



Heron Resources Limited



Annual Report 2012

Corporate Directory

DIRECTORS

Chairman (Non-Executive)

Craig Leslie Readhead BJuris LL.B. FAICD

Managing Director (Executive)

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

Directors (Non-Executive)

Kenneth John Hellsten BSc (Hons), FAIMM, MAICD

Stephen Bruce Dennis BCom, BLLB, GDipAppFin (Finsia), CFTP

COMPANY SECRETARY

Bryan Horan FCCA.

ABN

30 068 263 098

REGISTERED AND PERTH MANAGEMENT OFFICE

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West Perth 6005 Western Australia

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Facsimile: +61 8 9215 4490

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Website: www.heronresources.com.au

SHARE REGISTRY

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross 6153 Western Australia

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Facsimile: +61 8 9315 2233

Email: registrar@securitytransfer.com.au

Photographs: Heron's multi-commodity exposure.

Cover: Visible gold at Big Four Gold Prospect, along with banded sulphides from Mt Zephyr.

Below: Gossanous rocks from drill targets in Heron's Lachlan Fold Belt tenements, NSW.



Heron Resources Limited

AUDITORS

Butler Settineri (Audit) Pty Ltd

Unit 16, 1st Floor, 100 Railway Road

Subiaco 6008

Western Australia

SOLICITORS TO THE COMPANY

DLA Piper

Level 31, Central Park

152-158 St George's Terrace

Perth 6000 Western Australia

BANKERS

Westpac Bank

230-236 Hannan Street

Kalgoorlie 6430 Western Australia

STOCK EXCHANGE

Australian Securities Exchange Limited

2 The Esplanade

Perth 6000 Western Australia

ASX CODE

HRR

SEAT ABBREVIATION

Heron

HOME BRANCH

Perth

INDUSTRY CLASSIFICATION

GLCS classification code is 15104020

Diversified Metals and Mining

ISIN

AU000 000 HRR6

Design and artwork is by Reynolds Graphics, Kalgoorlie and Perth



Highlights

- **\$43.2M cash and \$7.3M in investments as at 30 June 2012**

- **Business Development**

- **Acquisitions**

The Company has in place a systematic and thorough acquisition assessment regime and during the 2012 financial year in excess of 40 projects were assessed.

Opportunities to apply for prospective exploration acreage continued throughout the year and, as a result of these activities, a number of high quality exploration tenements were acquired in the Lachlan Fold Belt of New South Wales. A number of drill targets already have been generated on these tenement areas which will be the subject of increasing exploration activities during the 2013 financial year.

- **Divestments**

In June 2012, A1 Consolidated Gold Limited (AYC) listed on the Australian Securities Exchange after successfully raising \$8 million. Heron holds 26.2 million shares in AYC which amounts to a 19% interest in the company and is the result of Heron's decision to divest the A1 Gold Mine during the previous financial year. As at 30 June 2012, Heron's investment in AYC had a market value of \$6.9 million.

Heron's 8 million shares and 8 million options in Metaliko Resources Limited were sold during the year for \$0.475 million.

- **Exploration Projects**

Aggressive drill exploration continued throughout the year, with targets generated on five separate projects and 608 holes then drilled for 14,165 metres.

- **Lachlan Fold Belt, New South Wales**

Heron has been granted two tenements in the Lachlan Fold Belt which are situated adjacent to new copper/gold discoveries reported by Straits Resources Limited. Heron has recently commenced a surface geochemical program and ground electromagnetic surveys and targets generated are already being drill tested. Heron has also applied for a number of additional tenements throughout the Lachlan Fold Belt where there is good potential for precious and base metal discoveries.

- **Big Four Gold Prospect, Western Australia**

As part of the review of gold endowment within the Kalgoorlie Nickel Project (KNP), an RC drilling program was completed at the Big Four Prospect which included results of 10m @ 4.3g/t gold from 32m, 6m @ 5.28g/t gold from 53m and 3m @ 13.6g/t gold from 65m. As assessment of the potential of the project to sustain a small open-pit mining operation prior to further testing of the zone along strike and at depth is currently underway.

- **Black Range and Siberia South Gold Prospects, Western Australia**

Also within the KNP tenure a RAB program was completed over the gold-in-soil anomaly at the Black Range and adjacent Siberia South Prospects. Results showed broad zones of supergene style gold anomalism in the range 0.1 to 0.3 g/t gold over 4 to 24m widths downhole, with best results of 4m @ 1.22g/t gold from 62m and 8m @ 0.97g/t gold from 58m. RC drill testing of these prospects is planned.

- **Shay Gap Iron Ore Prospect, Western Australia**

An extensive RC drilling program was completed during the year to test gravity anomalies consistent with iron ore channel iron deposits. The detrital ore intersected in the channels was limited to one to three metres in thickness. As a result, expenditure on the project has ceased and a joint venture partner is being sought.



Shay Gap: Exploration camp

Highlights continued

- **Exploration Projects continued**

- **Mt Zephyr Base Metals Prospect, Western Australia**

The tenement position in the area was consolidated during the year and a review undertaken of the extensive distal Volcanogenic Massive Sulphide (VMS) style mineralisation present over some 5km of strike. A number of areas were identified as having gold and/or base metal potential and a modest drill program was planned to further test these targets. A joint venture partner is being sought to drill the system at greater depths.

- **Binneringie Nickel-Copper, Molybdenum Prospect, Western Australia**

A circular discrete magnetic anomaly was defined and a diamond core hole was completed to 411 metres, however the magnetite-sulphide mineralisation intersected was barren.

- **Development Projects**

- **Kalgoorlie Nickel Project**

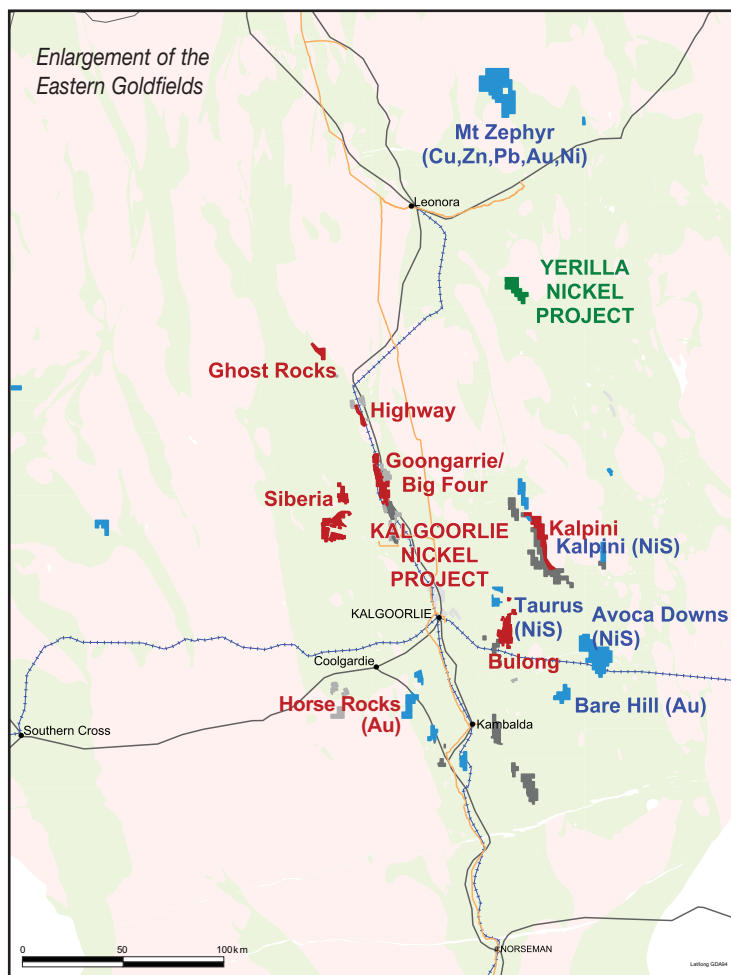
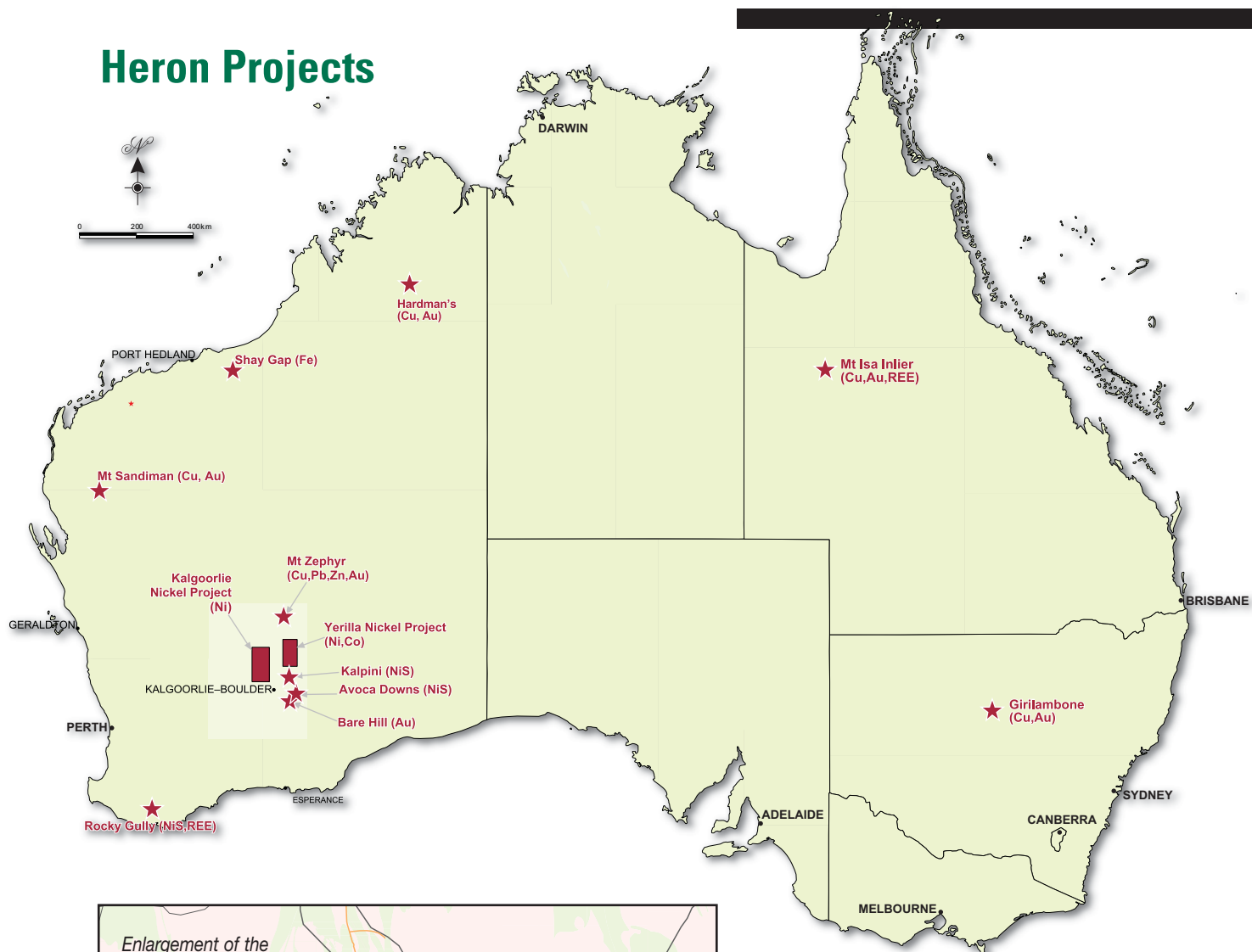
Targeted expenditure on the KNP continued during the year through a number of metallurgical studies.

SGS Lakefield Oretest conducted thermal upgrade metallurgical testwork on the iron-nickel production potential of goethite ore from Goongarrie South which was identified as a means to expedite lower capex KNP development.

As part of Heron's evaluation of alternative hydro-metallurgical processing technologies, a metallurgical testwork program commenced with **Direct Nickel**.

Initial results for both programs are encouraging and further testwork is underway, with Direct Nickel in particular showing promise.

Heron Projects



Heron tenements

- Kalgoorlie Nickel Project
- Yerilla Nickel Project
- Non-KNP/Yerilla
- Heron interest
- Royalty benefits for Heron

Geology units

- Proterozoic dyke
- Proterozoic gneiss (Biranup Complex)
- Archaean granite
- Archaean greenstone

Directors & Management



CRAIG LESLIE READHEAD

B.Juris. LL.B. FAICD
CHAIRMAN (NON-EXECUTIVE)

Craig Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resources sector, including the implementation of large scale mining projects both in Australia and overseas. Mr Readhead is a former president of the Australian Mining and Petroleum Law Association and is a Partner of specialist mining and corporate law firm Allion Legal.



STEPHEN BRUCE DENNIS

BCom BLLB GDipAppFin (Finsia) CFTP
DIRECTOR (NON-EXECUTIVE)

Stephen Dennis has been actively involved in the mining industry for 30 years. He spent several years in senior management roles at MIM Holdings Limited, was Group General Manager and Chief Financial Officer of Minara Resources Limited until 2005, and was Regional Director of the minerals transportation and logistics business of Brambles Australia Limited in Western Australia until late 2006. Since 2007 Mr Dennis has been Managing Director and Chief Executive Officer of CBH Resources Limited.



KENNETH JOHN HELLSTEN

BSc (Hons) FAIMM MAICD
DIRECTOR (NON-EXECUTIVE)

Kenneth Hellsten is a geologist who has worked continuously in the resources industry for over 30 years. He has been employed in senior executive roles ranging from exploration to development and operations with both large and small companies including BHPBilliton, Centaur Mining, Polaris Metals and Billiton Australia. During the past 20 years Mr Hellsten has led teams responsible for the completion of feasibility and project development of the Cawse and Ravensthorpe nickel operations and several smaller resource projects. He is currently Managing Director for Strike Resources Limited and a non-executive director of Brierty Contracting Limited.



IAN JAMES BUCHHORN

BSc (Hons), Dip Geosci (Min Econ),
MAusIMM
MANAGING DIRECTOR *

Ian Buchhorn is a Mineral Economist and Geologist with over 30 years experience. Prior to listing Heron in 1996 as founding managing director, Mr Buchhorn worked with Anglo American Corporation in southern Africa, and Comalco, Shell/Billiton and Elders Resources in Australia. For the last 20 years Mr Buchhorn has acquired and developed mining projects throughout the Eastern Goldfields of Western Australia and has operated as a Registered Mine Manager.



BRYAN HORAN

FCCA.
COMPANY SECRETARY & FINANCIAL
CONTROLLER

Bryan Horan was promoted to the position of Company Secretary in 2010. Mr Horan joined the Company in 2007 as management accountant. Mr Horan's career includes 10 years working in various accounting positions in London in industries such as media, warehousing and distribution and pharmaceutical. Since living in Perth Mr Horan has also held accounting positions with Australian Mines Limited and Perilya Limited.



DAVID VON PERGER

BSc (Hons) MAusIMM
EXPLORATION MANAGER

David von Perger was appointed to this position in 2006. Mr von Perger is a geologist with over 20 years experience in mineral exploration throughout Australia. Mr von Perger has worked on various styles of mineral deposits including Archaean gold and nickel, and Proterozoic base-metal and iron-ore. His experience includes four years as a business analyst for a major mining group involving analysis of mining operations, project development and assessment of new opportunities. Since his appointment with Heron in 2004, Mr von Perger has been responsible for the identification and acquisition of several new nickel, gold, iron-ore and base-metal projects.



Heron Resources Limited

The Heron Board and Management
Team has an exceptional Industry
track record.

** As at the 27 September 2012 Report Date, the Managing Director was Jonathan Shellabear. Mr Shellabear resigned as at 9 October 2012 and Ian Buchhorn was appointed to the position.*

Chairman's Letter

Dear Shareholders,

The 2012 year has again been a challenging one, with continued uncertainty and volatility in global capital markets and continued weakness in the European and US economies. Most resources companies experienced weaker equity prices during the year and those with exposure to the nickel industry suffered more than most. **With Heron holding \$50.5 million in cash and listed equity investments as at 30 June 2012**, the Company is in a particularly strong position to take advantage of any opportunities as they arise.

The Board and Management reviewed business development opportunities, both in Australia and overseas, to acquire prospective exploration, pre-development projects or operating mining assets in order to enhance value for Shareholders. The Company has reviewed a large number of business development opportunities over the last year and currently has a number of opportunities under consideration.

The Company is continuing its aggressive exploration programs on its existing assets and is seeking additional exploration opportunities to supplement the exploration portfolio. During the year, Heron acquired a number of exploration licences in the Lachlan Fold Belt of New South Wales, including two tenements which are along strike from Straits Resources' Girilambone copper mine and copper-gold discoveries at Avoca Tank and Kurrajong. Heron has recently commenced an active exploration program on these tenements, including soil geochemistry, geophysics and is now drilling, all within three months of tenement grant. This is an impressive outcome by the exploration team.

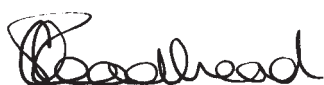
Over the last twelve months a number of exploration programs have been undertaken including an active gold exploration program on the Kalgoorlie Nickel Project (KNP) tenure, which thus far has yielded encouraging results at the Big Four Prospect. In addition, RAB drilling to test soil gold anomalies at Siberia South, RC drilling to test the gold-PGM anomalies identified through RAB and aircore drilling at Black Range and follow-up RAB drilling at the Horse Rocks gold Prospect and an auger geochemistry program at the Mandilla gold-nickel Prospect have been completed. Considering the compact size of the exploration team, their work output is exceptional.

Heron's Kalgoorlie Nickel Project is potentially a worldclass nickel project, providing significant option value to the Company. As Shareholders will be aware, after the withdrawal of Vale Inco from the project in 2009 during the GFC, the Company undertook a process in 2010 aimed at securing another development partner for the KNP. Unfortunately, no acceptable proposals were received. The Company continues to undertake studies on the KNP which are focused on lower capital cost opportunities that may enhance the value of the KNP. During the year, the Company reviewed the opportunity to produce iron-nickel products and to facilitate this review metallurgical testwork on material from the Goongarrie South deposit was undertaken by SGS Lakefield Oretest. In addition, a metallurgical testwork program was commenced using the Direct Nickel technology. The Company intends to maintain its 100% ownership of the KNP project and will continue to review development options as the nickel price improves and technical developments for nickel laterite projects evolve.

In conclusion, I will reiterate that the Board and Management are committed to achieving success with the development and exploration pursuits of the Company and the creation of value for Shareholders. I would like to thank my fellow Directors and the Heron management team, including Ian Buchhorn our Managing Director, Dave von Perger our Exploration Manager, Bryan Horan our Company Secretary and Financial Controller, Lorne McCrum our Project Geologist and Kathleen Patrick our Administration Geologist, who have worked extremely hard during the year to ensure that we make the most of our assets and the opportunities.

I acknowledge the contribution of previous Managing Director, Jonathan Shellabear, who resigned on 9 October 2012 to pursue other interests. I wish Jonathan well in his new endeavours.

My thanks must go as well to our loyal Shareholders who continue to support us. Your input throughout the year has been much appreciated.



Craig Readhead
Chairman

1.0 Managing Director's Report

The Company has maintained its strong cash position, with \$43.2 million in cash and \$7.3 million in investments as at 30 June 2012. With the current uncertainty in financial markets, Heron's low corporate overheads and robust balance sheet provide a solid platform to facilitate the Company's growth objectives. Exploration and development expenditure during the year was significantly reduced from the previous year which principally reflects reduced expenditure on the A1 Gold Mine following the divestment of the asset during the year. Nevertheless, the Company completed numerous business development assessments throughout the year and maintained active exploration.

Heron is well positioned to undertake an asset acquisition and the Company reviewed numerous business development opportunities in Australia and overseas throughout the year. Cognisant of the challenging global economic environment, the Company completed a detailed strategic review of its business over the year and an absolute focus has been maintained on Shareholder returns and to ensure the optimum use of our technical and economic resources. Unfortunately, the acquisition opportunities reviewed throughout the year were considered not to be sufficiently value accretive to Shareholders. The key strategic objective of the Company is to gain exposure to an asset that is either in production or in the development or pre-development stage by leveraging our balance sheet and we remain optimistic of success.

During the 2012 financial year the Company refocused its exploration activities which included the addition of new exploration acreage within the Lachlan Fold Belt of New South Wales. The Company continued to be very active explorers within the Eastern Goldfields of Western Australia with a particular focus on the gold endowment within the KNP. The Company's exploration assets have significant unrealised potential and importantly the Company has the available funds necessary to facilitate growth from the exploration portfolio.

The support and constructive input from existing and new Shareholders is very much appreciated and along with my fellow Directors I would like to thank all our Shareholders for their continued support. I am personally optimistic about Heron's future and I look forward to keeping you informed of our progress and enjoying your ongoing support during what should be an exciting year in 2013.

BUSINESS DEVELOPMENT

The global environment continues to be extremely competitive and many companies continue the search for acquisition opportunities. Encouragingly asset prices have declined during the year which reflects the current economic environment, but the quality and quantity of suitable assets remains low. During the year Heron evaluated in excess of 40 base metal and precious metal projects in Australia and abroad.

The A1 Gold Mine in eastern Victoria was successfully divested during the year and the listing of A1 Consolidated Gold Limited, which owns the A1 Gold Mine, on the Australian Securities Exchange was completed in June 2012. Heron owns 26.2 million shares in A1 Consolidated Gold Limited, which were acquired as consideration for the divestment.

During the year, the Company sold its share and option holding in Metaliko Resources Limited.

EXPLORATION PROJECTS

Both tenement acquisition and exploration activity has focussed on activities in which Heron has had a long-term comparative advantage in Australia. Acquisition activity during the year included a number of properties in the Lachlan Fold Belt of New South Wales. Other prospects were disposed of where exploration had been completed and no further targets were identified.

To the exploration team's credit, there was active drilling programs throughout the year, with the following programs completed:

- Big Four Prospect, 56 RAB holes for 600 metres to define the mineralisation, followed up with 34 RC holes, for 3,662 metres drilling across the zone of gold mineralisation.
- Siberia-Black Range Prospects, 36 Aircore holes for 2,742 metres, 115 RAB holes for 2,501 metres and 1 diamond core hole for 246.3 metres for target definition.
- Shay Gap Prospect, 361 RC holes for 3,602 metres defining the target palaeo-channels, but hosting detrital sand rather than iron ore.
- Binneringie, 1 diamond core hole for 411.5 metres testing a modelled magnetic target which was intersected, but barren.

DEVELOPMENT PROJECTS

Heron has two development Projects, the 100% owned Kalgoorlie Nickel Project (KNP) and the Yerilla Nickel Cobalt Project (Yerilla) which is a joint-venture with Shanshan. Both are nickel laterite projects, and the focus during the 2012 financial year has been the review and development of various alternate processing flow-sheets for the production of nickel-cobalt and iron-nickel.

During 2012, the Company commenced an evaluation of the potential within the KNP to produce an iron-nickel product for sale to Chinese pig-nickel producers. A testwork program with SGS Lakefield Orestest on ore from Goongarrie South yielded encouraging initial results. In addition, a metallurgical testwork program was commenced, and is still underway, with Direct Nickel to review the applicability of the Direct Nickel hydrometallurgical process to the KNP ore-types.

The Yerilla joint venture is currently in the process of re-negotiation of the term of the joint venture and if a revised agreement is not executed with Shanshan, 100% of the project will revert to Heron.



NSW projects: strongly sulphidic epithermal veining in Devonian Sandstones

2.0 Operations Report

Health, Safety, Environment and Community (HSEC)

Heron Resources Limited continues to demonstrate its commitment to “Zero Harm” to the Company’s employees, the communities in which Heron works, and to the environment. This is achieved by all employees and contractors being inducted in promoting and maintaining a safe and healthy working environment.

HEALTH AND SAFETY

Heron maintained its LTI-free record with no Lost Time Injuries occurring during the year. The LTI gauge of performance demonstrates an outstanding result for Heron and reinforces the employees’ and contractors’ commitment to the highest of safety standards. The result also re-affirms that the systems implemented throughout the Company are effective and that mining and exploration activities can be undertaken safely. Continuing vigilance is required to maintain this performance.

Routine Fitness-for-Work (FFW) testing continues to play an important part in keeping Heron’s work sites safe and free from the risk of injury and incidents.

