN 72 112 320 251

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

New and revised Standards and Interpretations issued but not yet applicable are not expected to have a significant impact on the financial position or performance of the Company. At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
ASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in its existing subsidiary in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009

For personal use only

HERALD RESOURCES LIMITED

ABN 72 112 320 251

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p>	1 January 2009	If the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

Going Concern

The Directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the normal course of business. The ability of the Company to continue as a going concern will be dependent on the ability to raise further funds as required.

The ability of the Company to continue as a going concern and to pay their debts as and when they fall due is dependent on the following:

- Obtaining the necessary forestry approval from the Indonesian authorities to commence/continue on the project.

For personal use only

HERALD RESOURCES LIMITED

ABN 72 112 320 251

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Management's continuing efforts to restrain non-essential spending and the exercise of strong financial and operational controls and
- Raising adequate funding from the ultimate parent company, PT Bumi Resources Group as necessary.

The directors have reviewed Herald's current business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the commercialisation of the Dairi project and other matters as set out above.

Significant accounting judgements and key estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial statement, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation were the same as those that applied to the financial statement for the year ended 31 December 2008.

NOTE 3: SEGMENT INFORMATION

Description of Segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors and the Executive Leadership Team, who have determined operating segments based on a geographical perspective and have identified the following reportable segments:

- Indonesia
- Australia

All operating segments undertake activities of mineral exploration.

Segment accounting policies are consistent with those of the consolidated financial statements. Segment result is measured on the basis of segment profit before tax, research and development expenditure, charges for licence fees and advanced pricing agreements, and impairment of intangibles and other non-trading assets.

Segment revenues are allocated based on the country.

Sales between segments are carried out at arm's length and eliminate on consolidation.

Segment assets and liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset or liability.

HERALD RESOURCES LIMITED

ABN 72 112 320 251

2009 Geographic Segments	Australia \$'000	South East Asia \$'000	Inter segment Eliminations \$'000	Consolidated \$'000
Sales to customers outside the consolidated entity	-	-	-	-
Other revenue	26	-	-	26
Unallocated other revenue	-	-	-	-
	<u>26</u>	<u>-</u>	<u>-</u>	<u>26</u>
Segment results	(7,556)	-	-	(7,556)
Segment assets	<u>6,270</u>	<u>158,749</u>	<u>-</u>	<u>165,019</u>
Unallocated assets	-	-	-	-
Total assets				<u>\$165,019</u>

Other Segment Information (2009)

Acquisition of property, plant and equipment	9	2,957	-	2,966
Capitalised exploration and development expenditure	-	2,002	-	2,002
Depreciation	(12)	-	-	(12)
Exploration written off	-	-	-	-
	<u>(3)</u>	<u>4,959</u>	<u>-</u>	<u>4,956</u>

2008 Geographic Segments	Australia	South East Asia	Intersegment Eliminations	Consolidated
Sales to customers outside the consolidated entity	-	-	-	-
Other revenue	1,148	-	-	1,148
Unallocated other revenue	-	-	-	-
	<u>1,148</u>	<u>-</u>	<u>-</u>	<u>1,148</u>
Segment results	(11,445)	(535)	-	(10,910)
Segment assets	<u>19,377</u>	<u>165,811</u>	<u>-</u>	<u>184,188</u>
Unallocated assets				-
Total assets				<u>184,188</u>

Other Segment Information (2008)

Acquisition of property, plant and equipment	(32)	11,786	-	11,754
Capitalised exploration and development expenditure	-	59,288	-	59,288
Depreciation	(12)	-	-	(12)
Exploration written off	-	-	-	-
	<u>(44)</u>	<u>71,074</u>	<u>-</u>	<u>71,030</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: CONTINGENT LIABILITIES

The parent entity and its controlled entities have entered into guarantees, contracts, bonds and warranties in the normal course of business.

The parent entity and its controlled entities may have forward sales, option contracts, foreign exchange holdings and other derivatives from time to time in the normal course of business which are subject to changes in value.