ENVIRONMENT

Heron’s HSEC Management System has continued to demonstrate its value in assisting staff to identify environmental impacts, not only meeting our commitment to minimising environment impacts, but also ensuring that business activities remain in regulatory compliance. Our activities continue to be scrutinised by internal audits and checks and have also been subject to external audits by government regulators. Heron’s robust environmental management systems ensured compliance with statutory requirements during the year.

COMMUNITY AND STAKEHOLDER ENGAGEMENT

The Company continued to promote educational opportunities for the communities in which we operate. This is Heron’s twelfth year of donations to the Central Goldfields Education Trust (CGET) (established by Heron in 2000) and has to-date, donated \$180,000 benefiting numerous students. The Trust encourages the students to progress their schooling into their senior years and become good role models.

Exploration Projects

The Company remains committed to generating low risk, high reward shareholder value through its aggressive exploration programs.

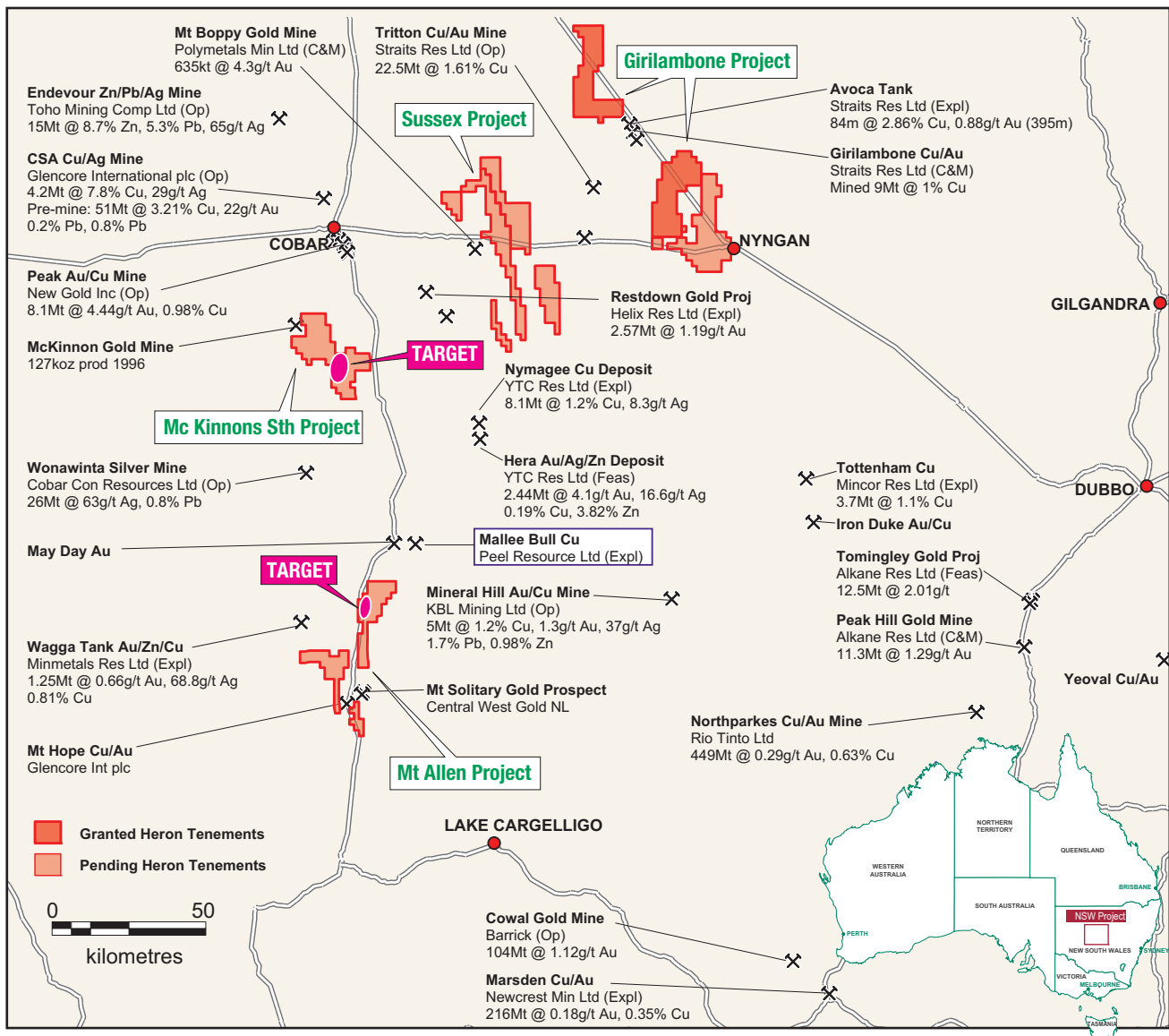
LACHLAN FOLD BELT, NEW SOUTH WALES

During the year Heron was granted two Exploration Licences near the historic copper mining centre of Girilambone in central NSW. To the north of Girilambone, EL7951 is located some 3km north-west along strike from Straits' Avoca Tank copper/gold discovery (results by Straits include 23 metres at 4.3% copper and 0.8g/t gold and 23 metres at 5.9% copper and 1.1g/t gold) and the available aeromagnetic data indicates the north-west trending Girilambone structure continues into the Heron tenement. The area is lightly wooded or privately owned cleared land and Heron is planning a surface geochemical program followed by ground electromagnetic surveys and subsequent drill testing of targets. Historical exploration identified gossanous exhalative horizons in the south-west of EL7951 and recent field sampling by Heron has confirmed anomalous copper levels associated with these horizons (up to 442ppm copper using a hand held XRF analyser).

To the south of Girilambone, EL7955 is located approximately 10km southeast of Strait's operating Northeast mine and 2km east from Straits' Kurrajong Prospect where Straits have recently announced a new copper sulphide discovery. A number of encouraging aeromagnetic features are evident in EL7955 that probably represent the exhalative horizons which are known to be associated with copper/gold mineralisation. Recent field inspections have identified pyritic chert/magnetite rock found as surface float where some of these magnetic highs occur. This also indicates that the depth of cover in the area is shallow – in the order of 5-20m, allowing for effective surface geochemical sampling, electromagnetic surveys and drill testing. Historical shallow RAB drilling in the area returned an assay of 2m grading 1.93g/t gold from 28m depth at the end of hole adjacent to a subtle magnetic high. This drill result, which came from the end of one of the lines, was never followed up and provides an immediate focus for Heron's exploration.

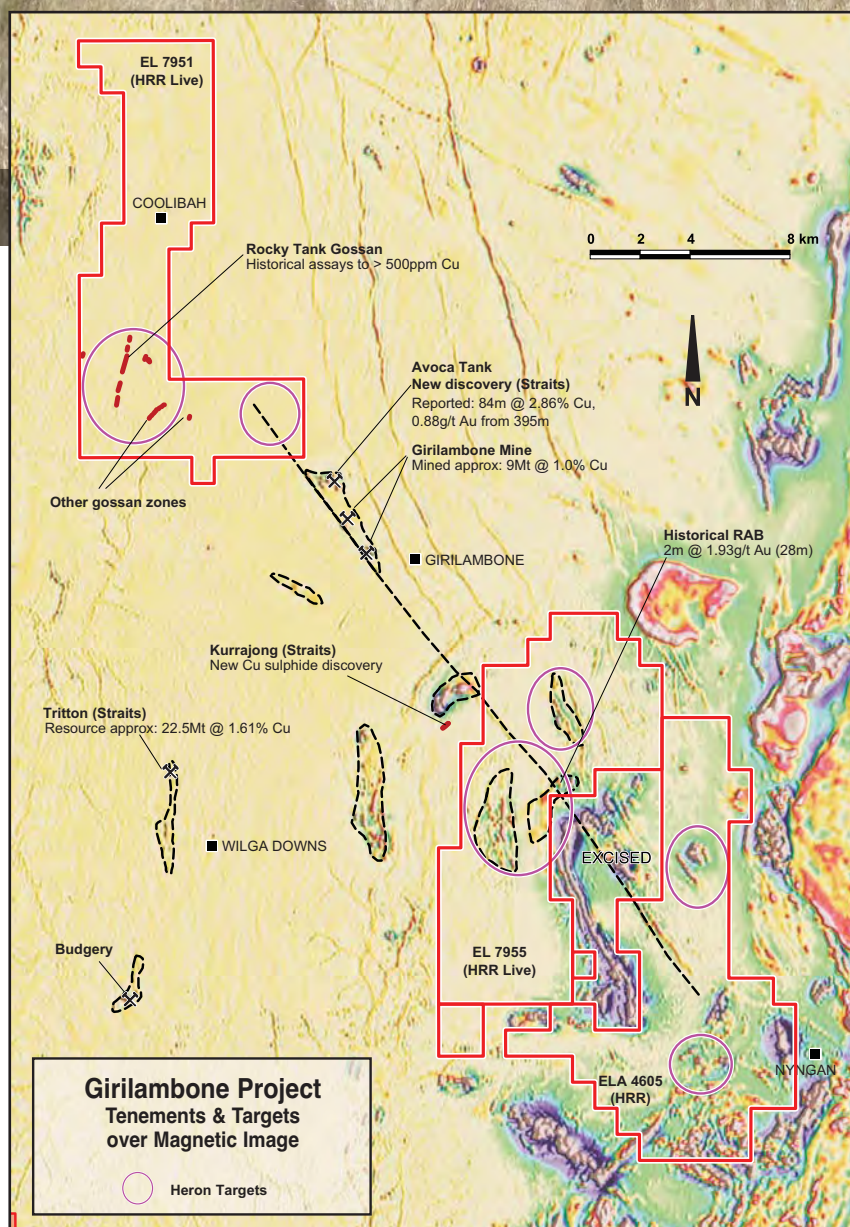
Heron has also applied for a number of additional tenements in the Lachlan Fold Belt of NSW, where there is good potential for high grade copper/gold and base-metal deposits to be discovered.

Heron Projects - Lachlan Fold Belt, NSW





Auger drilling at Girilambone



The new Heron acquisitions include:

Sussex (~600km²) – located 50km east of Cobar, the area contains a strong magnetic high within Girilambone Beds under shallow cover along strike from historical copper workings and other base metal and gold occurrences.

Mc Kinnons South (~300km²) – located some 25km south west of Cobar, the area contains a magnetic high along strike to the south-east from the McKinnons epithermal gold deposit that was mined in the mid 1990s. A number of historical geochemical anomalies are present as immediate follow-up targets.

Mt Allen (~300km²) – located approximately 100km south of Cobar, the area is adjacent to a number of gold and copper/gold mines and occurrences including the recent Mallee Bull base metal discovery of Peel Mining Limited. Further investigation is required, however, several important mineralised structures pass through this tenement application.

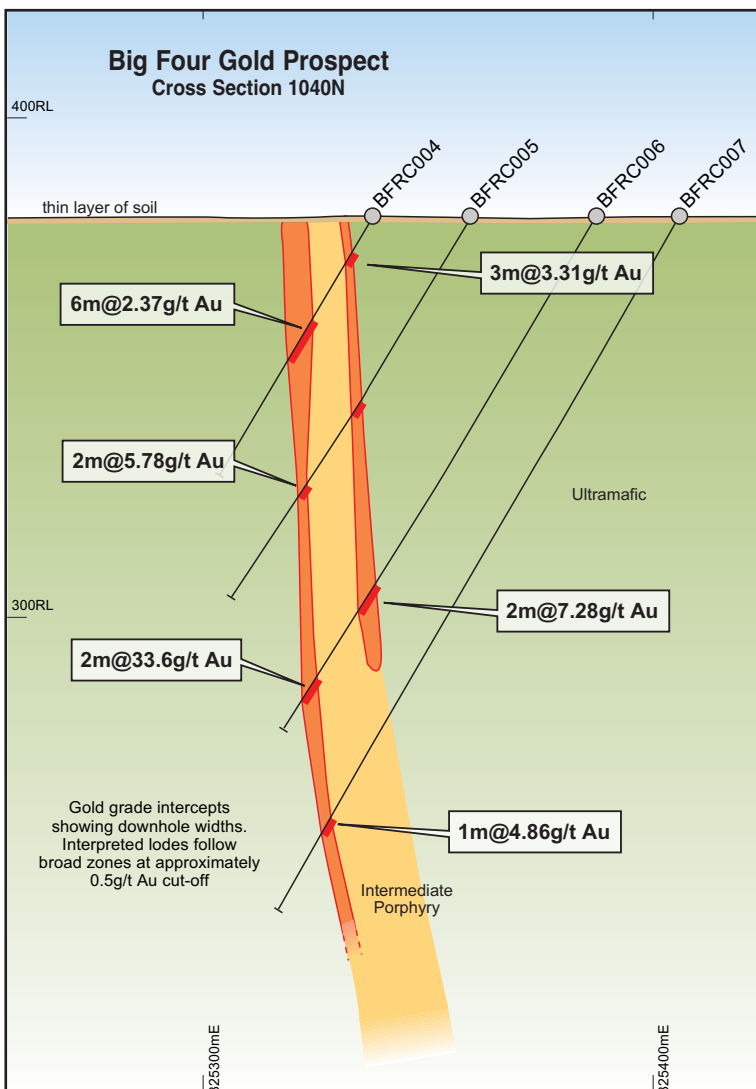
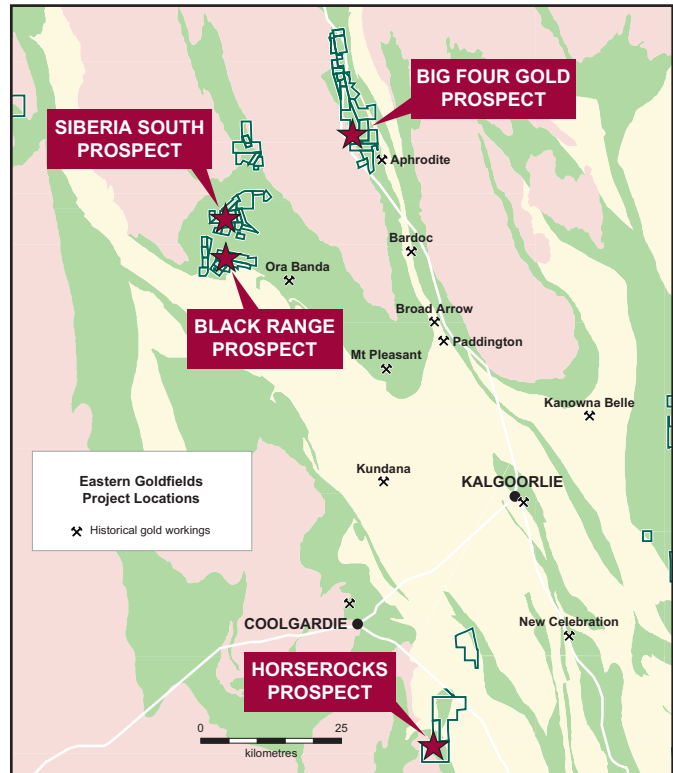
The exploration effort in NSW complements the Company's other exploration activities and provides the Company with a low cost entry into this highly prospective belt with the potential for exciting copper/gold discoveries.

BIG FOUR GOLD PROSPECT, WESTERN AUSTRALIA

A review was undertaken of the Big Four Prospect located directly south of Goongarrie, within KNP tenure. The Big Four Prospect contains a number of old mine shafts which were worked in the early 1900s, and exploration drilling in the late 1980s intersected a number of separate mineralised zones over approximately 100m of strike. Little follow-up has been completed since the time Heron commenced its nickel laterite development programs.

Gold mineralisation in the area is hosted by a brittle fractured intermediate porphyry intrusive unit within the ultramafic Siberia Komatiite. The mineralisation is associated with quartz veining and pyrite/carbonate alteration. A zone of mineralisation runs parallel to, and within the core of the porphyry. The high grade zones can contain coarse visible gold which has been panned from a number of Heron's samples.

During the year, Heron completed systematic soil geochemistry programs, ahead of 34 RC drill holes for 3,662 metres. Heron's drilling was designed to extend the higher grade zones at depth, down plunge and along strike. The most recent results have confirmed that the mineralised structures continue down plunge to the north, with the deepest intercept being 6m @ 8.58g/t gold in BFRC028 at 130m vertical depth.



Coarse visible gold has been regularly observed in the mineralised zones and screen fire assays yielded very similar results to the standard fire assays which indicates that the reported grades are a good estimate of the in situ grades.

Significant results include:

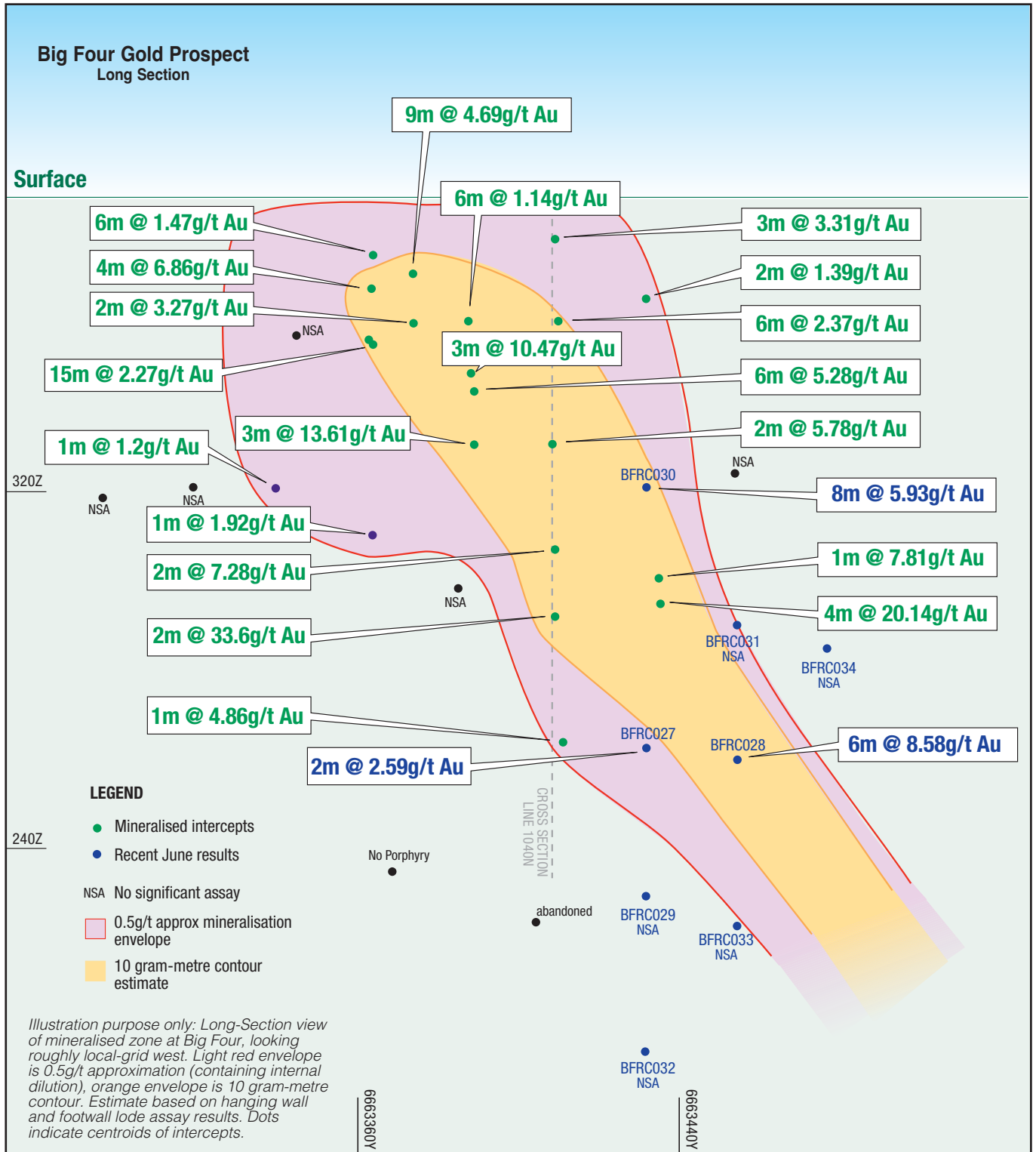
BFRC001: 6m @ 5.28g/t gold from 53m downhole
 BFRC004: 6m @ 2.37g/t gold from 28m downhole
 BFRC006: 2m @ 33.6g/t gold from 108m downhole
 BFRC008: 10m @ 4.3g/t gold from 32m downhole
 BFRC017: 15m @ 2.27g/t gold from 28m downhole
 BFRC018: 9m @ 4.69g/t gold from 14m downhole
 BFRC019: 3m @ 10.47g/t gold from 44m downhole
 BFRC021: 4m @ 20.14g/t gold from 108m downhole
 BFRC027: 2m @ 2.59g/t gold from 138m downhole
 BFRC028: 6m @ 8.58g/t gold from 125m downhole
 BFRC030: 1m @ 41.8g/t gold from 61m downhole
 BFRC030: 8m @ 5.93g/t gold from 78m downhole

Opposite Page photographs left to right:

BFRC021 - 1m @ 54g/t gold 112m downhole.

BFRC006 - 1m @ 65-566g/t gold 109m downhole.

BFRC028 - 1m @ 7g/t gold 144m downhole.



BLACK RANGE AND SIBERIA SOUTH PROSPECTS, WESTERN AUSTRALIA

Heron's wholly owned Black Range and Siberia South Prospects are located 80km NW of Kalgoorlie and this area has received scant gold exploration since the mid 1990s.

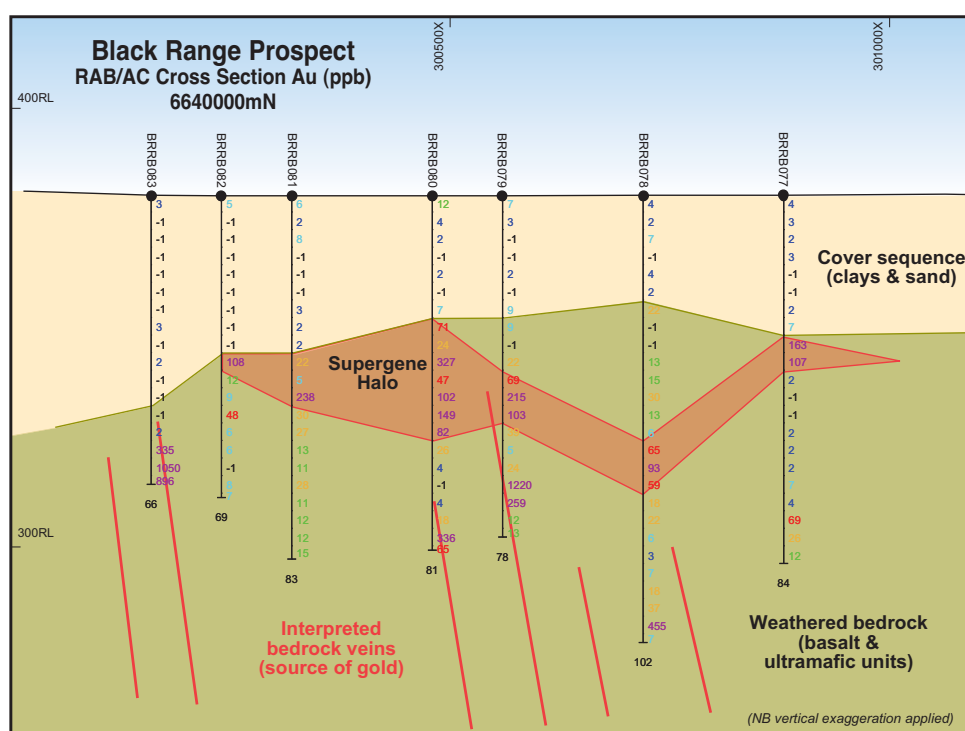
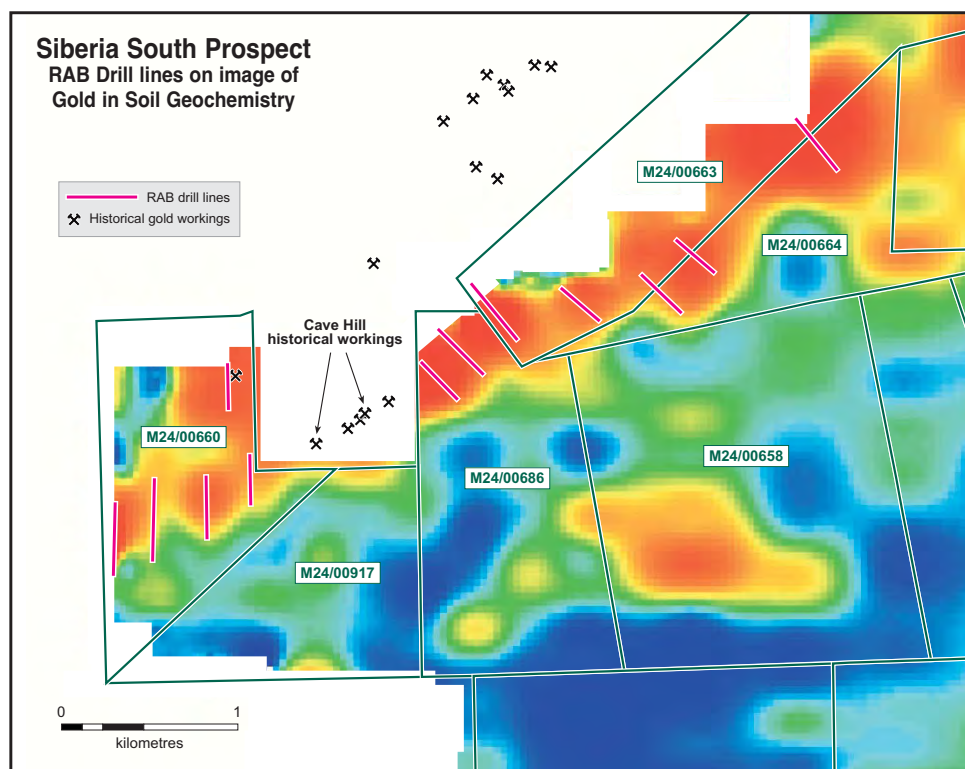
The Company believes there is potential for economic gold mineralisation associated with porphyry units along the contact between the Walter Williams Formation and Siberia Komatiite.

RAB drilling programs have been completed to test a soil gold anomaly that extends from the historical Cave Hill workings for some 3 kilometres along strike.

The soil anomaly ranges from 15ppb to 490ppb gold and RAB drilling was undertaken to test the anomaly. The drilling returned several anomalous results in the order of 50 - 300ppb gold and field checking is being undertaken prior to deeper drill testing.

At Black Range drilling identified broad zones of supergene style gold anomalism in the range 0.1 to 0.3g/t gold over 4 to 24m widths downhole, with best results of 4m @ 1.22g/t gold from 62m in BRRB 079 and 8m @ 0.97g/t gold from 58m in BRRB083.

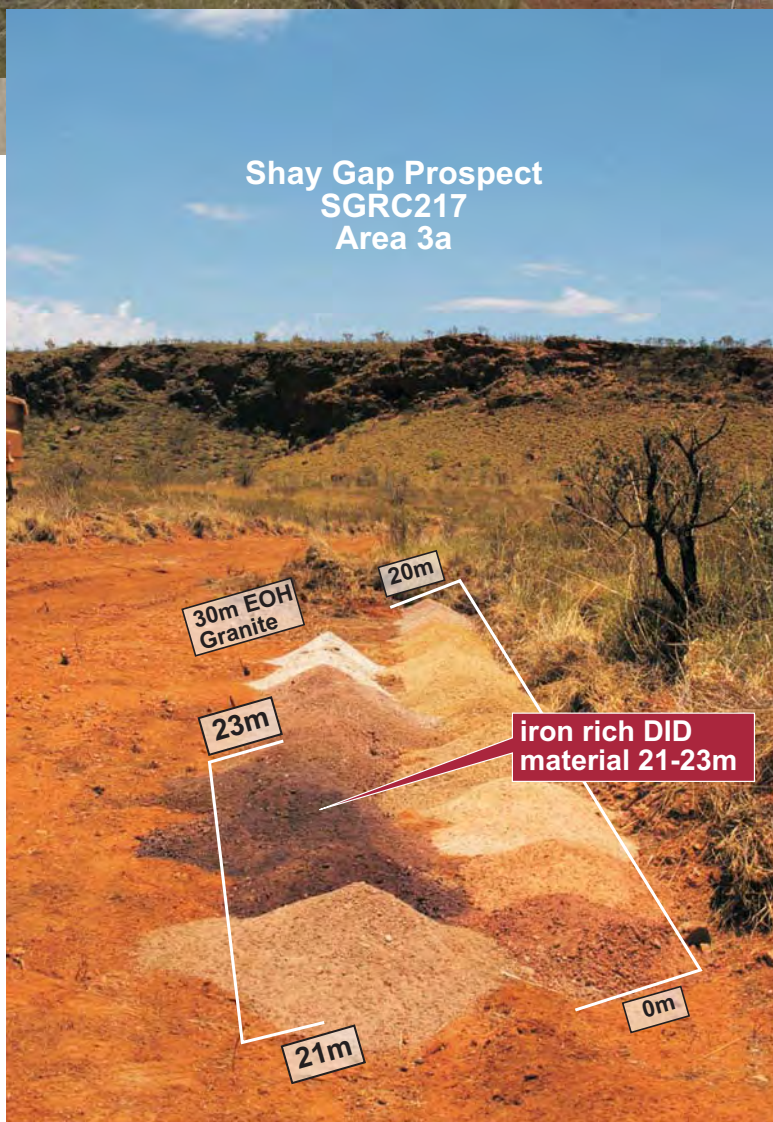
Below: Black Range nickel sulphide target. EM anomaly is obscured by alluvial cover.





Shay Gap: near surface iron-rich gravels intersected

Shay Gap Prospect SGRC217 Area 3a



SHAY GAP IRON ORE PROSPECT, WESTERN AUSTRALIA

Heron's wholly owned Shay Gap iron ore Prospect is located 150km due east of Port Hedland and adjacent to BHP Billiton's iron ore operations in this area. The Company is exploring for Detrital and Channel Iron Deposits (DID and CID), derived from iron-rich material shed from the Shay Gap ranges to the immediate north-east.

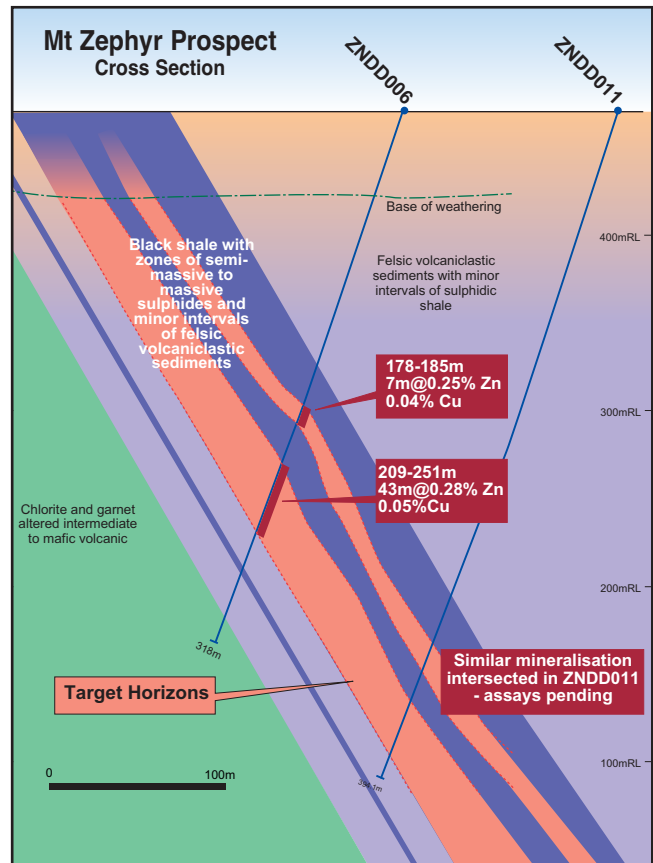
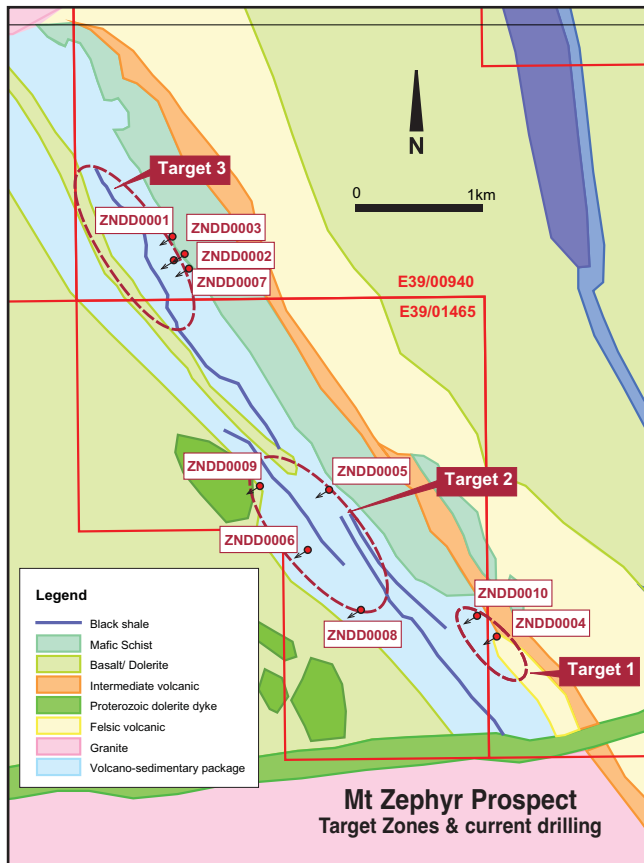
Previously reported surface samples by Heron from the tenements returned several results above 60% iron, indicating that high grade iron-ore has been shed off the ranges and onto Heron's tenements. The Company completed a detailed gravity survey over four key areas along the range front, to target potential Detrital Iron Deposits which highlighted a number of encouraging "highs".

During the year the company completed a drilling program of 361 RC holes for 3,578m. Near surface detrital iron-rich gravels (1 to 3 metres thick) were intersected, however, at this stage within the palaeo-drainages tested, these gravels appear to have insufficient tonnage potential for a standalone operation.

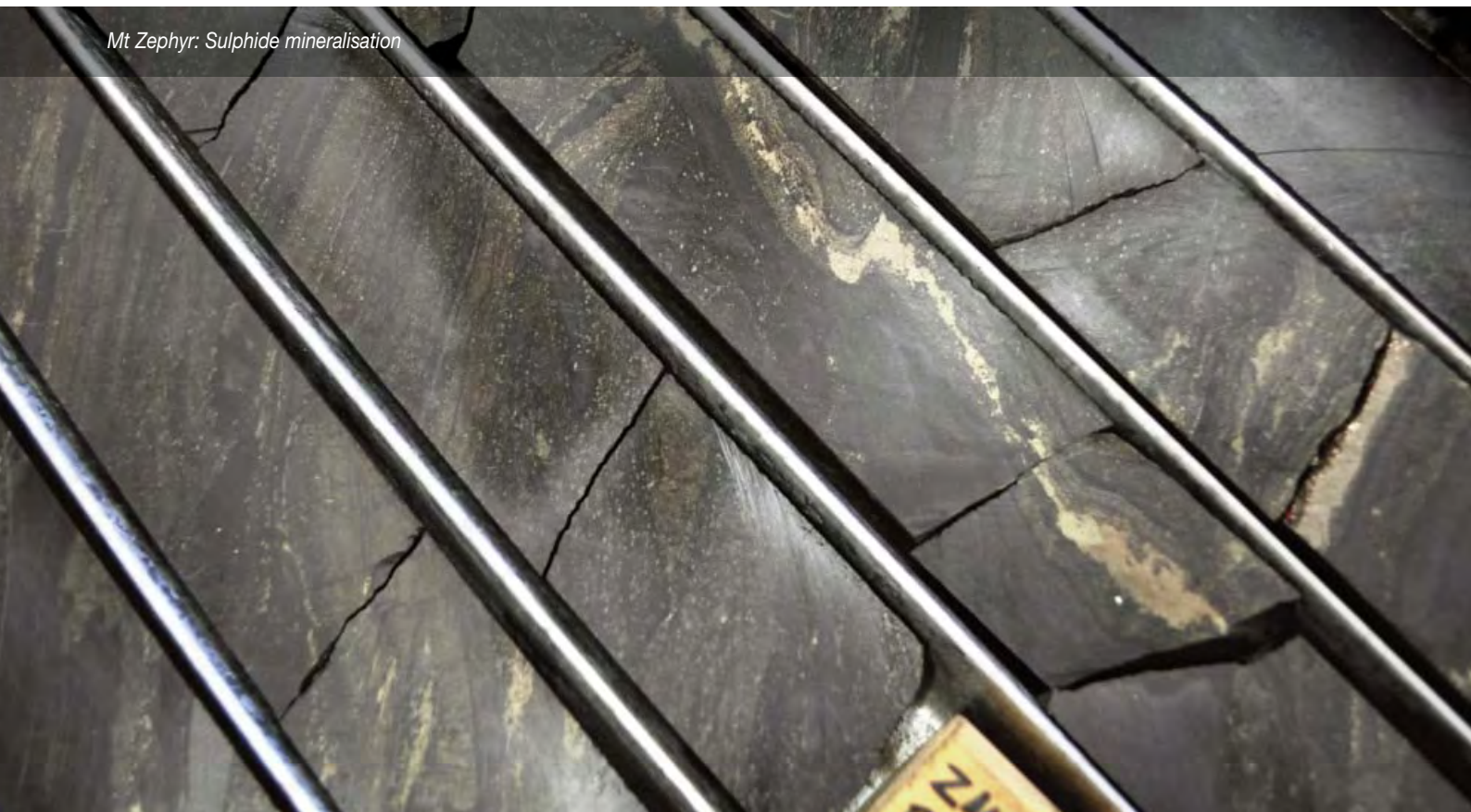
A joint venture partner with local operations is being sought.

MT ZEPHYR BASE METAL PROSPECT, WESTERN AUSTRALIA

The Mt Zephyr Prospect is located 80km NE of Leonora, Western Australia and represents a 5km strike length package of volcanoclastic sediments and volcanic units where strong indications of Volcanogenic Massive Sulphide (VMS) style mineralisation are present in previous Heron drilling. The Company completed a diamond core hole beneath where a broad zone of massive and semi-massive sulphides were previously intersected including a number of chalcopyrite rich volcanic clasts (grading up to 4% copper with hand held XRF analysis). No massive sulphides were intersected in Heron's recent drilling, however, several sulphide-rich VMS zones were identified, which continue to provide encouragement for economic mineralisation to be delineated. Assay results are awaited.



Mt Zephyr: Sulphide mineralisation



HORSE ROCKS GOLD PROSPECT

The Horse Rocks Prospect is located 45km southwest of Kalgoorlie. Following 2012 target generation, a RAB drilling program consisting of 28 holes for 607m was recently completed by Heron to follow up a number of historical anomalous gold drilling results. Heron was unable to replicate the historical results, however a number of areas still warrant further assessment due to low level but widespread gold anomalism.

MANDILLA GOLD PROSPECT

The Mandilla Prospect is located some 70km south of Kalgoorlie on the western edge of Lake Lefroy and is prospective for Archaean gold mineralisation associated with north-south trending structures. Auger soil sampling by Heron has identified a strong gold anomaly (to 197ppb) over some 500m of strike along the western edge of a basalt unit. Further field assessment is being undertaken prior to designing a drill program to test this target.

BINNERINGIE NICKEL-COPPER/MOLYBDENUM/GOLD/BASE METAL PROSPECT

The Binneringie Prospect is located 105km south of Kalgoorlie. Modelling of a strong bullseye magnetic anomaly had indicated the presence of a sub-vertical pipe-like body close to the intersection of a number of regional structures and adjacent to surface molybdenum mineralisation in a quartz veined shear zone.

A single drill hole (RC pre-collar with diamond core once in fresh bedrock) was collared in the centre of the magnetic anomaly and completed to 411 metres depth. A sequence of banded magnetite-chlorite rich meta-sediments between 100 and 172 metres depth was intersected, which is the source of the magnetic anomaly. Pyrite and pyrrhotite sulphides (5-20%) are associated with the magnetite zones. No significant assays were returned from this zone and unfortunately the system appears to be barren of economic mineralisation.

GLIDDEN COPPER/GOLD PROSPECT

This Glidden Prospect is located 120km west of Halls Creek in northern WA, adjacent to the Glidden Fault Zone and within the Proterozoic Amhurst Metamorphics. Outcrop of gossanous stockwork quartz assays 0.2-0.8g/t gold with anomalous copper (600ppm), zinc (200ppm) and arsenic (1000ppm).

A data review indicates a copper-gold target was tested by a single drill hole in the late 1960s, returning 133m from surface of quartz veining and silica-chlorite alteration with anomalous copper-gold (peak 11.7m @ 1.2g/t gold and 1.6m @ 2.6% copper). These results have never been followed up and an EM survey was completed (results awaited) to assist in generating drill targets.

MT ISA INLIER, QUEENSLAND

The Company has applied for 15 tenements covering 1,717km² in the Mt Isa Inlier of Northwest Queensland and during the year 3 tenements were granted. Planning is in process for commencement of an initial field reconnaissance program, initially to consist of rock-chip and drainage multi-element geochemistry.

The Mt Isa Inlier is a well mineralised province, with one or two world class deposits discovered virtually each decade (Ernest Henry 1991 discovery, 122Mt at 1.14% copper and 0.55g/t gold; Mt Elliott 2009 discovery, 570Mt at 0.44% copper and 0.26g/t gold, both IOCG deposits).

The precious and base metal potential of the Leichhardt-Kalkadoon block east of Mt Isa and the Eastern Succession further to the east is significant. Recent discoveries in the Eastern Succession through drilling under historical copper workings have reinforced this view, and are a model for the Heron tenement acquisition strategy.

Development Projects

KALGOORLIE NICKEL PROJECT

The Kalgoorlie Nickel Project (KNP) is wholly owned and managed by Heron.

Heron has implemented a strategy of focusing on the core project around the mineral resource base of **727 million tonnes grading 0.72% nickel and 0.044% cobalt** (for details of resource categories refer to Section 8, Statement of Mineral Resources). A number of tenements which were considered to be "non-core" to the KNP were relinquished throughout the year in order to reduce on-going holding costs.

The KNP has the advantage of being a large resource and the project has many other favourable characteristics including good local infrastructure, low sovereign risk, access to skilled labour, low environmental risk for tailings disposal, and supportive government, environmental agencies and the community. It is these attributes from which Heron seeks to leverage to generate value from this resource base.

Despite the prevailing poor nickel market conditions during 2012, Heron has continued to undertake metallurgical testwork on the KNP with the principal aim of seeking to enhance and extract value from the KNP. To facilitate this strategy Heron commenced metallurgical testwork programs with SGS Lakefield Oretest and Direct Nickel which are both aimed at advancing the KNP.

Nickel-Cobalt Study

Previous partner Vale Inco withdrew from the KNP in July 2009, having spent \$34.5 million on feasibility studies involving a Pressure Acid Leach (PAL) hydrometallurgical nickel-cobalt flow-sheet. Heron completed further metallurgical studies based on PAL and a detailed mining study during 2010. The mining study looked at optimising individual pits and the mining sequence. The study concluded an optimised production rate was 3.75Mtpa producing 36,700tpa nickel in intermediate product, at an operating cost of US\$4.17 per pound and capital cost of around \$3 billion. Heron continues to evaluate alternate hydro-metallurgical processing technologies that may be applicable to the KNP ore types.

As part of this assessment, a metallurgical testwork program is underway with **Direct Nickel**.

Samples from the Vale Inco 2005-2009 KNP PFS sonic core drilling were provided to Direct Nickel for bench-scale test work at their CSIRO South Perth test facility, to determine levels of extraction from the Direct Nickel process. Extraction tests were undertaken with fresh water and saline water (approximately the equivalent of sea water) to determine the effect of chlorine on the process. The sample assays of material provided to Direct Nickel are shown in the tables below:

Sample #	Metal Grade (%)									
	Ni	Co	Fe	Mg	Al	Cr	Mn	Cu	Ca	Si
1	0.46	0.02	31.95	0.69	3.40	2.30	0.07	0.015	0.20	16.28
2	0.91	0.05	13.92	1.61	0.55	1.09	0.30	0.004	2.11	28.58
3	0.56	0.02	9.22	0.60	0.27	0.66	0.19	0.00	0.30	38.13
4	0.80	0.03	15.16	0.67	0.44	1.09	0.22	0.00	0.23	33.81
5	0.71	0.03	13.93	2.39	0.45	0.95	0.23	0.01	0.14	32.84

The total percentage extractions for the samples using the Direct Nickel process are shown in the tables below for both fresh and salt water and show nickel extractions in the range 97.0 to 98.8%, excluding sample 1. The kinetics of the leach extractions and nickel and cobalt extraction extents are very encouraging for four of the five samples tested. The acid addition in each of these tests was greatly in excess of what would be used in practice, but the results of such tests have proven valuable in showing maximum possible extractions. The leaching of the Sample 1 was limited, most probably due to sample mineralogy and possibly low nickel grade (so not representative of the larger KNP resource base). The samples were initially analysed using de-ionised water and further testwork was conducted to review the impact of chlorides on the process (the KNP resources contain naturally occurring chlorides and the process water is expected to be hypersaline).

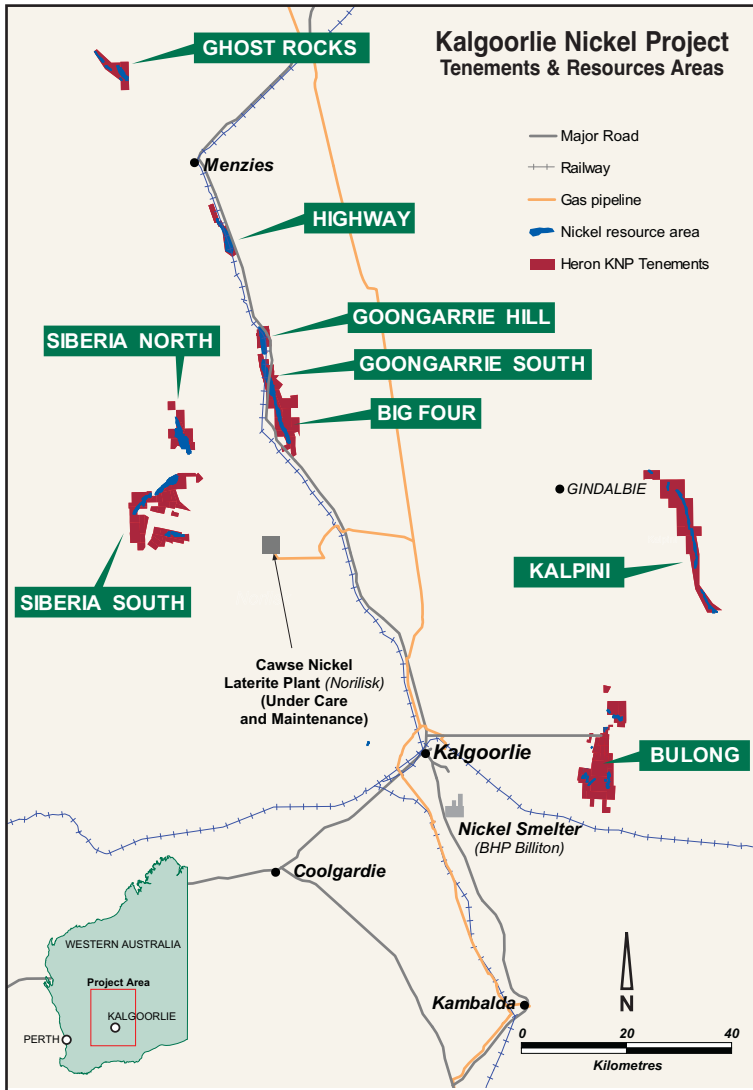
Sample #	T(°C)	Filter rate (L/m ² /min)	Metal Recovery (%)								
			Ni	Co	Al	Fe	Mg	Cr	Mn	Ca	Si
1	110	6.8	47.3	40.9	50.7	36.8	74.8	19.2	40.3	83.9	31.2
2	110	8.2	97.9	94.0	67.5	89.7	94.5	32.1	84.5	99.8	92.2
3	110	9.2	98.8	96.7	76.8	95.2	93.8	37.0	96.6	99.9	89.3
4	110	28.3	97.8	90.7	63.7	91.6	77.1	20.8	93.1	93.6	88.5
5	110	28.3	97.0	91.7	66.0	90.5	91.0	22.5	93.4	88.5	91.9

Direct Nickel Process - Metal extractions using fresh water

Sample #	T(°C)	Filter rate (L/m ² /min)	Metal Recovery (%)								
			Ni	Co	Al	Fe	Mg	Cr	Mn	Ca	Si
1	110	4.42	45.9	34.9	47.5	32.7	76.3	17.7	41.5	85.1	31.2
2	110	2.11	96.0	88.7	61.0	86.0	92.3	21.6	80.4	99.2	92.7
3	110	7.97	95.7	87.2	61.2	90.0	85.8	21.0	88.1	98.6	85.6
4	110	14.06	97.2	88.0	57.8	89.7	76.3	17.6	92.6	96.0	86.2
5	110	6.77	96.8	91.8	71.5	88.9	89.4	20.8	93.6	98.1	91.2

Direct Nickel Process - Metal extractions using saline process water

The results show that the saline water has little effect on the extraction of nickel and other metals with these results being similar to the previous results with fresh water. Nickel and cobalt extractions (with the exception of sample 1) are still high, while acid addition has dropped. However, it was noted that with the use of saline water, chlorine levels rise to approximately 2.0 - 2.5 grams per litre in the pregnant liquor solution (PLS) and this level is likely to rise as the level of acid addition is optimised. It is considered by Direct Nickel that this level of chlorine may have implications for the materials of construction in any future processing facility. Further testwork with Direct Nickel is current.