An Indonesian subsidiary of Herald has used the generally accepted prevailing tax rate in its tax calculations. Should the taxation authorities have a different interpretation of the rate to be used, the Company estimates there may be additional tax payable of US\$0.96m excluding penalties. The matter is not outstanding with the taxation authorities.

Contractor Claims (except Rinkai)

All construction contracts were terminated on or before the end of December 2008. The subsequent claims have been processed and all have been finalized.

Termination of Permanent Employees.

Significant retrenchments have occurred especially during March of 2009. The employees have all been paid their full entitlements.

Rinkai Claim for Port Construction

The Rinkai contract for the construction of the port at Kuala Tanjung was terminated in December 2008. Rinkai lodged a significant claim. Ausenco as "Superintendent" under the contract have assessed the claim and determined that considering the claim substantiation provided to date, Rinkai have been overpaid. However it is the Ausenco advice that ultimately Rinkai will be able to provide substantiation to support a further payment from Herald of between US\$3 to US\$4m. If settled, this will increase the capitalised development costs.

Other than the foregoing, there has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 5: OTHER SIGNIFICANT MATTERS and SUBSEQUENT EVENTS

The Company continues to await final forestry approval from the Indonesian authorities and finalisation of project funding in order to proceed to full development of the Dairi Project.

On 21 August 2009 Pt Bumi Resources Tbk the parent company of Calipso Investments Pte Ltd ("Calipso") announced its intention to acquire all of the shares in Herald Resources Ltd that it or its associates do not already own, at \$0.70 per share by way of a formal off market takeover bid. The offer is conditional on the minimum acceptance condition and Foreign Investment Board approval. Calipso currently holds 84.2% of the shares on issue. The full bidder's statement can be viewed on the company web site www.herald.net.au

No other matter or circumstance has arisen since 30 June 2009, which has significantly affected, or may significantly affect the operations of the group, the result of those operations, or the state of affairs of the group in subsequent financial years.

HERALD RESOURCES LIMITED
INTERIM FINANCIAL REPORT
30 JUNE 2009

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 3 to 12 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 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
2. there are reasonable grounds to believe that Herald Resources Limited will be able to pay its debts as and when they become due and payable.

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



EVAN BALL
Chief Executive Officer

Dated at Perth this 28th day of August 2009

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

28 August 2009

Board of Directors
Herald Resources Limited
Level 3/50 Colin Street
WEST PERTH WA 6005

Dear Sirs

RE: HERALD RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Herald Resources Limited.

As Audit Director for the review of the financial statements of Herald Resources Limited for the half year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**STANTONS INTERNATIONAL
(Authorised Audit Company)**



**John Van Dieren
Director**

For personal use only

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF HERALD RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Herald Resources Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2009, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flow for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 consolidated entity's financial position as at 30 June 2009 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 Herald 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

For personal use only

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 confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Herald Resources Limited on 28 August 2009.

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 Herald Resources Limited is not in accordance with the *Corporations Act 2001* including:

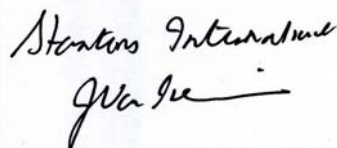
- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Statement of Emphasis on the Matter on Going Concern and the recoverability of non current assets:

Without qualification to the opinion expressed above, attention is drawn to the following matters:

As referred to in Note 2 to the financial statements, the financial statements have been prepared on the going concern basis. At 30 June 2009 the entity had working capital of \$1,752,000 and had incurred a loss for the year of \$7,556,000. The ability of the entity to continue as a going concern is subject to the successful recapitalisation of the Company and obtaining necessary forestry clearance for its mineral project in Indonesia. In the event that the Board is not successful in recapitalising the Company, in raising further funds and getting the forestry clearances to allow mineral development to proceed, the entity may not be able to continue in its present form and may not be able to meet its planned commitments and the realisable value of the consolidated entity's non-current assets may be significantly less than their current carrying values. The accompanying financial statements do not include any adjustments arising from the uncertainty.

STANTONS INTERNATIONAL (Authorised Audit Company)



John Van Dieren
Director

West Perth, Western Australia
28 August 2009