YERILLA NICKEL-COBALT PROJECT

The Yerilla Nickel-Cobalt Project is wholly owned by Heron, with Shanshan able to earn a 70% interest through the construction and commissioning of a mining and processing operation.

The Yerilla nickel-cobalt project is located 130km north east of Kalgoorlie. It consists of the three resources of Jump-up Dam, Boyce Creek and Aubils. Chinese battery manufacturer Shanshan entered a binding frame work agreement with Heron in May 2009 under which it can earn a 70% interest in the Yerilla Project by completing feasibility studies, and funding and construction of a process plant at Yerilla to produce a nickel concentrate. The final hurdle for Shanshan is to commission the project to reach at least 50% of the feasibility study design capacity.

Following bench scale assessment of its segregation roasting technology, Shanshan then completed engineering studies for a combined agitated leach and heap leach processing for the Yerilla project. Operating and capital expenditures were estimated for processing plants both located in Australia and China.

A Deed of Variation to extend the joint venture has yet to be executed with Shanshan to facilitate an extension of the current joint venture. In the event that the extension agreement is not executed, 100% ownership of the Yerilla Project will revert to Heron.

Iron-Nickel Study

A review of the potential to produce an iron-nickel product for sale to Chinese pig-nickel producers, principally from the Goongarrie South deposit, where an iron-nickel mineral resource of **48.5 million tonnes grading 41% iron and 0.65% nickel** has been delineated, was commenced during the year.

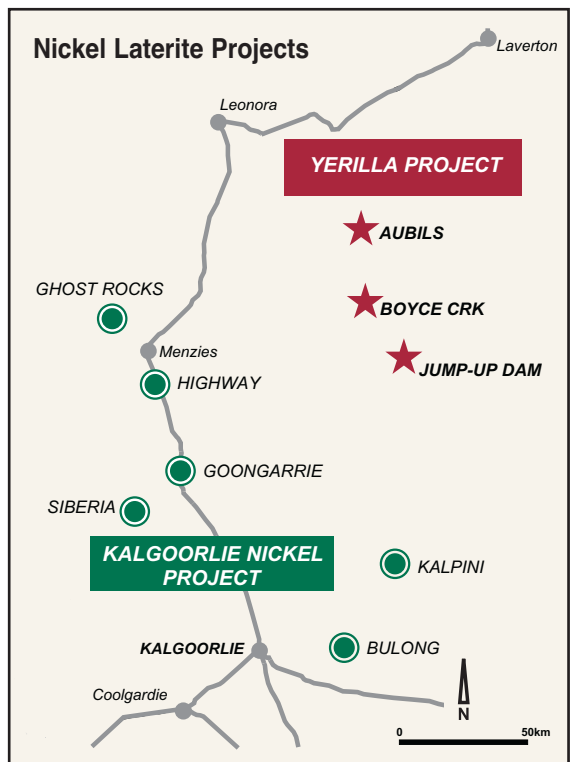
An international engineering consultancy reviewed Heron's ore types from the KNP and the potential marketability of producing iron and nickel products, notably for the ferro-nickel, stainless steel and specialised steel sectors in China. The review benchmarked the ores and concentrates which Heron could produce, and identified the possible uses and markets for each:

- Quality and quantity of each ore or concentrate considering nickel grade, iron grade, gangue components and impurities, and likely market acceptance.
- High-level technical appraisal of processing alternatives and potential products.

Particular focus was given to low-capital or stage-wise developments utilising the established regional infrastructure.

SGS Lakefield Orestest in Perth conducted initial bench-scale metallurgical testing of KNP ores. Bulk samples consisting of sonic core acquired during the previous KNP pre-feasibility study were provided to SGS Lakefield Orestest.

The initial results at Goongarrie South generated an upgraded **iron-nickel sinter product which assays up to 73.4% Fe and 3.71% Ni with 49.5% mass recovery** which was particularly encouraging. The testwork with SGS is being reviewed.





NSW projects: RC chips from Heron's drilling, intensely altered Girilambone Group meta-sediments

JORC Compliance Statement for Reporting of Exploration Results

The information in this report that relates to Exploration Results is based on information compiled by David Von Perger, who is a Member of the Australasian Institute of Mining and Metallurgy.

David Von Perger has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. David Von Perger consents to the inclusion in the report of the matters based on the information in the form and context in which it appears. David Von Perger is a full-time employee of Heron Resources Limited, being employed as Exploration Manager.

Annual Report 30 June 2012

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3.0 Corporate Profile

HERON RESOURCES LIMITED ("Heron" or "the Company") is an exploration and mineral development company with interests in a range of commodities including gold, copper, nickel and other base metals. The Company is focused on becoming a mineral producing company through the development of exploration discoveries and by pursuing corporate opportunities in the minerals sector.

KEY DEVELOPMENTS

In June this year, **A1 Consolidated Gold Ltd** (AYC) listed on the ASX through an Initial Public Offering of its shares. Heron holds 26.2 million shares valued at \$6.9 million at 30 June 2012.

Notwithstanding the current market conditions, the Company recognises the inherent value of the **Kalgoorlie Nickel Project** (KNP), and is pursuing a multi-disciplinary strategy to enhance and ultimately crystallise project value. Due to prevailing market conditions, expenditure on the nickel related opportunities within the KNP has been reduced, although a number of programs remain in progress.

- **Iron-Nickel Study**
At SGS Lakefield Oretest in Perth, an initial program of bench-scale metallurgical test-work on Goongarrie South goethite bulk samples has been completed. A final report from SGS Lakefield on the results is awaited.
- **Nickel-Cobalt Study**
Heron continues to evaluate alternate hydro-metallurgical processing technologies that may be applicable to the KNP ore types. As part of this assessment, a metallurgical test-work program is underway with Direct Nickel.
- **Nickel Sulphide Prospects**
Three nickel-copper-PGM soil geochemical targets have been defined at Black Range. At Siberia South-Black Range a regional tenure-wide multi-element soil auger program was completed ahead of future drill testing.

The Company completed tenement acquisitions during 2011 in the Mt Isa Inlier of northwest **Queensland**, targeting copper-gold-REE mineralisation in Iron Ore Copper Gold settings. Heron has applied for 15 tenements covering 1,717km². District-scale initial reconnaissance has confirmed potential for large-scale alteration systems within the Heron tenure. Planning is in progress for early commencement of field programs, initially to consist of rock-chip and drainage multi-element geochemistry. The northwest Queensland acquisitions reflect the Company's positive view of Proterozoic copper-gold systems as potential "company-maker" exploration targets.

Two tenements (EL7951 and EL 7955) were granted in the Lachlan Fold Belt of central **New South Wales**. The tenements are wholly owned by Heron and are situated adjacent to the new copper/gold discoveries reported by Straits Resources Limited over the last 12 months in the Girilambone district. Heron has also applied for a number of additional tenements in the eastern Lachlan Fold Belt of NSW, where there is good potential for high grade copper/gold and base-metal deposits to be discovered.

Finally the Company has continued to review mineral assets for acquisition. Heron is fortunate to have a strong balance sheet with around \$42 million in cash which places the Company in a very good position to take advantage of any opportunities which may arise.

CORPORATE GOVERNANCE STATEMENT

The Board of Heron is committed to achieving and demonstrating the highest standards of Corporate Governance.

The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders.

The Board is focused on:

- Developing strategies in consultation with the Executive team;
- Enhancing the interests of Shareholders and other key stakeholders; and
- Ensuring the Company is properly managed.

The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability.

This Statement outlines the main corporate governance practices which are in place at Heron, noting where practices depart from the Revised Edition of the ASX Corporate Governance Council Recommendations and the Board's reasons for an alternate approach. Where the Board supports a particular recommendation, but is yet to fully implement it, a complementary policy or practice has also been identified.

The following additional information about the Company's Corporate Governance practices is set out on the Company's website at www.heronresources.com.au:

- Board Charter;
- Summary of policy on securities trading;
- Summary of continuous disclosure policy;
- Summary of arrangements regarding communication with Shareholders;
- Summary of Company's risk management policy;
- Code of Conduct;
- The Company's Audit Committee Charter; and
- HSEC Policy.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE GOVERNANCE RECOMMENDATIONS

Principle 1. Lay Solid Foundations for Management and Oversight

Council Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Company complies with this recommendation.

The Company has established the functions reserved to the Board and Senior Executives or Management by the adoption of a formal written Board Charter that details those functions and responsibilities. Section 2 of the Charter details the functions and responsibilities of the Board and Section 6 of the Charter details the functions and responsibilities of the Management or Senior Executives. A copy of this Charter is publicly available for review in the Corporate Governance section of the Company's website.

Council Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Senior Executives are evaluated informally on an ongoing process as well as formally on an annual basis. The formal evaluation comprises the Executive and his or her immediate supervisor separately completing a detailed evaluation form covering performance compared to job description, areas requiring improvement, areas being performed to expectation, areas being performed in excess of expectations and goals for the next 12 months. The Executive and his or her supervisor then exchange forms and meet to discuss them before signing off on an agreed evaluation.

Council Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

- Each member of the Senior Executive team completed their performance evaluations during the financial year in accordance with the process described immediately above in the Company's compliance commentary relating to Council Recommendation 1.2;
- As indicated above, the matters reserved to the Board and to Senior Management are particularised in the Board's Charter which is available for review on the Company's website in the Corporate Governance Section.

Principle 2. Structure the Board to Add Value

Council Recommendation 2.1: A majority of the board should be independent directors.

The Company complies with this recommendation.

Currently three of the five Directors comprising the Board are considered independent within ASX Corporate Governance Guidelines. Messrs Readhead, Hellsten and Dennis are considered independent because they are not significant Shareholders in the Company.

The Company believes that Messrs Readhead, Shellabear, Buchhorn, Hellsten and Dennis have the skills and experience to properly and effectively discharge the Board's duties.

Details of the members of the Board, their experience, expertise, qualifications and time in office are set out in the Directors' Report in Section 4.0 of the Annual Report.

The Company does not have a formal procedure agreed by the Board of Directors for the Directors to take independent professional advice at the expense of the Company. The informal procedure is that each Director is entitled to seek independent advice for significant issues or matters at the expense of the Company after first notifying the Chairman.

Council Recommendation 2.2: The chair should be an independent director.

The Company complies with this recommendation as it considers Mr Readhead is an independent director.

Council Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The Company complies with this recommendation. Mr Shellabear is the Chief Executive Officer and Managing Director and Mr Readhead is the Chairman.

Council Recommendation 2.4: The board should establish a nominations committee.

The Company does not comply with this recommendation.

The Board considers that the Company is not currently of a size to justify the formation of a nominations committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors and senior management to enable identification or attributes required in new Directors and senior management.

The Company's Constitution specifies that all Non-Executive Directors must retire from office on a three year rotational basis.

Should the Company's activities increase in size, scope and nature, the appointment of a nominations committee will be reviewed by the Board and implemented if appropriate.

Council Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Company does not comply with this recommendation.

The Company does not have a formal process for evaluation of the performance of the Board. At present the Board's performance is evaluated on an ongoing basis by the Chairman and the Managing Director. The Managing Director's performance is formally evaluated by the Chairman and Non-Executive Directors on an annual basis at 30 June.

Council Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

All of the information indicated in the Guide to reporting on Principle 2 is set out in the commentary above relating to the relevant Recommendation.

Principle 3. Promote Ethical and Responsible Decision-Making

Council Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company complies with this recommendation.

The Company has adopted a Code of Conduct to guide the Directors and Officers.

The Code of Conduct requires that all Directors and Officers:

- Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;
- Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the perceived or actual reputation or performance of the Company;
- Respect confidentiality of all information of a confidential nature, which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;
- Deal with the Company's Shareholders, consultants, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates; and
- Protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company.

The Code of Conduct is publicly available in the Corporate Governance section on the Company's website.

Council Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company does not comply with this recommendation.

The Company is in the process of establishing a policy concerning diversity.

Council Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Company does not comply with this recommendation because it is yet to establish a formal policy concerning gender diversity.

Council Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.

The Company complies with this recommendation, the information is included in the remuneration report.

Council Recommendation 3.5: Companies should provide the information indicated in the guide to reporting on Principal 3.

The information indicated in the guide to reporting on Principal 3 is disclosed in relation to Council Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5 above.

Principle 4. Safeguard Integrity in Financial Reporting

Council Recommendation 4.1: The board should establish an audit committee.

The Company complies with this recommendation. It established an audit committee and audit committee charter in March 2007 comprised only of independent Non-Executive Directors with Mr Stephen Dennis as Chairman of that committee. The names of the people on the audit committee and their qualifications are:

- Stephen Bruce Dennis (Chairman) – BCom BLLB GDipAppFin (Finsia) CFTP;
- Kenneth John Hellsten – BSc (Hons) FAIMM, MAICD; and
- Craig Leslie Readhead B.Juris LL.B. FAICD.

The audit committee met twice during the financial year and all members attended both meetings.

Council Recommendation 4.2: The audit committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not the chair of the board; and
- and has at least three members.

Refer commentary on Council Recommendation 4.1.

Council Recommendation 4.3: The audit committee should have a formal charter.

The audit committee operates under a formal charter, a copy of which is publicly available for review in the Corporate Governance section of the Company's website. This charter is reviewed annually by the Committee and approved by the Board of Directors.

Council Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

The Company's external auditor is selected by the audit committee and the auditor's performance is reviewed by the audit committee. Heron's external audit engagement partner is rotated in accordance with the requirements of Section 324DA of the Corporations Act such that if a partner has played a significant role in the audit of Heron for 5 successive financial years, that partner is not involved in the audit for a later financial year unless that partner has not played a significant role for at least two successive financial years.

The remainder of the information indicated in the Guide to reporting on Principle 4 is disclosed in the commentary relating to Council Recommendations 4.1, 4.2 and 4.3 above.

Principle 5. Make Timely and Balanced Disclosure

Council Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule requirements such that:

- All investors have equal and timely access to material information concerning the Company - including its financial position, performance, ownership and governance; and
- Company announcements are factual and presented in a clear and balanced way. "Balance" requires disclosure of both positive and negative information.

The Company complies with this recommendation.

The Company has adopted a continuous disclosure policy that requires all Directors, Officers and employees to inform the Managing Director, or in his absence the Company Secretary, of any potentially price sensitive information as soon as practicable after they become aware of that information. The policy is designed to ensure compliance by the Company with ASX Listing Rules and accountability by all Senior Executives for that disclosure.

Information is potentially price sensitive if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board and Company Secretary.

The Managing Director has been nominated as the person responsible for communications with ASX, with the Company Secretary delegated in respect of administrative matters.

The Managing Director's role includes responsibility for ensuring compliance with the continuous disclosure requirements in ASX Listing Rules and overseeing and coordinating information disclosure to ASX, shareholders, analysts, brokers, the media and the public. The Managing Director ensures disclosed information is available through the Company's website and its links.

The continuous disclosure policy is publicly available for review in the Corporate Governance Section of the Company's website.

Council Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

The information indicated in the Guide to reporting on Principle 5 is disclosed in the commentary relating to Council Recommendation 5.1 above.

Principle 6. Respect the Rights of Shareholders

Council Recommendation 6.1: : Companies should design a communications strategy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company complies with this recommendation.

The Company's communication strategy requires communication with Shareholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The Company has also adopted a policy concerning communication with Shareholders which is publicly available for review in the Corporate Governance section of the Company's website.

The Company's website is an important means of Shareholder communication. Those Shareholders who notify the Company of not having access to the website are provided with hard-copy information.

Meetings of the Company are held in locations with significant Shareholder presence, notably Perth, Western Australia. Additionally, Executive Directors and senior management make tours elsewhere in Australia and overseas whenever possible to meet with Shareholders, media, financial institutions and representatives of the share-broking sector.

The Company is advised by a media consultant whose responsibility is to monitor and ensure the Company's activities are reported in the optimum forums, notably the financial press of Australia. The media consultant is asked to ensure the reporting is done in a fair and reasonable manner so as to provide a commentary on the Company's activities for both Shareholders and other interested parties.

Since its public listing, it has been the Company's practice to require the external auditor to attend the Annual General Meeting of the Company and be available to answer Shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Council Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

The information indicated in the Guide to reporting on Principle 6 is disclosed in the commentary relating to Council Recommendation 6.1 above.

Principle 7. Recognise and Manage Risk

Council Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Company does not strictly comply with this recommendation in that it does not yet have formal policies for the oversight and management of material business risks because it believes the internal controls it has in place as disclosed below are sufficient for a company of Heron's size and operations.

The Board takes the recognition and management of risk extremely seriously and they examine and consider areas of significant business risk on an ongoing basis and implement actions to minimise exposure to these risks. The Board is assisted in their review of risk management by the management team who must report to the Board on all areas of risk in their respective area on a routine monthly basis and sooner if the matter is urgent.

Arrangements put in place by the Board to oversee and manage the Company's material business include:

- Detailed strategic plans compiled by the Managing Director as part of annual programs and budgets which document the plan and areas of risk to those plans;
- Detailed monthly reporting by the Managing Director and management team in respect of the Company's operations;
- Weekly management meetings designed to monitor each business area within the Company including material business risks within those areas;
- Completion of monthly statements of financial performance, financial position and cash flows compared to budget; and
- Periodic formal risk reviews facilitated by a specialist risk consultancy.

The risk management policy of the Company will continue to be developed as its operations and areas of potential risk continue to evolve.

The Managing Director has been nominated as the person responsible for Health, Safety, Environment and Community matters, and the Managing Director reports to the Board as a specific agenda item at its monthly meeting.

Council Recommendation 7.2: The board should require management to design and implement an internal control system to manage the Company's material business risks and report to it on whether those business risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The Company complies with this recommendation.

The Board requires management to provide a monthly report to the Board which details the activities of the Company. Within this report management is expected to provide a report on the management of material risks within the Company and how those risks are being handled. This is especially so for the area of Health, Safety, Environment and Community. The Board will then raise any queries or questions it has in relation to those risks directly with the responsible manager. Senior management attends the monthly Board meetings by invitation to present on those agenda items within their area of responsibility. Further, the audit committee reviews risk management as part of its charter and reports to the Board with any issues that it identifies.

Council Recommendation 7.3: The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company complies with this recommendation as it has received a written assurance from both the Managing Director and the Company Secretary/Financial Controller that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Council Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

The information indicated in the Guide to reporting on Principle 7 is disclosed in the commentary relating to Council Recommendations 7.1, 7.2 and 7.3 above.

Principle 8. Remunerate Fairly and Responsibly

Council Recommendation 8.1: The board should establish a remuneration committee.

The Company does not comply with this recommendation. The Board does not believe the Company is of sufficient size both in terms of number of employees and diversity of operations to warrant a remuneration committee. The Board believes it has sufficient expertise, acting as the full Board, to establish responsible and competitive employee remuneration. The Board utilises external consultants where appropriate in remuneration matters. The remuneration of Directors and managers is included in the Directors' Report.

Council Recommendation 8.2: The remuneration committee should be structured so that it:

- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members.

The Company does not comply with this recommendation. The Company does not comply with this recommendation because it does not have a formal remuneration committee.

Council Recommendation 8.3: Companies should clearly distinguish the structure of the non-executive directors' remuneration from that of executive directors and senior executives.

The Company does not comply with this Recommendation because it has issued its Non-Executive Directors a small number of Options in the Company as part of their remuneration when they joined the Company. The Company believes it is necessary for a company of Heron's size to offer options as part of the Non-Executive's remuneration in order to attract high calibre candidates. The Company does not believe that the issue of a small number of Options to Non-Executive Directors compromises their respective independence in any way. No Options have been issued to Non-Executive Directors since 2007.

Council Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.

The information indicated in the Guide to reporting on Principle 8 is disclosed in the commentary relating to Council Recommendations 8.1, 8.2 and 8.3 above.

4.0 Directors' Report

The Directors submit their Report on the Company and its controlled entities for the year ended 30 June 2012.

DIRECTORS

The names and details of the Directors of the Company in office at any time during or since the end of the year are:

Director Craig Leslie Readhead - B.Juris. LL.B. FAICD

Appointed 23 November 2001

Position Chairman (Non-Executive), Member of Audit Committee

Craig Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resources sector, including the implementation of large scale mining projects both in Australia and overseas. Mr Readhead is a former president of the Australian Mining and Petroleum Law Association and is a Partner of specialist mining and corporate law firm Allion Legal.

Other current directorships

Chairman of Galaxy Resources Limited since 2000

Non-executive Director of India Resources Limited since 2007

Chairman of Beadell Resources Limited since 2010

Non-executive Director of General Mining Corporation since 2009

Former directorships in last 3 years

Non-executive Director of Mount Gibson Iron Limited 2002-2011

Non-executive Director of Frankland River Olive Company Limited 2000-2012

Director Jonathan Nicholas Shellabear – BSc (Hons), MBA.

Appointed 1 August 2011

Position Managing Director and CEO

Mr Shellabear is a senior executive with extensive experience in the Australian and international mining industries having held senior corporate and investment banking roles with NM Rothschild & Sons (Australia) Limited and Deutsche Bank. Most recently he was the Managing Director and Chief Executive Officer of Dominion Mining Limited, a position he held until February 2011 following the completion of the agreed takeover of Dominion by Kingsgate Consolidated Limited.

Other current directorships

None

Former directorships in last 3 years

Managing Director of Dominion Mining Limited from February 2008 to February 2011

Director Ian James Buchhorn - BSc (Hons), Dip Geosci (Min Econ), MAusIMM

Appointed 17 February 1995

Position Executive Director

Ian Buchhorn is a Mineral Economist and Geologist with over 35 years experience. Prior to listing Heron in 1996 as founding Managing Director, Mr Buchhorn worked with Anglo American Corporation in southern Africa, and Comalco, Shell/Billiton and Elders Resources in Australia, as well as setting up and managing Australia's first specialist mining grade control consultancy. Mr Buchhorn has worked on feasibility studies, bauxite and industrial mineral mining and exploration, gold and base metal project generation, and in corporate evaluations. For the last 25 years Mr Buchhorn has acquired and developed mining projects throughout the Eastern Goldfields of Western Australia and operated as a Registered Mine Manager.

Other current directorships

Non-executive Director of Rubicon Resources Limited since August 2005

Former directorships in last 3 years

Non-executive Director of Southern Cross Goldfields Limited from July 2007 to March 2010

Non-executive Director of Polaris Metals NL from September 2006 to January 2010

Director Stephen Bruce Dennis - BCom BLLB GDipAppFin(Finsia) CFTP

Appointed 05 December 2006

Position Director (Non-Executive), Chairman of Audit Committee

Stephen Dennis has been actively involved in the mining industry for 30 years. He has held senior management positions at MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited.

Mr Dennis is currently the Chief Executive Officer and Managing Director of CBH Resources Limited, the Australian subsidiary of Toho Zinc Co., Ltd of Japan.

Other current directorships

Managing Director of CBH Resources Limited since November 2007

Former directorships in last 3 years

None

Director Kenneth John Hellsten - Bsc (Hons) FAIMM, MAICD

Appointed 19 December 2006

Position Director (Non-Executive), Member of Audit Committee

Kenneth Hellsten is a Geologist with over 30 years resources industry experience. He has been employed in senior executive roles ranging from exploration to development and operations with BHP Billiton, Billiton Australia and several smaller groups. During the past 20 years Mr Hellsten has led teams responsible for the completion of feasibility and project development of the Cawse and Ravensthorpe HPAL nickel operations and several smaller resource projects. Mr Hellsten was Managing Director of Polaris Metals NL where he successfully negotiated the acquisition of Polaris by Mineral Resources Limited. He is currently Managing Director for Strike Resources Limited.

Other current directorships

Non-executive Director of Brierty Limited since February 2010

Managing Director of Strike Resources Limited since March 2010

Former directorships in last 3 years

Managing Director of Polaris Metals NL from March 2009 to January 2010, and Director from July 2008 to March 2009.

EXPLORATION MANAGER

The Exploration Manager, David von Perger BSc (Hons) MAusIMM was appointed to this position in February 2006. Mr von Perger is a geologist with some 20 years experience in mineral exploration having worked in several locations around Australia. Mr von Perger has worked on various styles of mineral deposits including Archaean gold and nickel, and Proterozoic base-metals and iron-ore. His experience includes four years as a business analyst for a major mining group involving analysis of mining operations, project development and assessment of new opportunities. Since his appointment with Heron in February 2004, Mr von Perger has been responsible for the identification and acquisition of several new nickel, gold, iron-ore and base-metal projects.

FINANCIAL CONTROLLER AND COMPANY SECRETARY

The Financial Controller and Company Secretary is Bryan Horan FCCA. Mr Horan was appointed to the position of Financial Controller in February 2008 and Company Secretary in November 2010. Mr Horan joined the Company in March 2007 as a management accountant. Mr Horan's career includes 10 years working in various accounting positions in London in industries such as media, warehousing & distribution and pharmaceutical. Since living in Perth Mr Horan has also held accounting positions with Australian Mines Ltd and Perilya Ltd.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were:

- Gold, Copper and Nickel mineral exploration and development through sole funded and joint venture activities; and
- Evaluation of various corporate opportunities in the resources industry.

OPERATING RESULTS

The loss of the consolidated entity for the 2012 financial year after income tax of nil (2011: nil) was \$5,356,368 (2011 restated: \$14,056,459).

DIVIDENDS

No dividends were paid during the year and the Directors do not recommend the payment of a dividend.

OPERATIONS REVIEW

The detailed review of operations of the Consolidated Entity for the year is contained in Section 2.0 of this Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than noted below there were no significant changes in the state of affairs of the Consolidated Entity during the year.

In June 2012, the Company received 20.7 million shares in A1 Consolidated Gold Ltd pursuant to a sale agreement, and with foundation and seed capital shares purchased the Company has a total shareholding of 26.2 million shares which is equal to an 18.9% interest in A1 Consolidated Gold Ltd.

Mr Shellabear was appointed to the role of CEO and Managing Director on 1 August 2011.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than noted at the date of this Report there is no matter or circumstance which has arisen since 30 June 2012 that has significantly affected or may significantly affect:

- The operations, in the financial years subsequent to 30 June 2012, of the Consolidated Entity;
- The results of those operations; or
- The state of affairs, in the financial years subsequent to 30 June 2012, of the Consolidated Entity.

OPTIONS

No Options were exercised during the year.

The following Options were issued during the year:

Number Issued	Expiry Date	Exercise Price
4,750,000	23 June 2014	\$0.22
4,750,000	23 June 2015	\$0.27
4,750,000	23 June 2016	\$0.31

Subsequent to 30 June 2012 no Options were issued or exercised.

The following Options expired during the year:

Number Issued	Expiry Date	Exercise Price
1,500,000	5 June 2012	\$1.00
1,800,000	25 June 2012	\$0.25

As at the date of this report the Company had the following Options on issue:

Date Options Granted	Expiry Date	Number Issued	Exercise Price
5 June 2007	5 June 2013	2,500,000	\$1.50
5 June 2007	5 June 2014	5,250,000	\$2.50
5 June 2007	5 June 2013	3,500,000	\$2.00
29 November 2006	7 September 2016	5,000,000	\$0.6864
9 June 2009	9 June 2014	4,818,776	\$0.30
25 June 2009	25 June 2014	2,600,000	\$0.425
19 November 2011	23 June 14	4,750,000	\$0.22
19 November 2011	23 June 15	4,750,000	\$0.27
19 November 2011	23 June 16	4,750,000	\$0.31

No Option holder has any right under the Options to participate in any other share issue of the Company or of any other entity.

LIKELY DEVELOPMENTS

Further information on the likely developments in the operations of the Consolidated Entity and the expected results of those operations have not been included in this Report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

DIRECTORS AND KEY MANAGEMENT PERSONNEL SHAREHOLDINGS IN THE COMPANY

As at the date of this Report the interests of the Directors in the shares of the Company were:

Directors	Ordinary Shares		Option over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
C L Readhead	-	844,709	-	1,750,000
I J Buchhorn	2,518,241	42,917,999	3,000,000	11,000,000
S B Dennis	-	450,000	1,750,000	-
K J Hellsten	20,000	45,000	1,750,000	-
J N Shellabear	-	-	6,000,000	-
Key Management Personnel				
D von Perger	131,692	80,000	3,500,000	500,000
B P Horan	-	-	2,100,000	-

DIRECTORS MEETINGS

During the year the Company held 10 meetings of Directors. The attendance of the Directors at meetings of the Board were:

Director	Meetings held while a Director	Number of meetings attended	Audit Committee Meetings
C L Readhead	10	10	2
I J Buchhorn	10	10	-
S B Dennis	10	10	2
K J Hellsten	10	8	2
J N Shellabear	9	9	-

REMUNERATION REPORT

The Board seeks independent advice on remuneration policies and practices, involving the remuneration packages and terms of employment of Directors. Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executive Officers in the context of prevailing market conditions. There is no direct link between Director and Senior Executive remuneration and corporate performance, other than the performance conditions attaching to Options.

Remuneration levels and other terms of employment for Mr Shellabear, Mr Buchhorn, Mr Horan and Mr von Perger are formalised in service agreements/work contracts and letters of appointment.

The agreement with Mr Shellabear requires the provision of his services as Managing Director and CEO and contains the following major provisions:

- No fixed term;
- Current base salary of \$475,000 inclusive of superannuation;
- An annual opportunity to earn up to 50% of base salary for outstanding performance; and
- Termination can be made by either Mr Shellabear or the Company by giving not less than 6 months notice.

The agreement with Mr Buchhorn requires the provision of his services as Executive Director of the Company and contains the following major provisions:

- No fixed term;
- Current base salary of \$321,000 exclusive of superannuation; and
- In the event that the Company terminates Mr Buchhorn's employment other than for matters concerning fraud and dishonesty and the like the Company will pay Mr Buchhorn the maximum amount payable in accordance with the formula prescribed by section 200G of the Corporations Act. The length of notice to be given by both parties on termination is six months.

The agreement with Mr von Perger requires the provision of his services as Exploration Manager of the Company and contains the following major provisions:

- No fixed term;
- Current base salary of \$261,000 exclusive of superannuation plus car; and
- Termination can be made by either Mr Von Perger or the Company by giving not less than one months notice.

The agreement with Mr Horan requires the provision of his services as Financial Controller of the Company and contains the following major provisions:

- No fixed term;
- Current base salary of \$202,000 exclusive of superannuation; and
- Termination can be made by either Mr Horan or the Company by giving not less than three months notice.

Non-executive Directors, Craig Readhead, Stephen Dennis and Ken Hellsten, received a fixed fee for their services as directors. Non-executive Directors fees not exceeding an aggregate of \$500,000 per annum have been approved by the Company in a general meeting on the 5 June 2007. There is no direct link between non-executive Directors fees and corporate performance. There are no termination or retirement benefits for non-executive Directors (other than statutory superannuation).

Other than outlined above, since the end of the previous financial year, no Director has received or become entitled to receive a benefit, other than benefits disclosed in the financial statements.

	Short-term benefits			Post-employment benefits		Share-based payment Options	Total
	Cash Salary & fees \$	Cash Bonus \$	Non-Cash \$	Super \$	Retirement \$	\$	\$
Directors							
C L Readhead	100,000	-	-	-	-	176,101	276,101
I J Buchhorn	315,826	-	-	28,424	-	956,566	1,300,816
S B Dennis	74,500	-	-	6,705	-	176,101	257,306
K J Hellsten	70,000	-	-	6,300	-	176,101	252,401
J N Shellabear	396,467	-	-	35,682	-	237,822	669,971
Key Management Personnel							
D von Perger	256,101	-	15,061	23,049	-	118,911	413,122
B Horan	198,039	-	-	16,999	-	59,455	274,493
Total	1,410,933	-	15,061	117,159	-	1,901,057	3,444,210

Fair values for the Options at grant date, as included in the table above, were determined using Black and Scholes and/or Binomial models that took into account the exercise price of the Option, the term of the Option, the vesting and performance criteria, the non-tradeable nature of the Option, the share price at grant date and the expected price volatility of the underlying share and the risk-free interest rate for the term of the Option.

Share based payments included above for Mr Readhead, Mr Dennis and Mr Hellsten are performance related, for Mr Shellabear it is not performance related, and for Mr Buchhorn it is 88% performance related. Share based payments for key management personnel are not performance related. The share based payment remuneration not performance related is based on 1, 2 or 3 year vesting period.

The share based payment options included as remuneration of the Directors and Key Management Personnel, vest upon the following conditions:

Conditions	Number Issued
The Company must achieve Full Ramp Up (production rate of equal to or greater than the design capacity for at least one quarter) for the KNP laterite project within ten years.	5,000,000
Upon the completion of construction of the first nickel project.	2,500,000
Upon sale of the first commercial nickel product from any Heron Project (sale of nickel product from trial mining does not satisfy this condition).	3,500,000
Upon production achieving a level of 10,000 tonnes of nickel in intermediate product annualised production rate over a three calendar month period.	5,250,000
Six months from the date of issue	1,600,000
One year after 23 June 2011	4,500,000
Two years after 23 June 2011	4,500,000
Three years after 23 June 2011	4,500,000
	31,350,000

Details of Options held by Directors and key management personnel affecting their remuneration are as follows:

Name	Grant date	Vesting date	Expiry date	Exercise price	Number	Performance achieved	Option value at grant date	% vested in year
Craig Readhead	5-Jun-07	n/a	5-Jun-13	\$1.50	500,000	No	\$0.6728	0%
	5-Jun-07	n/a	5-Jun-13	\$2.00	500,000	No	\$0.6217	0%
	5-Jun-07	n/a	5-Jun-14	\$2.50	750,000	No	\$0.6337	0%
Stephen Dennis	5-Jun-07	n/a	5-Jun-13	\$1.50	500,000	No	\$0.6728	0%
	5-Jun-07	n/a	5-Jun-13	\$2.00	500,000	No	\$0.6217	0%
	5-Jun-07	n/a	5-Jun-14	\$2.50	750,000	No	\$0.6337	0%
Ken Hellsten	5-Jun-07	n/a	5-Jun-13	\$1.50	500,000	No	\$0.6728	0%
	5-Jun-07	n/a	5-Jun-13	\$2.00	500,000	No	\$0.6217	0%
	5-Jun-07	n/a	5-Jun-14	\$2.50	750,000	No	\$0.6337	0%
Ian Buchhorn	29-Nov-06	n/a	7-Sep-16	\$0.6864	5,000,000	No	\$0.4791	0%
	5-Jun-07	n/a	5-Jun-13	\$1.50	1,000,000	No	\$0.6728	0%
	5-Jun-07	n/a	5-Jun-13	\$2.00	2,000,000	No	\$0.6217	0%
	5-Jun-07	n/a	5-Jun-14	\$2.50	3,000,000	No	\$0.6337	0%
	19-Nov-11	23-Jun-12	23-Jun-14	\$0.22	1,000,000	n/a	\$0.07	100%
	19-Nov-11	23-Jun-13	23-Jun-15	\$0.27	1,000,000	n/a	\$0.075	0%
	19-Nov-11	23-Jun-14	23-Jun-16	\$0.31	1,000,000	n/a	\$0.082	0%
Jonathan Shellabear	19-Nov-11	23-Jun-12	23-Jun-14	\$0.22	2,000,000	n/a	\$0.07	100%
	19-Nov-11	23-Jun-13	23-Jun-15	\$0.27	2,000,000	n/a	\$0.075	0%
	19-Nov-11	23-Jun-14	23-Jun-16	\$0.31	2,000,000	n/a	\$0.082	0%
Bryan Horan	25-Jun-09	25-Dec-09	25-Dec-14	\$0.425	600,000	n/a	\$0.0967	0%
	19-Nov-11	23-Jun-12	23-Jun-14	\$0.22	500,000	n/a	\$0.07	100%
	19-Nov-11	23-Jun-13	23-Jun-15	\$0.27	500,000	n/a	\$0.075	0%
	19-Nov-11	23-Jun-14	23-Jun-16	\$0.31	500,000	n/a	\$0.082	0%
Dave Von Perger	25-Jun-09	25-Dec-09	25-Jun-14	\$0.425	1,000,000	n/a	\$0.0967	0%
	19-Nov-11	23-Jun-12	23-Jun-14	\$0.22	1,000,000	n/a	\$0.07	100%
	19-Nov-11	23-Jun-13	23-Jun-15	\$0.27	1,000,000	n/a	\$0.075	0%
	19-Nov-11	23-Jun-14	23-Jun-16	\$0.31	1,000,000	n/a	\$0.082	0%

Employee Diversity – women currently represent 10% of employees in the Company as a whole. There are currently no women represented in senior management positions or on the Board.

INSURANCE OF OFFICERS

During the financial year the Company has paid an insurance premium in respect of a Directors' and Officers' Liability Insurance Contract. The insurance premium relates to liabilities that may arise from an Officer's position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The officers covered by the insurance policies are the Directors and Officers of the Company.

The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of premium.

CORPORATE GOVERNANCE

The Company has undertaken a thorough review of its Corporate Governance practices and policies in accordance with the ASX Corporate Governance Best Practices Recommendations. The Consolidated Entity's Corporate Governance Statement is contained in Section 3.0, the Corporate Profile section of the Annual Report.

ENVIRONMENTAL REGULATION

The Consolidated Entity is subject to and compliant with all aspects of environmental regulation in respect of its exploration and development activities. The Directors are not aware of any environmental regulation which is not being complied with.

ABORIGINAL CULTURE AND HERITAGE

The Consolidated Entity is subject to and compliant with all aspects of Aboriginal Heritage regulation in respect of its exploration and development activities. The Directors are not aware of any regulation which is not being complied with. The Directors are committed to cultural respect in undertaking business activities of the Company.

NON-AUDIT SERVICES

The Consolidated Entity has not employed the auditor on any assignments additional to their statutory audit duties.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of Directors

A handwritten signature in black ink, appearing to read 'C L Readhead', with a stylized, cursive script.**C L READHEAD**

Chairman

Perth, 27 September 2012



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Heron Resources Limited for the year ended 30 June 2012, 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 audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.

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

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth

Date: 27 September 2012

BUTLER
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**Butler Settineri
(Audit) Pty Ltd**

ACN 112 942 373

Registered Company Auditor
Number 289109

*Liability limited by a scheme
approved under Professional
Standards Legislation*

5.0 Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$'000	Consolidated Entity *Re stated 2011 \$'000
REVENUES FROM CONTINUING ACTIVITIES	2	2,082	5,303
Accountancy fees		(4)	(29)
Audit		(45)	(42)
Consultants		(646)	(543)
Depreciation expense	3(a)	(177)	(400)
Directors fees		(244)	(242)
Employee benefits expense		(414)	(1,256)
Insurance		(53)	(91)
Legal		(121)	(295)
Equity settled share based payments	14(b)	(2,057)	(1,488)
Other expenses from ordinary activities	3(b)	(708)	(955)
Exploration expenditure written off	9	(2,989)	(2,753)
Exploration & evaluation impairment	9	-	(9,313)
Property, plant & equipment impairment		-	(150)
Investment impairment	6(a)	(397)	(1,765)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(5,773)	(14,019)
INCOME TAX EXPENSE	4	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(5,773)	(14,019)
OTHER COMPREHENSIVE INCOME			
Available-for-sale financial assets	14(c)	417	(37)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(5,356)	(14,056)
		\$	\$
Basic earnings per share	21	(0.02282)	(0.05556)
Diluted earnings per share	21	(0.02282)	(0.05556)

*refer to note 1(g) and note 27

The accompanying notes form part of these financial statements

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2012

			Consolidated Entity	
	Notes	2012 \$'000	*Re stated 2011 \$'000	*Re stated 2010 \$'000
CURRENT ASSETS				
Cash and cash equivalents	15(c)	43,171	46,973	56,663
Trade and other receivables	5	491	402	824
Investments	6(a)	355	-	-
Held for sale assets	23	-	6,210	-
TOTAL CURRENT ASSETS		44,017	53,585	57,487
NON-CURRENT ASSETS				
Trade and other receivables	7	35	35	35
Investments	6(b)	6,943	1,744	684
Property, plant and equipment	8	199	393	3,410
Exploration and evaluation costs carried forward	9	6,716	5,535	13,507
TOTAL NON-CURRENT ASSETS		13,893	7,707	17,636
TOTAL ASSETS		57,910	61,292	75,123
CURRENT LIABILITIES				
Trade and other payables	10	645	811	1,839
Provisions - employee entitlements	11	402	319	554
TOTAL CURRENT LIABILITIES		1,047	1,130	2,393
TOTAL LIABILITIES		1,047	1,130	2,393
NET ASSETS		56,863	60,162	72,730
EQUITY				
Contributed equity	12	116,035	116,035	116,035
Revaluation reserve	14(c)	388	(29)	8
Option reserve	14(b)	8,239	7,418	8,950
Accumulated losses	14(a)	(67,799)	(63,262)	(52,263)
TOTAL EQUITY		56,863	60,162	72,730

*refer to note 1(g) and note 27

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Issued Capital \$'000	Retained Earnings \$'000	Revaluation Reserve \$'000	Option Reserve \$'000	Total \$'000
Restated						
As at 30 June 2011		116,035	(63,262)	(29)	7,418	60,162
Total comprehensive income for the year		-	(5,773)	417	-	(5,356)
Issue of share capital	12	-	-	-	-	-
Option reserve transfer on exercise	12	-	-	-	-	-
Option reserve write back	14(b)	-	1,236	-	(1,236)	-
Cost of share based payments	14(b)	-	-	-	2,057	2,057
As at 30 June 2012		116,035	(67,799)	388	8,239	56,863
Restated						
As at 30 June 2010		116,035	(52,263)	8	8,950	72,730
Total comprehensive income for the year		-	(14,019)	(37)	-	(14,056)
Issue of share capital		-	-	-	-	-
Option reserve transfer on exercise		-	-	-	-	-
Option reserve write back	14(b)	-	3,020	-	(3,020)	-
Cost of share based payments	14(b)	-	-	-	1,488	1,488
Restated						
As at 30 June 2011		116,035	(63,262)	(29)	7,418	60,162

The accompanying notes form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated Entity	
	Notes	2012	2011
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		2,445	2,958
Payments to suppliers		(2,453)	(3,064)
NET CASH USED IN OPERATING ACTIVITIES	15(a)	(8)	(106)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(4,112)	(7,819)
Development expenditure		-	(1,475)
Purchase of shares		(163)	(345)
Sale of shares		475	-
Acquisition of plant and equipment		(12)	(386)
Proceeds from sale of plant and equipment		18	441
NET CASH USED IN INVESTING ACTIVITIES		(3,794)	(9,584)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans to controlled entities		-	-
Proceeds from issue of shares		-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH HELD		(3,802)	(9,690)
Cash at the beginning of the reporting period		46,973	56,663
CASH AT THE END OF THE REPORTING PERIOD	15(c)	43,171	46,973

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012**NOTE 1. STATEMENT OF ACCOUNTING POLICIES**

The Company is a public company limited by shares. The Company was incorporated in Western Australia.

The Company is a for profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by Heron Resources Limited and its controlled entities (the Company) in the preparation of the financial statements.

a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

In the application of AIFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgment. Actual results may differ from these estimates.

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 financial statements are presented in Australian Dollars which is the consolidated entity's functional and presentation currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

b) Basis of consolidation

Subsidiaries are entities controlled by the Company, the Company and its controlled entities are referred to as the Group. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All inter-company balances and transactions between entities in the Company, including any unrealised profits or losses, have been eliminated on consolidation.

c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability at the same time.

The resulting deferred tax assets of the Company are currently not recognised and included as an asset because recovery is considered not probable in the next five years.

Heron Resources Limited and its wholly owned Australian controlled entities have implemented the tax consolidated legislation as of 1 July 2003.

d) Segment reporting

A segment is a distinguishable component of the Company that is engaged in the minerals industry in Australia. The Company's activities are divided into three main categories:

KNP - Tenements related to the Kalgoorlie Nickel Project.

Yerilla - Tenements related to Jump up Dam, Boyce Creek and Aubils.

Exploration - Tenements not KNP or Yerilla related.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, duties and taxes paid. The main revenue is interest received, which is recognised on an accrual basis.

f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses where applicable.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation and amortisation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, are as follows:

Motor Vehicles	3-5 years
Fixtures and Fittings	5-15 years
Plant and Equipment	5-15 years
Land and Buildings	15-25 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

g) Exploration, evaluation, development and restoration costs

In respect of all financial periods after 1 July 2011, the Board has changed the accounting policy for exploration, evaluation, development and restoration costs to give a more accurate reflection of the Company's financial position due to the uncertain nature of exploration activities. The new policy for exploration, evaluation, development and restoration costs is noted in the following paragraph. As a consequence of this change of accounting policy, it has been necessary to restate prior period balances to reflect the new policy, and the financial impacts of this policy change are identified in Note 27.

Exploration, evaluation and development expenditure incurred is expensed immediately unless it relates to a specific project in which case it is carried forward to the extent that it is expected to be recouped through the successful development of the area, or by its sale.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Accumulated costs are not carried forward in respect of any area of interest unless rights to tenure of that area are current.

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation and development phases that give rise to the need for restoration.

h) Investments

Investments held by the Company are classified as being available-for-sale financial assets and are stated at fair value, being the market value of the shares held at balance date. Where a reduction in value is significant or prolonged it is recognised as impairment in the consolidated statement of comprehensive income, with any other resultant gain or loss recognised in equity and included in other comprehensive income. Where these investments are derecognised, the cumulative gain and loss previously recognised directly in equity is recognised in profit and loss. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement.

Financial instruments classified as held for trading or available-for-sale investments are recognised/derecognised by the Company on the date it commits to purchase/sell the investment. Securities held to maturity are recognised/derecognised on the day they are transferred to/by the Company.

i) Investments in associated entities

Interests in associated entities are accounted for under the equity accounting method.

j) Trade and other receivables

Trade and other receivables are stated at their cost and are due for settlement no more than 30 days from the date of invoicing.

k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with the banks, other short term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within short-term borrowings on the balance sheet.

l) Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transactions costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

n) Employee benefits

(i) Wages and salaries, annual leave

Liabilities for wages and salaries and annual leave are recognised as employee benefits in respect of employee's services up to the reporting date and are measured at the amounts to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service and final average salary.

o) Share-based payment transactions

The Company provides benefits to the Directors, employees and consultants of the Company in the form of share based payment transactions, whereby services are rendered in exchange for shares or rights over shares ("Equity-settled transactions").

There is currently one plan in place to provide these benefits being an Employee Share Option Plan ("ESOP") which provides benefits to Directors, employees and consultants.

The cost of these equity-settled transactions is measured by reference to fair value at the date at which they are granted. The fair value is determined by using either the Black-Scholes or Binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Heron Resources Limited ("market conditions").

The cost of equity-settled securities is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant individual becomes fully entitled to the award ("vesting date").

Where the Company acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share-based payment transactions, the fair value of the equity instruments granted is measured at grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

p) Provisions

Provisions for legal claims and service warranties are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

q) Trade and other payables

Trade and other payables are stated at cost. The amounts are unsecured and are usually paid on 30 days.

r) Dividends

No dividends have been paid or proposed during or since the end of the year.

s) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO are classified as operating cash flows.

t) Contributed equity

Incremental costs directly attributed to the issue of new shares or options are shown in the equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares on issue during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

u) Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

v) Significant accounting judgments, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Capitalisation of exploration and evaluation expenditure

Under AASB 6 Exploration for and Evaluation of Mineral Resources the Group has the option to either expense exploration and evaluation expenditure as incurred or to capitalise such expenditure provided that certain conditions are satisfied. The Group's policy is closer to the former as outlined in note 1 (g).

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes or Binomial methodology.

w) New accounting standards and interpretations

The Australian Accounting Standards Board has published various pronouncements that are not mandatory for the 30 June 2012 reporting period. The Company has reviewed all these pronouncements and assessed their applicability and the likely impact on the Company's accounting policies. While several pronouncements do not apply to the Company's current activities the expected impact of those relevant to the Company are set out below:

AASB9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to effect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. The Company is yet to assess its full impact. The Company has not yet decided when to adopt AASB 9.

x) Capital risk management

The Company's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to fund exploration activities and develop or secure access to a cash producing asset.

Consistent with others in the industry, the Company and the parent entity monitor capital on the basis of working capital requirements.

During 2012 the Company's strategy, which was unchanged from 2011, was to maintain a current account balance sufficient to meet the Company's day to day expenses with the balance held in commercial paper investments or term deposits.

NOTE 2. REVENUE FROM CONTINUING ACTIVITIES

	Consolidated Entity Re Stated	
	2012 \$'000	2011 \$'000
Revenues from continuing activities		
Sale of tenements	50	3,136
Sale of fixed assets	(12)	(587)
Loss on sale of investments	(363)	-
Interest received - other persons/corporations	2,377	2,737
Sundry income	10	17
Sale of data	20	-
Total revenues from continuing activities	2,082	5,303

NOTE 3. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES

The profit / (loss) before income tax expense has been determined after charging a number of items including the following:

a) Depreciation expense		
Plant & equipment	(100)	(238)
Office equipment & furniture	(53)	(75)
Motor vehicles	(24)	(56)
Land and Buildings	-	(31)
	(177)	(400)
b) Other expenses includes the following:		
Payroll tax	(26)	(78)
Rental expenses	(238)	(217)
Stock exchange	(51)	(52)
Travel & accommodation	(31)	(110)
Office expenses and supplies	(106)	(115)
Computer support services	(73)	(90)
Report expenses and printing	(29)	(34)
Conferences and seminars	(8)	(17)
Donations	(20)	(21)
Miscellaneous expenses	(126)	(221)
Total other expenses	(708)	(955)

NOTE 4. INCOME TAX

a) Temporary differences carried forward	-	-
Current Tax	-	-
Deferred tax	-	-

The Heron Resources Limited group of companies tax was consolidated on 1 July 2003 - there are no tax sharing and/or tax funding agreements in place.

The parent entity made a tax loss and on consolidation the group made a tax loss. The parent and the subsidiaries have substantial tax losses carried forward.

The Directors are of the view that there is insufficient probability that the parent entity and its subsidiaries will derive sufficient income in the foreseeable future to justify recognising the tax losses and temporary differences as deferred tax assets and deferred tax liabilities.

Heron Resources Limited is the head entity for the group.

		Consolidated Entity	
		2012	2011
		\$'000	\$'000
b)	Numerical reconciliation of income tax expense to prima facie tax payable is as follows:		
	Profit (loss) from operations before income tax expense	(5,773)	(14,019)
	Tax at Australian tax rates of 30% (2011 also 30%)	(1,732)	(4,206)
	Tax effect of non-temporary differences	768	448
	Tax effect of equity raising costs debited to equity	-	(88)
	Over or under provision from previous years	-	-
	Tax effect of tax losses and temporary differences not recognised	964	3,846
	Income tax expense	-	-
c)	There is no amount of tax benefit recognised in equity as the tax effect of temporary differences has not been booked		
d)	Tax Losses - Revenue		
	Unused tax losses for which no tax loss has been booked as a deferred tax asset adjusted for non temporary differences	70,433	69,533
	Potential tax benefit at 30%	21,130	20,860
e)	Unrecognised temporary differences		
	Non deductible amounts as temporary differences	(2,444)	(3,178)
	Accelerated deductions for tax compared to book	1,776	9,596
	Total at 100%	(668)	6,418
	Potential effect on future tax expense for temporary differences at 30%	(200)	1,925
f)	There are no franking credits available for future years		

NOTE 5. TRADE AND OTHER RECEIVABLES – CURRENT

Prepayment - rent	21	-
Prepayment - software	3	24
Prepayment - subscriptions	6	10
Accrued interest	224	293
Goods & services tax paid	15	32
Expenses to be reimbursed	200	-
Sundry Debtors	22	43
	491	402

NOTE 6(a). INVESTMENTS IN ENTITIES - CURRENT

Southern Cross Goldfields Limited (SXG) is an Australian listed public exploration company with 291,135,046 fully paid ordinary shares on issue. Heron holds 8,771,643 fully paid shares at 30 June 2012, which have been valued at the closing price on that day.

Niuminco Limited (NIU) is an Australian listed public company with 187,754,508 fully paid ordinary shares on issue. Heron holds 750,000 fully paid shares at 30 June 2012, which have been valued at the closing price on that day. Niuminco Limited was formerly called DSF International Holdings Limited (DSF).

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Investments in other entities at fair value		
<i>Southern Cross Goldfields Limited:</i>		
Cost	1,631	-
Impairment	(1,306)	-
Revaluation	-	-
Carrying value	325	-
<i>Niuminco Limited:</i>		
Cost	150	-
Impairment	(120)	-
Revaluation	-	-
Carrying value	30	-
<i>Summary</i>		
Total cost of investments	1,781	-
Impairment brought forward	(1,029)	-
Impairment for year ended June 2012 (SXG & NIU)	(397)	-
Total carrying value	355	-

NOTE 6 (b). INVESTMENTS IN ENTITIES - NON CURRENT

Pioneer Resources Limited (PIO) is an Australian listed public exploration company with 510,474,885 fully paid ordinary shares on issue. Heron held 4 million options in Pioneer Resources Limited which expired on 31 December 2011.

Metaliko Resources Limited (MKO) is an Australian listed public exploration company with 69,385,832 fully paid ordinary shares on issue. Heron held 8 million shares and 8 million 20 cent options expiring 30 June 2014 which were sold in December 2011 for net \$475,000.

A1 Consolidated Gold Limited (AYC) is an Australian listed public exploration company with 138,208,921 fully paid ordinary shares on issue. Heron holds 26.2 million fully paid shares at 30 June 2012, which have been valued at the closing price on that day.

Southern Cross Goldfields Limited (SXG) is now classified as a current asset.

Niuminco Limited (NIU) is now classified as a current asset.

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Investments in other entities at fair value		
<i>Pioneer Resources Limited:</i>		
Cost	-	87
Revaluation	-	-
Impairment	-	(87)
Carrying value	-	-
<i>Metaliko Resources Limited:</i>		
Cost	-	2,518
Impairment	-	(1,678)
Carrying value	-	840
<i>Southern Cross Goldfields Limited:</i>		
Cost	-	1,468
Impairment	-	(961)
Revaluation	-	(113)
Carrying value	-	394
<i>Niuminco Limited:</i>		
Cost	-	150
Revaluation	-	15
Carrying value	-	165
<i>A1 Consolidated Gold:</i>		
Cost	6,555	345
Revaluation	388	-
Carrying value	6,943	345
<i>Summary:</i>		
Total cost of investments	6,555	4,568
Impairment	-	(2,726)
Revaluations	388	(98)
Total carrying value	6,943	1,744

NOTE 7. TRADE AND OTHER RECEIVABLES - NON CURRENT

Employee share option plan – non-recourse loan	35	35
	35	35

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Plant and equipment at cost	633	633
Accumulated depreciation	(541)	(441)
	92	192
Office equipment & furniture at cost	570	558
Accumulated depreciation	(505)	(453)
	65	105
Motor vehicles at cost	184	254
Accumulated depreciation	(142)	(158)
	42	96
Total property, plant and equipment	199	393
Reconciliation		
Plant and equipment:		
Carrying amount at 1 July	192	1,551
Additions	-	134
Disposals	-	(39)
Impairment	-	(107)
Transfer to held for sale asset	-	(1,109)
Depreciation Expense	(100)	(238)
Carrying value at 30 June	92	192
Office equipment and furniture:		
Carrying amount at 1 July	105	215
Additions	12	11
Disposals	-	(2)
Impairment	-	(4)
Transfer to held for sale asset	-	(40)
Depreciation Expense	(52)	(75)
Carrying value at 30 June	65	105
Motor vehicles:		
Carrying amount at 1 July	96	301
Additions	-	-
Disposals	(30)	(46)
Impairment	-	(9)
Transfer to held for sale asset	-	(94)
Depreciation Expense	(24)	(56)
Carrying value at 30 June	42	96
Land and Buildings:		
Carrying amount at 1 July	-	1,343
Additions	-	-
Disposals	-	(943)
Impairment	-	(30)
Transfer to held for sale asset	-	(339)
Depreciation Expense	-	(31)
Carrying value at 30 June	-	-

NOTE 9. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS CARRIED FORWARD

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Balance at beginning of year	5,535	13,507
Acquisition costs	71	21
Exploration and evaluation costs incurred during the year	4,099	7,368
Development costs incurred during the year	-	1,333
Exploration and evaluation costs of tenements/data disposed of	-	-
Exploration and evaluation impairment	-	(9,313)
Exploration and evaluation costs written off	(2,989)	(2,753)
Transfer to held for sale assets	-	(4,628)
Balance at end of year	6,716	5,535

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

NOTE 10. TRADE AND OTHER PAYABLES – CURRENT

Trade creditors and accruals - Exploration activities	377	344
Trade creditors and accruals - Development activities	-	127
Trade creditors and accruals - Other	268	340
	645	811

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

NOTE 11. PROVISIONS – CURRENT

Employee entitlements	402	319
	402	319

NOTE 12. CONTRIBUTED EQUITY

Ordinary shares are fully paid and have no par value. They entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Shares		
Issued and paid up capital 252,985,787 (2011: 252,985,787)		
Ordinary shares fully paid	121,782	121,782
Prior years In specie share distributions	(3,845)	(3,845)
Option reserve transfer on exercise	514	514
Less: prior years capital raising expenses	(2,416)	(2,416)
	116,035	116,035

Movements in issued and paid up capital of the parent entity during the year are as follows:

	2012 No. of Shares	2012 \$'000
Contributed equity balance at beginning of year	252,985,787	116,035
Shares issued during the year	-	-
Transfer from option reserve	-	-
Contributed equity balance at end of year	252,985,787	116,035

Option reconciliation to 30 June 2012

	No. of Options
Opening balance at 1 July 2011	26,968,776
Options issued	14,250,000
Options exercised	-
Options cancelled	-
Options expired	(3,300,000)
Closing balance at 30 June 2012	37,918,776

The weighted average remaining contractual life of Options on issue at 30 June 2012 is 902 days.

Options

The following Options were issued during the year:

Number	Expiry date	Exercise price
4,750,000	23 June 2014	\$0.22
4,750,000	23 June 2015	\$0.27
4,750,000	23 June 2016	\$0.31

The following Options expired during the year:

Number	Expiry date	Exercise price
1,500,000	5 June 2012	\$1.00
1,800,000	25 June 2012	\$0.25

As at 30 June 2012 the Company had the following Options on issue:

Number issued	Expiry date	Exercise price
2,500,000	5 June 2013	\$1.5000
3,500,000	5 June 2013	\$2.0000
5,250,000	5 June 2014	\$2.5000
5,000,000	7 September 2016	\$0.6864
4,818,776	9 June 2014	\$0.3000
2,600,000	25 June 2014	\$0.4250
4,750,000	23 June 2014	\$0.22
4,750,000	23 June 2015	\$0.27
4,750,000	23 June 2016	\$0.31
37,918,776		

The following table lists the inputs used to value the options issued for the year ended 30 June 2012

	4,750,000	4,750,000	4,750,000
Number of Options	4,750,000	4,750,000	4,750,000
Method adopted	Black Scholes	Black Scholes	Black Scholes
Average volatility (%)	75	75	75
Average risk free interest rate (%)	4.75	4.75	4.75
Average expected life of Option (years)	2.6	3.6	4.6
Average exercise price	\$0.22	\$0.27	\$0.31
Average deemed share price at grant date	\$0.17	\$0.17	\$0.17
Average value per Option	\$0.07	\$0.075	\$0.082

Details of Options as at the beginning and end of the reporting date and movements during the year are set out below:

Grant date	Expiry date	Exercise price	Number of Options at the beginning of the year	Options Expired this year	Options Issued this year	Number of Options at the end of the year	Options Exercisable at the end of the year
2012 Consolidated and parent entity							
29 November 2006	7 September 2016	\$0.6864	5,000,000	-	-	5,000,000	-
5 June 2007	5 June 2013	\$1.50	2,500,000	-	-	2,500,000	-
5 June 2007	5 June 2013	\$2.00	3,500,000	-	-	3,500,000	-
5 June 2007	5 June 2014	\$2.50	5,250,000	-	-	5,250,000	-
25 June 2007	5 June 2012	\$1.00	1,500,000	(1,500,000)	-	-	-
25 June 2009	25 June 2012	\$0.25	1,800,000	(1,800,000)	-	-	-
25 June 2009	25 June 2014	\$0.425	2,600,000	-	-	2,600,000	2,600,000
9 June 2009	9 June 2014	\$0.30	4,818,776	-	-	4,818,776	-
19 November 2011	23 June 2014	\$0.22	-	-	4,750,000	4,750,000	4,750,000
19 November 2011	23 June 2015	\$0.27	-	-	4,750,000	4,750,000	-
19 November 2011	23 June 2016	\$0.31	-	-	4,750,000	4,750,000	-
			26,968,776	(3,300,000)	14,250,000	37,918,776	7,350,000
Weighted average exercise price			1.18	0.59	0.27	0.89	0.29

NOTE 13. SEGMENT REPORTING

Segmental information for consolidated statement of comprehensive income

Year ended June 2012	Corporate	KNP Project	Yerilla Project	Exploration	A1	Total
Sale of tenements	-	-	-	50	-	50
Sale of fixed assets	(12)	-	-	-	-	(12)
Sale of investments	(363)	-	-	-	-	(363)
Interest received - other persons/corporations	2,377	-	-	-	-	2,377
Sale of data	-	-	-	20	-	20
Sundry income	10	-	-	-	-	10
Total revenues	2,012	-	-	70	-	2,082
Depreciation	(53)	-	(73)	(51)	-	(177)
Exploration expenditure written off	-	(910)	-	(2,079)	-	(2,989)
Other expenses	(4,689)	-	-	-	-	(4,689)
Profit / (loss)	(2,730)	(910)	(73)	(2,060)	-	(5,773)

Restated year ended June 2011

Sale of tenements	-	-	-	3,136	-	3,136
Sale of fixed assets	(581)	-	-	(6)	-	(587)
Interest received - other persons/corporations	2,737	-	-	-	-	2,737
Sundry income	17	-	-	-	-	17
Total revenues	2,173	-	-	3,130	-	5,303
Depreciation	(82)	-	(85)	(58)	(175)	(400)
Exploration expenditure written off	-	(306)	(39)	(2,408)	-	(2,753)
Impairment of exploration expenditure	-	(2,050)	(1,825)	-	(5,438)	(9,313)
Impairment of PPE	-	-	-	-	(150)	(150)
Other expenses	(6,706)	-	-	-	-	(6,706)
Profit / (loss)	(4,615)	(2,356)	(1,949)	664	(5,763)	(14,019)

Segmental information for consolidated balance sheet

Year ended June 2012	Corporate	KNP Project	Yerilla Project	Exploration	A1	Total
Held for sale assets	-	-	-	-	-	-
Other current assets	44,017	-	-	-	-	44,017
Total current assets	44,017	-	-	-	-	44,017
Property, plant and equipment	66	-	46	87	-	199
Exploration and evaluation costs carried forward	-	6,716	-	-	-	6,716
Other non-current assets	6,978	-	-	-	-	6,978
Total non-current assets	7,044	6,716	46	87	-	13,893
Total assets	51,061	6,716	46	87	-	57,910
Total liabilities	319	-	-	728	-	1,047
Movement for the year to June 2012						
Held for sale assets	-	-	-	-	(6,210)	(6,210)
Other current assets	(3,358)	-	-	-	-	(3,358)
Total current assets	(3,358)	-	-	-	(6,210)	(9,568)
Property, plant and equipment	(69)	-	(73)	(52)	-	(194)
Exploration and evaluation costs carried forward	-	1,181	-	-	-	1,181
Other non-current assets	5,199	-	-	-	-	5,199
Total non-current assets	5,130	1,181	(73)	(52)	-	6,186
Restated balance at June 2011						
Held for sale assets	-	-	-	-	6,210	6,210
Other current assets	47,375	-	-	-	-	47,375
Total current assets	47,375	-	-	-	6,210	53,585
Property, plant and equipment	135	-	119	139	-	393
Exploration and evaluation costs carried forward	-	5,535	-	-	-	5,535
Other non-current assets	1,779	-	-	-	-	1,779
Total non-current assets	1,914	5,535	119	139	-	7,707
Total assets	49,289	5,535	119	139	6,210	61,292
Total liabilities	436	1	53	513	127	1,130
Restated movement for the year to June 2011						
Held for sale assets	-	-	-	-	6,210	6,210
Other current assets	(10,112)	-	-	-	-	(10,112)
Total current assets	(10,112)	-	-	-	6,210	(3,902)
Property, plant and equipment	(1,151)	-	(97)	(14)	(1,755)	(3,017)
Exploration and evaluation costs carried forward	-	(130)	(1,649)	-	(6,193)	(7,972)
Other non-current assets	1,060	-	-	-	-	1,060
Total non-current assets	(91)	(130)	(1,746)	(14)	(7,948)	(9,929)

Consolidated Entity	
2012	2011
\$'000	\$'000

NOTE 14. ACCUMULATED LOSSES AND RESERVES

a) Accumulated Losses		
Restated balance at the beginning of the year	(63,262)	(52,263)
Write back of expense for expired/lapsed options	1,236	3,020
Net profit/(loss)	(5,773)	(14,019)
Balance at end of the year	(67,799)	(63,262)

The Company has retained a loss as at 30 June 2012.

b) Option Reserve		
Balance at the beginning of the year	7,418	8,950
Cost of share based payments	2,057	1,488
Cost transfer on exercise	-	-
Write back lapsed options expense	(1,236)	(3,020)
Balance at end of the year	8,239	7,418

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) Revaluation Reserve		
Balance at the beginning of the year	(29)	8
Southern Cross Goldfields shares	44	(113)
Niuminco shares	(15)	-
Pioneer options	-	76
A1 Consolidated Gold shares	388	-
Movement for the year	417	(37)
Balance at end of the year	388	(29)

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.

NOTE 15. CASH FLOW STATEMENTS

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
a) Reconciliation of operating loss after income tax to the net cash flows from operations:		
Operating loss after income tax	(5,773)	(14,019)
Add/(less)		
Exploration and evaluation costs written off	2,989	2,753
Depreciation	177	400
Share based payments	2,057	1,488
Loss on sale of shares	363	-
Profit on sale of tenements	(50)	(3,136)
Loss on sale of fixed assets	12	587
Profit on sale of data	(20)	-
Property plant and equipment impairment	-	150
Investment Impairment	397	1,765
Exploration & Evaluation Impairment	-	9,313
Increase/(decrease) in prepayments and debtors	5	23
(Increase)/decrease in accrued interest and GST	215	390
Increase/(decrease) in creditors, accruals and provisions	(380)	180
	<u>(8)</u>	<u>(106)</u>
b) During the year the following non cash transactions occurred in the Company:		
The Company received 20.7 million shares in A1 Consolidated Gold Limited pursuant to the A1 sale agreement.		
c) Reconciliation of Cash		
Cash on hand and at bank	43,171	46,973
Closing cash balance	<u>43,171</u>	<u>46,973</u>

Cash security for environmental bonds of \$485,000 (2011 : \$530,000) is included in cash on hand and at bank. This is not available to the Company for ordinary activities.

Property bonds of \$46,545 (2011 : \$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 16. RELATED PARTY TRANSACTIONS

The Directors of the Company during the financial year were:

Non-Executive Directors

Craig Leslie Readhead
Stephen Bruce Dennis
Kenneth John Hellsten

Executive Directors

Ian James Buchhorn
Jonathan Nicholas Shellabear – appointed 1 August 2011

The Key Management Personnel other than Executive Directors for the financial year were:

Exploration Manager

David von Perger

Financial Controller and Company Secretary

Bryan Horan

Detailed remuneration disclosures are provided in the remuneration report on pages 29 - 31 of the Directors report.

Shares	Held at 1 July 2011	Purchased on market	Purchase off market	Sold	Held at 30 June 2012
Directors					
C L Readhead	844,709	-	-	-	844,709
I J Buchhorn	45,256,169	180,071	-	-	45,436,240
S B Dennis	350,000	100,000	-	-	450,000
K J Hellsten	65,000	-	-	-	65,000
J N Shellabear	-	-	-	-	-
Key Management Personnel					
B P Horan	-	-	-	-	-
D von Perger	226,692	-	-	(15,000)	211,692

Options	Expiry Date	Exercise Price	Held at 1 July 2011	Issued	Expired	Held at 30 June 2012
Directors						
C L Readhead	5 June 2012	\$1.00	500,000	-	(500,000)	-
	5 June 2013	\$1.50	500,000	-	-	500,000
	5 June 2013	\$2.00	500,000	-	-	500,000
	5 June 2014	\$2.50	750,000	-	-	750,000
I J Buchhorn	7 September 2016	\$0.6864	5,000,000	-	-	5,000,000
	5 June 2013	\$1.50	1,000,000	-	-	1,000,000
	5 June 2013	\$2.00	2,000,000	-	-	2,000,000
	5 June 2014	\$2.50	3,000,000	-	-	3,000,000
	23 June 2014	\$0.22	-	1,000,000	-	1,000,000
	23 June 2015	\$0.27	-	1,000,000	-	1,000,000
	23 June 2016	\$0.31	-	1,000,000	-	1,000,000
S B Dennis	5 June 2012	\$1.00	500,000	-	(500,000)	-
	5 June 2013	\$1.50	500,000	-	-	500,000
	5 June 2013	\$2.00	500,000	-	-	500,000
	5 June 2014	\$2.50	750,000	-	-	750,000
K J Hellsten	5 June 2012	\$1.00	500,000	-	(500,000)	-
	5 June 2013	\$1.50	500,000	-	-	500,000
	5 June 2013	\$2.00	500,000	-	-	500,000
	5 June 2014	\$2.50	750,000	-	-	750,000
J N Shellabear	23 June 2014	\$0.22	-	2,000,000	-	2,000,000
	23 June 2015	\$0.27	-	2,000,000	-	2,000,000
	23 June 2016	\$0.31	-	2,000,000	-	2,000,000
Key Management Personnel						
D von Perger	25 June 2012	\$0.25	500,000	-	(500,000)	-
	25 June 2014	\$0.425	1,000,000	-	-	1,000,000
	23 June 2014	\$0.22	-	1,000,000	-	1,000,000
	23 June 2015	\$0.27	-	1,000,000	-	1,000,000
	23 June 2016	\$0.31	-	1,000,000	-	1,000,000
B P Horan	25 June 2012	\$0.25	300,000	-	(300,000)	-
	25 June 2014	\$0.425	600,000	-	-	600,000
	23 June 2014	\$0.22	-	500,000	-	500,000
	23 June 2015	\$0.27	-	500,000	-	500,000
	23 June 2016	\$0.31	-	500,000	-	500,000
			20,150,000	13,500,000	(2,300,000)	31,350,000

Other related party transactions during the financial year were:

- payment of \$72,000 (2011 : \$54,785) to an entity related to Mr I J Buchhorn for the provision of office accommodation on normal commercial terms and conditions;
- payment of \$16,580 (2011 : \$134,798) to Allion Legal of which Mr C L Readhead is a partner for legal services on normal commercial terms and conditions;

Heron Resources Limited is the ultimate parent entity. Heron Resources Limited is a listed public company incorporated and domiciled in Australia. Ownership interest in the controlled entities is as set out in Note 20.

NOTE 17. FINANCIAL INSTRUMENTS

a) Terms, conditions and accounting policies

The Company's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance sheet date, are as follows:

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>i) Financial assets</i>			
11am Call Accounts		11am Call Accounts are carried at cost.	The 11am Call Accounts are at call with an interest rate of 4.11% (2011 : 4.39%)
Term Deposits		Term Deposits are carried at cost.	Term Deposits are secured with a 3 month term with an interest rate of 5.05% (2011 : 5.48%)
Environmental Bonds		Environmental Bonds are carried at cost.	Environmental Bonds are security term deposits with a 6 month term with an interest rate of 4.92% (2011 : 6.00%)
Property Bonds		Property Bonds are carried at cost.	Property Bonds are security term deposits with an 6 month term with an interest rate of 4.9% (2011 : 6.0%)
Accrued Interest	5	Recognised on an accruals basis.	Interest is credited periodically.
Goods & Services Tax Paid	5	Recognised on an accruals basis.	Business Activity Statements are lodged on a monthly basis.
<i>ii) Financial liabilities</i>			
Trade creditors and accruals	10	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.	Trade liabilities are normally settled on 30 day terms.
<i>iii) Equity</i>			
Ordinary Shares	12	Ordinary share capital is recognised at the fair value of the consideration received by the Company.	Details of the shares issued and the terms and conditions of the options outstanding over ordinary shares at balance sheet date are set out in Note 12

b) The carrying value of financial assets and liabilities approximates fair value.

c) Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

(i) Market risk

Price risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk.

Foreign exchange risk

The Company is not exposed to foreign exchange risk.

(ii) Credit risk

The maximum credit risk is total current assets of which the vast majority is cash which is all A1+ rated. The largest part of trade and other receivables is interest.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

(iv) Cash flow and fair value interest rate risk

As the Company has no interest-bearing liabilities, the Company's cash out flows are not exposed to changes in market interest rates. The Company maintains a current account balance sufficient to meet day to day expenses with the balance held in A1+ rated commercial paper investments or term deposits.

Consolidated Entity	
2012	2011
\$'000	\$'000

NOTE 18. AUDITORS' REMUNERATION

Amounts received or due and receivable for:

Butler Settineri (Audit) Pty Ltd - Audit services	45	42
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NOTE 19. COMMITMENTS FOR EXPENDITURE

a) Exploration Commitments

In order to maintain current rights of tenure to exploration and mining tenements, the Company estimates the following annual discretionary exploration expenditure requirements up until expiry or relinquishment of the mining tenure. Due to the Company's operation in exploring and evaluating areas of interest, exploration expenditure beyond twelve months cannot be reliably determined. These obligations are not provided for in the financial statements and are payable based on granted tenements:

Not later than 1 year	3,000	5,100
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If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations. Those amounts detailed above include expenditure commitments which are the responsibility of earn-in / joint venture partners. If those joint venture partners continue to meet the expenditure commitments under respective joint venture / earn-in agreements, the estimates detailed above will reduce.

b) Operating Lease Commitments

The Company has leased two office premises under non-cancellable operating leases for periods of five years and one year. Lease amounts include a base amount, plus variable outgoings and car parking and are subject to an annual rent review by way of the consumer price index at the time of review.

Not later than 1 year	329	315
Later than 1 year but not later than 5 years	852	972
Later than 5 years	-	-

c) Capital Commitments

The Company has no capital commitments at 30 June 2012.

NOTE 20. INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Registration	Class of Shares	Cost of Consolidated Entity's Investment		Cost of Parent Entity's Investment	
			2012	2011	2012	2011
					\$	\$
Hampton Nickel Pty Limited	Australia	Ordinary	100%	100%	10	10
Ochre Resources Pty Limited	Australia	Ordinary	100%	100%	100	100
Atriplex Pty Limited	Australia	Ordinary	100%	100%	10	10
Yerilla Nickel Pty Limited	Australia	Ordinary	100%	100%	100	100
Kalgoorlie Nickel Project Pty Limited	Australia	Ordinary	100%	100%	100	100
Woods Point Gold Mines Pty Limited	Australia	Ordinary	100%	100%	100	100

Regent Resources Pty Limited ("Regent") was registered on 10 April 2002. Regent Resources Limited name was changed on the 19 August 2005 to Hampton Nickel Limited and is being used by the Company to hold the Bulong nickel properties and to acquire further nickel properties in the Bulong district.

Ochre Resources Pty Limited ("Ochre") was registered on 7 February 2005 to seek and acquire iron ore properties in the course of the Company's base metal exploration activities.

Atriplex Pty Limited ("Atriplex") was registered on 7 April 2005 to seek and acquire nickel-copper sulphide properties (outside the Eastern Goldfields) in the course of the Company's exploration activities.

Yerilla Nickel Pty Limited ("Yerilla") was registered on 22 December 2006 as a potential holding company for the Jump-up Dam heap leach Project north east of Kalgoorlie.

Kalgoorlie Nickel Project Pty Limited ("KNP") was registered on 24 June 2009 as a holding company for the KNP properties.

Woods Point Gold Mines Pty Limited was registered on 24 June 2009 as a holding company for the Woods Point Gold Mine.

	Consolidated Entity	
	2012	2011
	\$'000	\$'000

NOTE 21. EARNINGS PER SHARE

Basic earnings per share	(0.02282)	(0.05556)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	252,985,787	252,985,787
Diluted earnings per share	(0.02282)	(0.05556)
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share.	252,985,787	252,985,787
Earnings profit/(loss) used in calculating basic and diluted earnings profit/(loss) per share	(5,773,226)	(14,019,481)

The 37,918,776 (2011: 26,968,776) Options are not considered to be dilutive.

NOTE 22. EMPLOYEE ENTITLEMENTS

a) Employee Entitlements

The aggregate employee entitlement is comprised of:

Provisions (Current)	402	319
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b) Employee Share Scheme

An Employee Share Option Plan has been established for Heron Resources Limited, where employees, Directors and Officers of the Company are issued with Options over ordinary shares of Heron Resources Limited. At the General Meeting on 5 June 2007 approval by Shareholders for adoption of Employee Share Option Plan was given. The Options, issued for no consideration, are in general exercisable at a fixed price at commencement date, unless otherwise stated and ending on the expiry date.

There are currently 9 employees, directors and officers eligible for this scheme.

The Options cannot be transferred and will not be quoted on the ASX.

During the year 3,300,000 Options expired and 14,250,000 Options were issued under the Employee Options Plan Number 2.

Details of Options as at the beginning and end of the reporting date and movements during the year are set out below:

Grant date	Expiry date	Exercise price	Number of Options at the beginning of the year	Options Expired this year	Options Issued this year	Number of Options at the end of the year	Options Exercisable at the end of the year
2012 Consolidated and parent entity							
29 November 2006	7 September 2016	\$0.6864	5,000,000	-	-	5,000,000	-
5 June 2007	5 June 2013	\$1.50	2,500,000	-	-	2,500,000	-
5 June 2007	5 June 2013	\$2.00	3,500,000	-	-	3,500,000	-
5 June 2007	5 June 2014	\$2.50	5,250,000	-	-	5,250,000	-
5 June 2007	5 June 2012	\$1.00	1,500,000	(1,500,000)	-	-	-
25 June 2009	25 June 2012	\$0.25	1,800,000	(1,800,000)	-	-	-
25 June 2009	25 June 2014	\$0.425	2,600,000	-	-	2,600,000	2,600,000
9 June 2009	9 June 2014	\$0.30	4,818,776	-	-	4,818,776	-
19 November 2011	23 June 2014	\$0.22	-	-	4,750,000	4,750,000	4,750,000
19 November 2011	23 June 2015	\$0.27	-	-	4,750,000	4,750,000	-
19 November 2011	23 June 2016	\$0.31	-	-	4,750,000	4,750,000	-
			26,968,776	(3,300,000)	14,250,000	37,918,776	7,350,000
Weighted average exercise price			\$1.18	\$0.59	\$0.27	\$0.89	\$0.29

NOTE 23. HELD FOR SALE ASSETS

The A1 Gold Mine and its assets were previously classified as held for sale assets until A1 Consolidated Gold listed on the ASX in June 2012.

The Company received 20.7 million shares pursuant to the A1 Gold Mine agreement, these shares are classified under investments in non-current assets. The Company also purchased 4 million foundation shares and 1.5 million seed capital shares in A1 Consolidated Gold which gives the Company a total shareholding of 26.2 million shares.

NOTE 24. SUBSEQUENT EVENTS

There is no matter or circumstance which has arisen since 30 June 2012 that has significantly affected or may significantly affect:

- a) The operations, in the financial years subsequent to 30 June 2012, of the Company;
- b) The results of those operations; or
- c) The state of affairs, in the financial years subsequent to 30 June 2012, of the Company.

NOTE 25. CONTINGENT LIABILITIES

Native title claims have been made with respect to areas which include tenements in which the Group has interests. The consolidated entity 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. Agreement is being reached with native title claimants regarding certain areas in which the consolidated entity has interests.

The Company has received a plaint for forfeiture against tenement group M24/845 - 848 upon which the Company owns nickel rights which forms part of the Kalgoorlie Nickel Project. The Company is vigorously defending the plaint action.

NOTE 26. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Heron Resources Limited, at 30 June 2012. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2012 \$'000	Re stated 2011 \$'000
a) Financial Position		
Current assets	43,872	47,122
Non-current assets	21,561	19,635
Total assets	<u>65,433</u>	<u>66,757</u>
Current liabilities	1,009	953
Total liabilities	<u>1,009</u>	<u>953</u>
Contributed equity	116,035	116,035
Fair value reserve	388	(29)
Option reserve	8,239	7,418
Accumulated losses	(60,238)	(57,620)
Total equity	<u>64,424</u>	<u>65,804</u>
Loss for the year	(4,556)	(6,640)
Other comprehensive income	417	(37)
Total comprehensive loss for the year	<u>(4,139)</u>	<u>(6,677)</u>
b) Guarantees entered into by the Parent		
Heron Resources Limited has not entered into a deed of cross guarantee with its wholly owned subsidiaries.		
c) Contingent liabilities of the Parent		
Heron Resources Limited's contingent liabilities are consistent with those disclosed in note 25.		
d) Capital commitments of the Parent		
Heron Resources Limited's capital commitments are disclosed in note 19c.		

NOTE 27. COMPARATIVES

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

Statement of Comprehensive Income**for the year ended 30 June 2011**

	Previously reported	Impact of change in policy	Restated information
Profit on sale of tenements	1,450	1,686	3,136
Revenues from continuing activities	3,617	1,686	5,303
Exploration expenditure written off	(1,336)	(1,417)	(2,753)
Profit (loss) from ordinary activities after income tax	(14,288)	269	(14,019)
Basic earnings per share	(0.05658)	0.00102	(0.05556)
Diluted earnings per share	(0.05658)	0.00102	(0.05556)

The impact of the change in policy is to increase the profit on disposal of tenements and increase the exploration expenditure written off during the prior year reporting period and to reduce the loss reported for the period and the associated loss per share.

Cash Flow Statement

There have been no changes to the cash flow information reported and therefore no restatement of the cash flow statement is required.

Statement of Financial Position**As at 30 June 2011**

	Previously reported	Impact of change in policy	Restated information
Exploration and evaluation costs carried forward	11,483	(5,948)	5,535
Accumulated losses	(57,314)	(5,948)	(63,262)

Directors' Declaration

In accordance with a resolution of the Directors of Heron Resources Limited it is declared that:

- a) The financial statements and notes comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) Give a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2012 and of their performance, as represented by the results of their operations, for the financial year ended on that date.

In the Directors' opinion:

- a) The financial statements and notes are in accordance with the Corporations Act 2001; and
- b) At the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts when they become due and payable; and
- c) The Directors have been given the declarations by the Chief Financial Officer and Chief Executive Officer required by section 295A of the Corporations Act 2001.

On behalf of the Board



C L READHEAD

Chairman

Perth, 27 September 2012

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HERON RESOURCES LIMITED**

Chartered
Accountants



Report on the Financial Report

We have audited the accompanying financial report of Heron Resources Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report which gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**BUTLER
SETTINERI**

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**Butler Settineri
(Audit) Pty Ltd**
ACN 112 942 373

Registered Company Auditor
Number 289109

*Liability limited by a scheme
approved under Professional
Standards Legislation*

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion, the financial report of Heron Resources Limited is in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 29 to 31 of the directors' report for the year ended 30 June 2012.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Heron Resources Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 27 September 2012

7.0 Shareholder Information

AT 5 SEPTEMBER 2012

1. Issued Shares and Options

a) Distribution of Shareholders:

Size of Holding	Number of Holders	Shares Held
1 - 1,000	260	163,507
1,001 - 5,000	728	2,339,473
5,001 - 10,000	520	4,243,402
10,001 - 100,000	1,015	33,188,809
100,001 -	167	213,050,596
	2,690	252,985,787

b) The twenty largest Shareholders hold 64.81% of the issued fully paid capital of the Company.

c) Substantial Shareholders including related parties who have notified the Company:

Holder	Number of Shares	%
I Buchhorn & related parties	45,436,240	17.96
BHP Minerals Holdings Pty Ltd & related parties	37,577,126	14.85
Vale Inco Ltd	32,440,651	12.82
MBM Corporation Pty Ltd & Chaos Investments Pty Ltd & related parties	20,797,052	8.22

d) There were 695 Shareholders who held less than a marketable parcel.

e) No securities have been classified by ASX as restricted.

VOTING RIGHTS

In accordance with the Company's constitution, voting rights are on the basis of a show of hands, one vote for every registered holder and on a poll, one vote for each share held by registered holders.

Twenty largest Shareholders as at 5 September 2012

	Number of Shares	%
1 Kurana Pty Ltd	34,162,763	13.50
2 BHP Minerals Holdings Pty Ltd	32,937,960	13.02
3 Vale Inco Ltd	32,440,651	12.82
4 Citicorp Nom Pty Ltd	12,952,432	5.12
5 MBM Corporation Pty Ltd	9,480,384	3.75
6 Chaos Investments Pty Ltd	5,952,308	2.35
7 Hazurn Pty Ltd	4,791,554	1.89
8 Mr David James Wardle	4,070,000	1.61
9 Fremont Cat Pty Ltd	2,995,476	1.18
10 Koltai Holdings Pty Ltd	2,973,179	1.18
11 Sheerwater Pty Ltd	2,671,500	1.06
12 Mr Ian James Buchhorn	2,518,241	1.00
13 BHP Minerals Holdings Pty Ltd	2,489,166	0.98
14 BHP Minerals Holdings Pty Ltd Equ	2,150,000	0.85
15 Mrs Pamela Jean Buchhorn	2,137,690	0.84
16 Kimlex Investments Pty Ltd	2,050,000	0.81
17 Mr Oliver Dupuy	2,000,000	0.79
18 Dr Richard Hart	1,830,000	0.72
19 Manorina Mining Pty Ltd	1,825,992	0.72
20 V W Village Investments Pty Ltd	1,559,500	0.62
TOTAL	163,988,796	64.81%

f) Distribution of Option holders

1	5,000,000	exercisable on or before 7 September 2016 for a payment of \$0.6864 per Option
2	2,500,000	exercisable on or before 5 June 2013 for a payment of \$1.50 per Option
3	3,500,000	exercisable on or before 5 June 2013 for a payment of \$2.00 per Option
4	5,250,000	exercisable on or before 5 June 2014 for a payment of \$2.50 per Option
5	4,818,776	exercisable on or before 9 June 2014 for a payment of \$0.30 per Option
6	2,600,000	exercisable on or before 25 June 2014 for a payment of \$0.425 per Option
7	4,750,000	exercisable on or before 23 June 2014 for a payment of \$0.22 per Option
8	4,750,000	exercisable on or before 23 June 2015 for a payment of \$0.27 per Option
9	4,750,000	exercisable on or before 23 June 2016 for a payment of \$0.31 per Option

Size of Holding	Number of Holders	Options Held
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 -	10	37,918,776
	10	37,918,776

Summary of option holders as at 5 September 2012

	Number of Options	% of Issued Options
1 Employees & directors	32,100,000	84.65%
2 Huashan Capital	4,818,776	12.71%
3 Robert George Klug	1,000,000	2.64%
TOTAL	37,918,776	100.00%

8.0 Statement of Mineral Resources

Project	Prospect	Million tonnes ¹	Ni %	Co %	Ni tonnes ¹	Co tonnes ¹	Cut-off %Ni	Category	Estimation Method
Goongarrie	Big Four	40.4	0.77	0.049	311,000	19,800	0.5	Indicated	Recoverable
Goongarrie	Big Four	13.4	0.71	0.045	95,000	6,100	0.5	Inferred	Recoverable
Goongarrie	Goongarrie Hill	66.6	0.67	0.031	446,000	20,600	0.5	Inferred	Recoverable
Goongarrie	Goongarrie South	5.6	1.11	0.107	62,000	6,000	0.5	Measured	Recoverable
Goongarrie	Goongarrie South	48.1	0.85	0.067	409,000	32,200	0.5	Indicated	Recoverable
Goongarrie	Goongarrie South	47.0	0.69	0.035	324,000	16,500	0.5	Inferred	Recoverable
Goongarrie	Highway	52.6	0.72	0.039	379,000	20,500	0.5	Indicated	Recoverable
Goongarrie	Highway	40.4	0.70	0.038	283,000	15,400	0.5	Inferred	Recoverable
Goongarrie	Scotia	11.2	0.77	0.080	86,000	9,000	0.5	Inferred	Krige
Sub-Total Goongarrie		325.3	0.74	0.045	2,395,000	146,100			
Siberia	Siberia South	111.8	0.65	0.035	727,000	39,100	0.5	Inferred	Krige
Siberia	Siberia North	15.5	0.71	0.040	110,000	6,200	0.5	Indicated	Recoverable
Siberia	Siberia North	75.9	0.73	0.033	554,000	25,100	0.5	Inferred	Recoverable
Siberia	Black Range	20.4	0.75	0.102	153,000	20,800	0.5	Inferred	Krige
Siberia	Ghost Rocks	47.3	0.66	0.042	312,000	19,900	0.5	Inferred	Krige
Sub-Total Siberia		270.9	0.69	0.041	1,856,000	111,100			
Total KNP West		596.2	0.71	0.043	4,251,000	257,200			
Bulong	East	16.7	0.90	0.047	150,000	7,800	0.5	Indicated	Krige
Bulong	East	38.0	0.81	0.053	308,000	20,200	0.5	Inferred	Krige
Sub-Total Bulong		54.7	0.84	0.051	458,000	28,000			
Hampton	Kalpini	76.4	0.73	0.044	558,000	33,600	0.5	Inferred	Krige
Total KNP East		131.1	0.77	0.047	1,016,000	61,600			
Total Kalgoorlie Nickel Project		727.3	0.72	0.044	5,267,000	318,800			
Yerilla	Jump-up Dam	3.9	0.94	0.048	37,000	1,900	0.5	Measured	Recoverable
Yerilla	Jump-up Dam	43.2	0.78	0.043	337,000	18,600	0.5	Indicated	Recoverable
Yerilla	Jump-up Dam	20.2	0.63	0.034	127,000	6,900	0.5	Inferred	Recoverable
Yerilla	Boyce Creek	24.3	0.81	0.059	197,000	14,300	0.5	Indicated	Recoverable
Yerilla	Aubils	43.8	0.78	0.066	342,000	28,900	0.5	Inferred	Recoverable
Total Yerilla		135.4	0.77	0.052	1,040,000	70,600			
Company Total		862.7	0.73	0.045	6,307,000	389,400			

Attribution Statement

The information in this report that relates to Mineral Resources or mineralisation is based on information compiled by James Ridley, who is a Member of the Australasian Institute of Mining and Metallurgy.

James Ridley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". James Ridley consented to the inclusion in the report of the matters based on the information in the form and context in which it appears. James Ridley was a full-time employee of Heron Resources Limited. No significant areas of extrapolation are represented in the inferred resources.

¹ Resource tonnages have been rounded to the nearest 100,000 tonnes, Ni metal tonnages have been rounded to the nearest 1000T and Co tonnages have been rounded to the nearest 100T tonnes

9.0 Interest in Mining Tenements

Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km ² Actual	Status	Notes
KALGOORLIE NICKEL PROJECT						
Siberia Project						
Siberia	75km NW of Kalgoorlie	M24/00660	100	1.74	Live	
Siberia	75km NW of Kalgoorlie	M24/00663	100	{3.06}	Live	
Siberia	75km NW of Kalgoorlie	M24/00664	100	1.43	Live	
Siberia	75km NW of Kalgoorlie	M24/00686	100	2.15	Live	
Siberia	75km NW of Kalgoorlie	M24/00658	100	3.75	Live	
Cave Hill	75km NW of Kalgoorlie	M24/00917	100	1.50	Live	
Siberia	75km NW of Kalgoorlie	P24/04202	100	1.98	Live	
Siberia	75km NW of Kalgoorlie	P24/04203	100	1.65	Live	
Siberia	75km NW of Kalgoorlie	P24/04204	100	1.61	Live	
Siberia	75km NW of Kalgoorlie	P24/04205	100	1.93	Live	
Siberia	75km NW of Kalgoorlie	P24/04207	100	1.42	Live	
Siberia	75km NW of Kalgoorlie	P24/04208	100	2.00	Live	
Siberia East	70km NW of Kalgoorlie	P24/04219	100	1.70	Live	
Siberia East	70km NW of Kalgoorlie	P24/04220	100	1.34	Live	
Siberia	75km NW of Kalgoorlie	P24/04206	100	1.81	Live	
Siberia	75km NW of Kalgoorlie	P24/04243	100	1.17	Live	
Siberia	75km NW of Kalgoorlie	P24/04653	100	52.50	Pending	
Siberia North	78km NW of Kalgoorlie	M24/00634	100	1.85	Live	1
Siberia North	78km NW of Kalgoorlie	M24/00915	100	0.70	Live	
Camperdown	78km NW of Kalgoorlie	M24/00916	100	5.44	Live	
Siberia	78km NW of Kalgoorlie	M29/00312	100	4.78	Live	
Siberia North	78km NW of Kalgoorlie	E24/00158	100	2.80	Live	
Siberia	75km NW of Kalgoorlie	P24/04221	100	0.12	Live	
Siberia Tank	75km NW of Kalgoorlie	M24/00665	90	8.25	Live	2
24				103.62		
SMC Siberia Project						
Siberia North	78km NW of Kalgoorlie	M24/00683	100	0.56	Live	
Siberia North	71km NW of Kalgoorlie	M24/00772	100	1.98	Live	
Siberia North	78km NW of Kalgoorlie	M24/00797	100	8.06	Live	
3				10.60		
Black Range Project						
Black Range	63km NW of Kalgoorlie	M24/00757	100	5.91	Live	
Black Range	63km NW of Kalgoorlie	M24/00912	100	2.84	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04395	100	1.92	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04396	100	1.64	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04400	100	2.00	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04401	100	1.90	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04402	100	1.72	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04403	100	1.92	Live	
8				19.85		
Monarch Siberia						
Siberia South	71km NW of Kalgoorlie	M24/00845	100 of Ni only	8.97	Live	3
Siberia South	71km NW of Kalgoorlie	M24/00846	100 of Ni only	6.07	Live	3
Siberia South	71km NW of Kalgoorlie	M24/00847	100 of Ni only	8.12	Live	3
Siberia South	71km NW of Kalgoorlie	M24/00848	100 of Ni only	7.89	Live	3
4				31.05		
Frances Lesley Project						
Carbine North	62km NW of Kalgoorlie	E16/00276	100 of Ni	14.00	Live	3
Carbine North	62km NW of Kalgoorlie	E16/00332	100 of Ni	70.00	Live	3
2				84.00		

Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km ² Actual	Status	Notes
KALGOORLIE NICKEL PROJECT cont						
Theil Well Project						
Theil Well	70km NW of Kalgoorlie	P24/04434	100	1.63	Live	
Theil Well	70km NW of Kalgoorlie	P24/04435	100	1.75	Live	
Theil Well	70km NW of Kalgoorlie	P24/04436	100	1.79	Live	
Theil Well	70km NW of Kalgoorlie	P24/04437	100	1.71	Live	
Theil Well	70km NW of Kalgoorlie	P24/04438	100	2.00	Live	
5				8.88		
Ghost Rocks Project						
Ghost Rocks	145km NNW of Kalgoorlie	M29/00291	100	8.96	Live	
Ghost Rocks	140km NNW of Kalgoorlie	E29/00849	100	112.00	Pending	
2				120.96		
Goongarrie Project						
Scotia Dam	67km NNW of Kalgoorlie	M24/00541	100	5.20	Live	
Scotia North	75km NNW of Kalgoorlie	M24/00744	100	0.06	Live	
Goongarrie West	87km NNW of Kalgoorlie	M29/00167	100	0.80	Live	
Goongarrie West	86km NNW of Kalgoorlie	M29/00202	100	5.94	Live	
Goongarrie South	77km NNW of Kalgoorlie	M29/00272	100	6.03	Live	
Canegrass	74km NNW of Kalgoorlie	M29/00278	100	8.03	Live	
Goongarrie South	75km NNW of Kalgoorlie	M29/00283	100	5.53	Live	
Goon Hill North	100km NNW of Kalgoorlie	M29/00409	100	4.68	Pending	
Goongarrie South	75km NNW of Kalgoorlie	M29/00413	100	8.22	Pending	
Scotia Dam	67km NNW of Kalgoorlie	P24/04531	100	1.83	Live	
Goongarrie West	84km NNW of Kalgoorlie	P29/01951	100	1.82	Live	
Goongarrie West	84km NNW of Kalgoorlie	P29/01952	100	1.54	Live	
Goongarrie West	84km NNW of Kalgoorlie	P29/01953	100	1.08	Live	
Goongarrie	82km NNW of Kalgoorlie	P29/01960	100	0.24	Live	
14				51.00		
Placer Big Four						
Placer Big Four	70km NNW of Kalgoorlie	M24/00731	100	6.03	Live	4
Placer Big Four	70km NNW of Kalgoorlie	M24/00732	100	5.09	Live	4
Placer Big Four	70km NNW of Kalgoorlie	M24/00778	100	8.90	Live	4
Placer Big Four	70km NNW of Kalgoorlie	M29/00169	100	9.74	Live	4
4				29.76		
Highway Project						
Highway	100km NNW of Kalgoorlie	M29/00214	100	9.50	Live	
Highway	90km NNW of Kalgoorlie	M29/00416	87.5	4.50	Live	
Highway	105km NNW of Kalgoorlie	E29/00850	100	44.80	Pending	
3				58.80		
Bulong Project						
Bulong	38km E of Kalgoorlie	M25/00151	100	3.66	Live	
Bulong	38km E of Kalgoorlie	E25/00476	100	30.80	Pending	
Bulong	40km E of Kalgoorlie	M25/00187	100	0.50	Live	
Bulong	40km E of Kalgoorlie	P25/01853	100	0.20	Live	
Bulong	33km NE of Kalgoorlie	E27/00471	100	19.60	Pending	
5				54.76		
Bulong East JV Southern Gold Ltd 60% and right to earn up to 80% interest Heron retains 100% of nickel laterite rights						
Gumbulgera	34km E of Kalgoorlie	M25/00059	100	0.84	Live	6
Bulong	40km E of Kalgoorlie	M25/00111	100	1.19	Live	6
Bulong	40km E of Kalgoorlie	M25/00134	100	8.16	Live	6
Bulong	40km E of Kalgoorlie	M25/00145	100	1.72	Live	6
Bulong	40km E of Kalgoorlie	M25/00161	40	6.40	Live	6
Bulong	40km E of Kalgoorlie	M25/00162	40	3.66	Live	6
Bulong	40km E of Kalgoorlie	M25/00165	40	{4.45}	Pending	6
Bulong	40km E of Kalgoorlie	M25/00171	40	1.01	Live	6

Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km ² Actual	Status	Notes
KALGOORLIE NICKEL PROJECT cont						
Bulong East JV Southern Gold Ltd 60% Heron retains 100% of nickel laterite rights cont						
Bulong	34km E of Kalgoorlie	M25/00191	100	{3.63}	Pending	6
Bulong	40km E of Kalgoorlie	M25/00206	100	2.14	Live	6
Bulong	40km E of Kalgoorlie	M25/00207	100	1.82	Live	6
Bulong	40km E of Kalgoorlie	M25/00208	100	1.21	Live	6
Bulong	40km E of Kalgoorlie	M25/00209	100	9.60	Live	6
Bulong	40km E of Kalgoorlie	M25/00210	100	9.58	Live	6
Bulong	40km E of Kalgoorlie	M25/00220	100	1.21	Live	6
Bulong	34km E of Kalgoorlie	M25/00226	100	{1.21}	Pending	6
Bulong	40km E of Kalgoorlie	M25/00234	100	6.06	Live	6
Bulong	40km E of Kalgoorlie	M25/00260	100	0.04	Live	6
Bulong	40km E of Kalgoorlie	M25/00341	100	0.02	Live	6
Bulong	40km E of Kalgoorlie	P25/01058	100	1.21	Live	6
Bulong	40km E of Kalgoorlie	P25/01061	100	1.20	Live	6
Bulong	40km E of Kalgoorlie	P25/01062	100	1.16	Live	6
Bulong	40km E of Kalgoorlie	P25/01063	100	0.88	Live	6
Bulong	34km E of Kalgoorlie	P25/01175	100	1.21	Live	6
Bulong	34km E of Kalgoorlie	P25/01176	100	1.69	Live	6
Bulong	34km E of Kalgoorlie	P25/01177	100	0.75	Live	6
Bulong	40km E of Kalgoorlie	P25/02050	100	1.20	Live	6
Bulong	40km E of Kalgoorlie	P25/02062	100	1.20	Live	6
Bulong	40km E of Kalgoorlie	P25/02170	100	1.21	Live	6
Bulong	40km E of Kalgoorlie	P25/02171	100	1.21	Live	6
30				67.58		
Kalpini Project						
Wellington North	63km NE of Kalgoorlie	E28/01224	100	47.60	Live	
Acra North	65km NE of Kalgoorlie	M28/00199	100	9.76	Live	
Acra North	65km NE of Kalgoorlie	M28/00201	100	8.96	Live	
Betsy Bore	66km NE of Kalgoorlie	M28/00205	100	8.50	Live	
Wellington West	66km NE of Kalgoorlie	E27/00439	100	2.80	Live	
5				77.62		
YERILLA NICKEL PROJECT						
Boyce Creek Project						
Yerilla SE	140km NNE of Kalgoorlie	E31/00684	100	28.00	Live	5
Boyce Creek	140km NNE of Kalgoorlie	E31/00797	100	19.60	Live	5
Boyce Creek North	146km NNE of Kalgoorlie	M31/00483	100	1.82	Live	5
3				49.42		
Aubils Project						
Aubils	170km NNE of Kalgoorlie	M39/01085	100	{1779}	Pending	5
Kilmore Hill	170km NNE of Kalgoorlie	E39/01120	100	16.80	Live	5
Mt Remarkable	166km NNE of Kalgoorlie	E39/01139	100	28.00	Live	5
Aubils North	170km NNE of Kalgoorlie	E39/01228	100	5.60	Live	5
Kilmore Hill South	170km NNE of Kalgoorlie	E39/01427	100	8.40	Live	5
5				58.80		
Jump Up Dam Project						
Jump Up Dam	129km NE of Kalgoorlie	M31/00475	100	1.21	Live	5
Jump Up Dam	129km NE of Kalgoorlie	M31/00477	100	4.46	Live	5
Jump Up Dam	129km NE of Kalgoorlie	M31/00479	100	27.93	Live	5
Yilgani West	129km NE of Kalgoorlie	P31/01965	100	0.60	Live	5
4				34.20		
Clinker Hill Gold Project JV						
Southern Gold Ltd 51% interest and right to earn up to 80% interest Heron retains 100% of nickel laterite rights						
Clinker Hill	32km ESE of Kalgoorlie	E25/00250	49	16.80	Live	6
Boorara Hill East	25km ESE of Kalgoorlie	E25/00321	49	2.80	Live	6
Bodgie Dam	30km E of Kalgoorlie	E25/00361	49	8.40	Live	6
3				28.00		

Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km ² Actual	Status	Notes
AVOCA DOWNS GOLD PROJECT						
Bare Hill	71km SE of Kalgoorlie	E25/00413	100	36.40	Live	
Avoca North	75km ESE of Kalgoorlie	E28/01814	100	28.00	Live	
Avoca Downs	75km ESE of Kalgoorlie	E28/01838	100	81.20	Live	
Sawmill Dams	80km ESE of Kalgoorlie	E28/02051	100	61.60	Live	
4				207.20		
COOLGARDIE GOLD PROJECT						
Karmindie	28km S of Kalgoorlie	E15/01112	100	25.20	Live	
Yallari	25km SE of Coolgardie	E15/01173	100	36.40	Live	
Horse Rocks	25km SE of Coolgardie	E15/01119	100	22.40	Live	
Sawmill Dams	80km SW of Kambalda	E15/01157	100	22.40	Live	
Binneringie	107km SE of Kalgoorlie	E15/01145	100	16.80	Live	
Binneringie East	107km SE of Kalgoorlie	E15/01313	100	36.40	Pending	
6				159.60		
KURNALPI NICKEL/GOLD PROJECT						
Wellington North	68km NE of Kalgoorlie	M27/00395	100	2.53	Live	
Kurnalpi	88km NE of Kalgoorlie	E28/02184	100	42.00	Pending	
2				44.53		
MT ZEPHYR BASE METAL/GOLD PROJECT						
Zephyr West	72km NE of Leonora	E37/01045	100	75.60	Live	
Mt Zephyr	72km NE of Leonora	E39/00940	100	30.80	Live	
Nambi	70km NW of Laverton	E39/01465	100	8.40	Live	
Zephyr South	70km NW of Laverton	E39/01466	100	25.20	Live	
Mt Zephyr	70km NW of Laverton	E39/01574	100	8.40	Live	
Mt Zephyr	70km NW of Laverton	E39/01575	100	30.80	Live	
6				179.20		
NORSEMAN GOLD PROJECT						
Dundas South	80km S of Norseman	E63/01393	100	176.40	Live	
Beete North	80km S of Norseman	E63/01434	100	11.55	Live	
2				187.95		
SOUTHERN CROSS GOLD PROJECT						
South Rankin	22km S of Southern Cross	E77/01617	100	2.80	Live	
Glasson	170km NE of Southern Cross	E30/00433	100	17.82	Live	
2				20.62		
KIMBERLEY PHOSPHATE/BASE METALS PROJECT						
Fitzroy River	40km South of Derby	E04/01727	100	140.00	Live	7
Mabel Downs	200km NE of Halls Creek	E80/04391	100	81.20	Live	
Margaret River	114km SW of Fitzroy Crossing	E80/04262	100	33.60	Live	
3				254.80		
ALBANY-FRASER NICKEL/REE PROJECT						
Rocky Gully Project						
Rocky Gully West	105km NW of Albany	E70/03878	100	434.00	Live	
Rocky Gully	85km NW of Albany	E70/02801	100	128.80	Live	
2				562.80		
Lake Cowan Project						
Lake Cowan East	71km NE of Norseman	E63/01518	100	196.00	Pending	
Eyre Highway	71km NE of Norseman	E63/01565	100	182.00	Pending	
2				378.00		

Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km ² Actual	Status	Notes
IRON-ORE PROJECTS						
GASCOYNE PROJECT						
Mount Sandiman	186km NE of Carnarvon	E09/01912	100	100.00	Pending	
Aurora Range	123km NNE of Southern Cross	E77/01680	100	25.20	Live	
Carrandibby	110km E of Wooramel	E09/01941	100	308.00	Pending	
3				433.20		
Shay Gap Project						
Shay Gap West	150km E of Port Hedland	E45/03657	100	154.00	Live	
Black Hill	150km ESE of Port Hedland	E45/03478	100	145.60	Live	
2				299.60		
QUEENSLAND BASE METALS PROJECT						
Mt Fort Constantine	43km NE of Cloncurry	EPM19041	100	19.19	Pending	
Kamileroi	75km NE of Kajibbi	EPM19042	100	92.74	Pending	
Mt Fox	36km NW of Kajibbi	EPM19043	100	313.39	Pending	
Mckinlay	6km NW of Mckinlay	EPM19051	100	70.35	Pending	
Mt Boorama	168km SE of Mt Isa	EPM19052	100	246.23	Pending	
Mt Margaret	58km NE of Cloncurry	EPM19053	100	156.69	Pending	
Mt Fort Constantine	28km N of Cloncurry	EPM19054	100	89.54	Pending	
Boat Creek	30km N of Mckinlay	EPM19055	100	121.52	Pending	
Mt Boorama	50km SW of Mckinlay	EPM19056	100	89.54	Pending	
Gunpowder	13km E of Gunpowder	EPM19122	100	89.54	Pending	
Black Mountain	25km N of Burke	EPM19135	100	28.78	Pending	
Black Mountain	53km NNE of Burke	EPM19136	100	201.46	Pending	
Gunpowder	10km SE of Gunpowder	EPM19168	100	28.78	Pending	
Mt Fort Constantine	30km NE of Cloncurry	EPM19191	100	9.59	Pending	
Nettle Creek	47km SW of Mckinlay	EPM19192	100	9.59	Pending	
15				1566.93		
NEW SOUTH WALES GOLD/BASE METALS PROJECT						
East Coolabah	72km NW of Nyngan	EL7951	100	255.00	Live	
South Girilambone	27km NW of Nyngan	EL7955	100	267.00	Live	
Mt Boppy East	50km E of Cobar	ELA4598	100	300.00	Pending	
Canbelego	57km E of Cobar	ELA4599	100	300.00	Pending	
McKinnons South	41km S of Cobar	ELA4604	100	300.00	Pending	
Nyngan West	17 WNW of Nyngan	ELA4605	100	300.00	Pending	
Mt Allen	10km N of Mount Hope	ELA4609	100	300.00	Pending	
7				2022.00		
Total Area				7205.33		

NOTES

- 1 Britannia Gold retained precious metal rights
- 2 Impress Ventures Ltd has a 10% equity free-carried interest to a decision to mine.
- 3 Monarch Gold Limited has gold rights
- 4 Heron has full rights to non-gold minerals with Placer Dome Australia Limited retaining certain rights to gold.
- 5 Heron has entered a binding framework agreement with Ningbo Shanshan Co Ltd, Shanshan may earn a 70% interest in the Yerilla Nickel-Cobalt Project.
- 6 Southern Gold Ltd earning up to an 80% interest through expenditure on exploration (Heron retains nickel laterite rights)
- 7 Potash West Ltd earning up to 80% interest through expenditure on exploration

Areas in brackets not included in area totals due to overlying tenure.

Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km ² Actual	Status	Notes
RETAINED INTEREST PROJECTS						
ST IVES PROJECT						
St Ives Gold Mining, HRR retain a royalty on gold production and the right to explore and mine nickel & base metals						
Lake Lefroy	68km SE of Kalgoorlie	E15/00927	100	5.60	Live	
Marloo Dam north	70km SE of Kalgoorlie	E15/01005	100	67.20	Live	
Lake Lefroy	60km SSE of Kalgoorlie	E15/01010	100	53.20	Live	
Lake Lefroy	68km SE of Kalgoorlie	E15/01040	100	14.00	Live	
Yacca Hill	70km SE of Kalgoorlie	E15/01083	100	2.80	Live	
Marloo Dam	70km SE of Kalgoorlie	P15/05265	100	0.54	Live	
6				143.34		
YARRI PROJECT						
Yarri Battery & Resources, HRR retain a royalty on gold production						
Yarri	136km NE of Kalgoorlie	P31/01788	100	1.66	Live	
Yarri	136km NE of Kalgoorlie	P31/01789	100	1.64	Live	
Yarri	136km NE of Kalgoorlie	P31/01790	100	1.12	Live	
Yarri	137km NE of Kalgoorlie	P31/01791	100	0.19	Live	
Banjo Well	141km NE of Kalgoorlie	P31/01792	100	1.80	Live	
Banjo Well	141km NE of Kalgoorlie	P31/01793	100	1.80	Live	
Banjo Well	141km NE of Kalgoorlie	P31/01794	100	1.10	Live	
7				9.31		
KCGM GIDGI PROJECT						
KCGM; HRR retain a royalty on certain gold production						
Gidji	14km N of Kalgoorlie	E26/00124	100	58.80	Live	
Gidji	14km N of Kalgoorlie	P24/04147	100	0.19	Live	
Gidji	14km N of Kalgoorlie	P26/03481	100	1.56	Live	
Five Mile Hill South	10km NE of Kalgoorlie	P26/03757	100	1.78	Live	
Five Mile Hill North	10km NE of Kalgoorlie	P26/03758	100	1.86	Live	
Five Mile Hill	6km NNE of Kalgoorlie	P26/03360	100	0.89	Live	
Five Mile Hill	6km NNE of Kalgoorlie	P26/03361	100	0.18	Live	
Five Mile Hill	6km NNE of Kalgoorlie	P26/03362	100	1.40	Live	
Five Mile Hill	6km NNE of Kalgoorlie	P26/03493	100	1.55	Live	
Five Mile Hill	6km NNE of Kalgoorlie	P26/03494	100	1.51	Live	
Five Mile Hill	6km NNE of Kalgoorlie	P26/03495	100	2.00	Live	
Five Mile Hill	6km NNE of Kalgoorlie	P26/03496	100	2.00	Live	
Gidji	8km NNE of Kalgoorlie	P26/03572	100	1.60	Live	
13				75.32		
SOUTHERN CROSS PROJECT						
Cliffs Asia Pacific Iron Ore Pty Ltd, HRR retain a royalty on iron ore production						
Cliffs Asia Pacific Iron Ore Pty Ltd responsible						
Metzke	104km WNW of Menzies	E29/00710	100	47.60	Live	
Lake Barlee	130km N of Southern Cross	E30/00368	100	117.60	Live	
Riverina	104km WNW of Menzies	E29/00736	100	22.40	Live	
3				187.60		

10.0 Glossary

"**Acid Leaching**" means:

"**HPAL**" means Pressure Acid Leach, a nickel laterite hydro-metallurgical processing technique in which Goethite Ore and Nontronite Ore are dissolved in hot high pressure sulphuric acid contained within a titanium-lined reaction vessel termed an autoclave, to release nickel and cobalt into solution, for precipitation as an intermediate product or electroplating as a pure metal.

"**Adit**" means a horizontal tunnel from surface accessing an orebody.

"**Anomaly**" means a value higher or lower than expected, which outlines a zone of potential exploration interest but not necessarily of commercial significance.

"**Archaean**" means a period of geological time spanning 3.8 to 2.5 billion years before present.

"**Beneficiation**" means physical process by which mined ore can be improved in grade by screening or gravity.

"**Carbonatite**" means a rare intrusive or extrusive igneous rocks defined by mineralogical composition consisting of greater than 50 percent carbonate minerals. Carbonatites sometimes contain economic or anomalous concentrations of rare earth elements, phosphorus, niobium, uranium, thorium, copper, iron, titanium, barium, fluorine, zirconium, and other rare or incompatible elements.

"**Decline**" means an declined tunnel accessing an orebody.

"**Deleterious elements**" means elements contained in the saleable product, above a predetermined level may attract a penalty from refiners.

"**Diamond Drilling**" means a drilling method that used diamond impregnated cutting bit to cut a core of rock from the area being drilled.

"**Feasibility Study**" has three progressively more detailed stages, and means:

"**Scoping Study**" means a first pass estimate of engineering requirements and costs of a mining operation, processing plant and plant infrastructure. Included in the cost estimates will be infrastructure, tailings disposal, power supply, and owner's costs. The plant design may change as a result of test-work analysis, optimisation studies and engineering improvements performed during execution of the follow-up Pre-feasibility Study. Operating and capital cost estimates are to an order of magnitude accuracy of $\pm 35\%$.

A "**Pre-feasibility Study**" (PFS) is an engineering and cost study of a mining operation, processing plant and plant infrastructure, which for the Kalgoorlie Nickel Project includes a flow sheet that covers ore beneficiation, high pressure acid leach, CCD washing, solution purification and cobalt and nickel extraction as an intermediate precipitate. Included in the cost estimates will be infrastructure, tailings disposal, power supply, and owner's costs. The plant design may change as a result of test-work analysis, optimisation studies and engineering improvements performed during execution of the Pre-feasibility Study. Operating and capital cost estimates are to an accuracy of $\pm 25\%$. In the case of the Kalgoorlie Nickel Project, the drill density would be such that the resource status is Indicated Mineral Resource.

A "**Definitive Feasibility Study**" (DFS) means a feasibility study undertaken to a high degree of accuracy which may be used as a basis for raising finance for the construction of a project.

"**km**" means kilometres.

"**KNP**" means Kalgoorlie Nickel Project, a nickel laterite project located through an arc 30-150km north-north west to east of Kalgoorlie.

"**Level**" means a horizontal series of developments all at the same distance measured from the surface.

"**Limonitic**" means iron oxide.

"**m**" means metres.

"**mt**" means million tonnes.

"**Mineralisation**" means, in economic geology, the introduction of valuable elements into a rock body.

"**Ni**" means nickel.

"**Nickel Laterite**" means nickel and cobalt occurring as an oxidised hydrated iron oxide, ferruginous clay, smectite clay, chlorite and serpentine assemblage overlying weathered ultramafic rock.

"**Nickel Sulphide**" means nickel and copper occurring as an un-oxidised sulphide assemblage associated with fresh ultramafic rock.

"**Nickeliferous**" means nickel bearing rock, mineral ore or sample.

"**Nontronitic**" means a green clay developed from weathering some ultramafic rocks.

"**Option**" means a Share Option to subscribe for fully paid ordinary shares in Heron.

"Project" means a grouping of prospects within a specific geographic location, often with a common geological setting.

"Prospect" means a target upon which exploration programs are planned or have commenced.

"Protolith" means an original rock type prior to weathering, alteration or metamorphism.

"Province" means a grouping of projects within a geological district defined by a major mineralised crustal structure.

"RAB drilling" means the drilling technique in which a sample is returned to surface outside the rod string by compressed air. Sample quality is poor.

"RC drilling" means the drilling method employing a rotating or hammering action on a drill bit which returns a sample to the surface inside the rod string by compressed air. Sample quality is very good, particularly if the drill hole is dry.

"Resources and Ore Reserves" means:

"Proved Ore Reserve" is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include Feasibility Studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. The term "economic" implies that extraction of the Ore Reserve has been established or analytically demonstrated to be viable and justifiable under reasonable investment assumptions. Proved Ore Reserve will require some degree of lateral continuity validation through diamond drilling, wide diameter (900mm) bulk sample drilling, trial mining, exploration winze or most likely for Kalgoorlie Nickel Project, 10x10m pattern RC drilling.

"Measured Mineral Resource" is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity. At the Kalgoorlie Nickel Project, Heron's least dense drill RC pattern for Measured Mineral Resource status is 40x20m.

"Indicated Mineral Resource" is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and / or grade continuity but are spaced closely enough for continuity to be assumed. At the Kalgoorlie Nickel Project, Heron's least dense RC drill pattern for Indicated Mineral Resource status is 80x40m.

"Inferred Mineral Resource" is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and / or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability. At the Kalgoorlie Nickel Project, Heron's least dense RC drill pattern for Inferred Mineral Resource status is 400x80m.

"ROM" means run-of-mine ore, referring to the grade and type of ore that is expected to be fed to the processing plant on a day to day basis.

"Saprolite Ore" means nickel laterite mineralisation consisting of hydrated magnesium silicate minerals with nickel and cobalt occurring in association with the silicate phases. The ore is a weathered clay-rich rock which retains original rock textures, and is significantly more competent than Nontronite, Manganiferous, Goethite or Siliceous Ore.

"Siliceous Ore" means nickel laterite mineralisation consisting of chalcedonic silica and hydrated iron oxide with nickel and cobalt occurring in association with iron and manganese oxide minerals. The ore nickel and cobalt grades may be increased by 50-100% through wet screening and rejection of low grade siliceous fragments within the ore. Total SiO₂ exceeds 40%.

"VMS" means Volcanogenic Massive Sulphide ore deposit where massive iron sulphides formed associated with volcanic rocks commonly enriched in copper, zinc, lead, silver and gold.

"WWF" means Walter Williams Formation, an ultramafic rock consisting dominantly of the magnesium silicate mineral olivine which weathers to form nickel laterite ore. The unit is named in honour of the late 19th Century prospector, Walter Williams, who perished from thirst at Ghost Rocks.

"Ultramafic" means rocks composed almost entirely of mafic minerals which are prospective for nickel mineralisation.

"XRF fusion" means an assay technique using X-ray fluorescence spectroscopy on a fused glass button of powdered rock sample.



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and hard work**



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