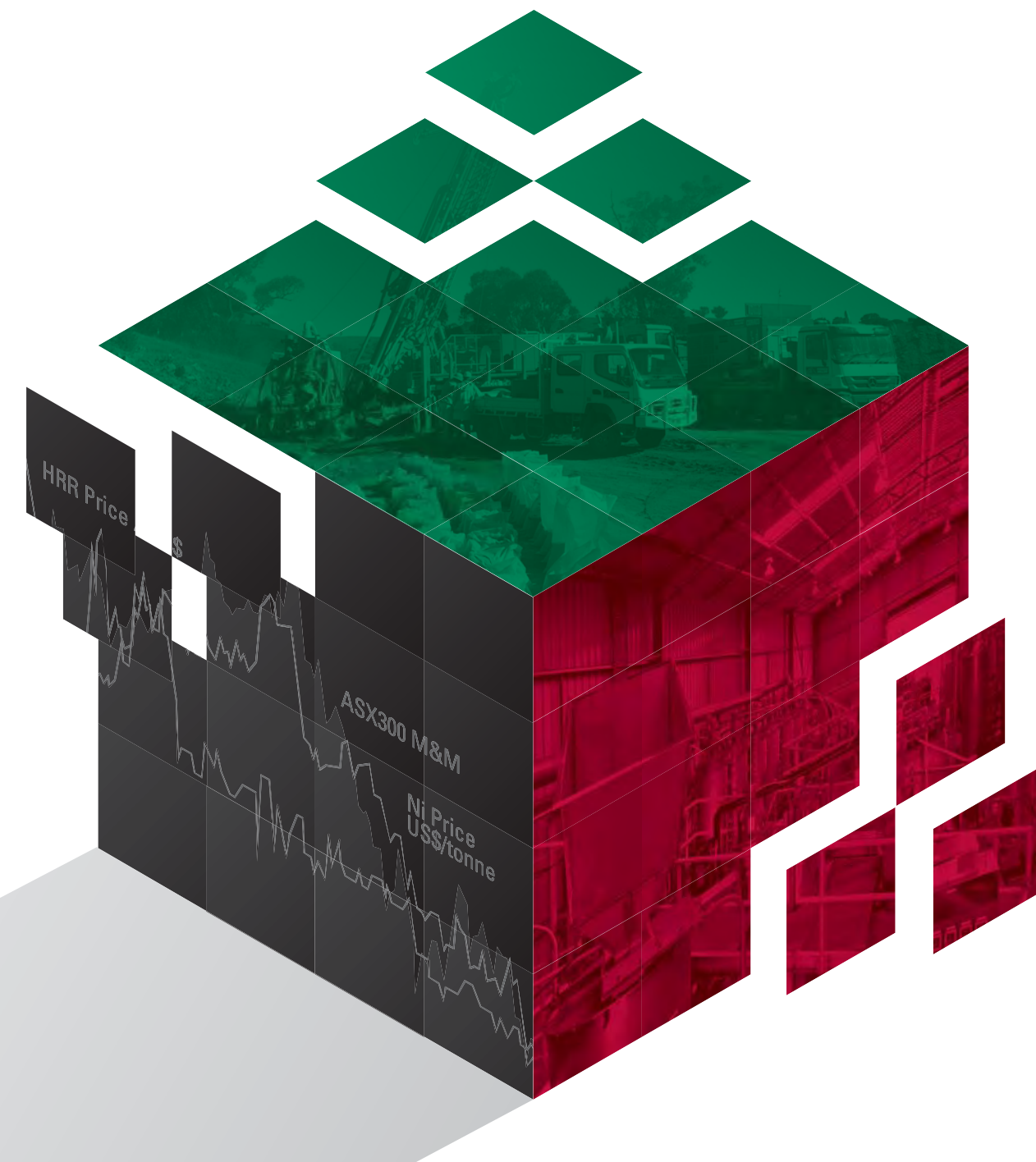




**Heron Resources Limited**  
Annual Report 2013





## Heron Resources Limited

ABN 30 068 263 098

# 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

#### Director (Non-Executive)

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

### COMPANY SECRETARY

Bryan Horan FCCA.

### REGISTERED OFFICE

Level 1, 37 Ord Street

West Perth 6005 Western Australia

Telephone: +61 8 9215 4444

Facsimile: +61 8 9215 4490

Email: [heron@heronresources.com.au](mailto:heron@heronresources.com.au)

Website: [www.heronresources.com.au](http://www.heronresources.com.au)

### SHARE REGISTRY

#### Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross 6153 Western Australia

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

Email: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

### 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

GICS classification code is 15104020

Diversified Metals and Mining

### ISIN

AU000 000 HRR6

*Cover graphics represent the Company's three principal spheres of operation; Business Development, Exploration and Projects. All three spheres are attuned to prevailing market circumstances and the opportunities that arise. Strategy and Support: DBM*

# Highlights

\$39.6M cash and \$3.3M investments  
as at 30 June 2013

## Business Development

The Company continues to review business development opportunities in Australia and overseas, to acquire operating mining assets, pre-development resources, or advanced stage exploration projects. It is a key objective of the Company to complete a significant transaction when a suitable opportunity is identified.

## Exploration Projects

Active drilling throughout the year, 110 holes for 5,037 metres.

- **New South Wales - Copper-Gold Exploration**

The Company's 100%-owned tenement portfolio in NSW continues to grow with some **3,700km<sup>2</sup> in the Lachlan Fold Belt** now under application or granted.

Currently active field programs include:

- Gundagai Gold Project, a 15 hole RC drilling program for 1,609 metres has been completed. Drilling targeted bulk tonnage gold systems below the historic Big Ben lode workings. Results include 20 metres at 1.58g/t gold from 27 metres.
- Mt Allen, Osterley Downs and Nymagee East Copper-Gold Projects, surface EM and soil geochemical surveys are defining "Mallee Bull-style" polymetallic targets. Preliminary EM results for Osterley Downs have revealed a subtle bedrock conductor that is being followed up with further soil auger geochemical surveys.
- Sussex Copper-Gold Project, soil auger sampling and aeromagnetic data modeling has defined a high priority target located 11 kilometres northeast of the Mt Boppy gold mine.
- Coolabah Copper-Gold Project, a strong copper anomaly over a 1 kilometre strike was returned from Heron's soil auger sampling located 3 kilometres northwest of the Avoca Tank copper-gold discovery. EM follow up is planned.

- **West Australia – Nickel and Gold Exploration**

- Big Four Gold Project, a 673 metre RAB program in 26 holes was completed, best result 12 metres at 1.12g/t gold.
- Siberia South Gold Project, 480 metre RAB program in 33 holes completed, best result 8 metres at 1.90g/t gold.
- Bedonia Nickel-Copper Project, "Nova-style" nickel-copper target, EM surveying identified conductors coincident with coherent geochemical anomalies and magnetic anomalies, 814 metre RC program in 4 holes was completed.

## Development Project

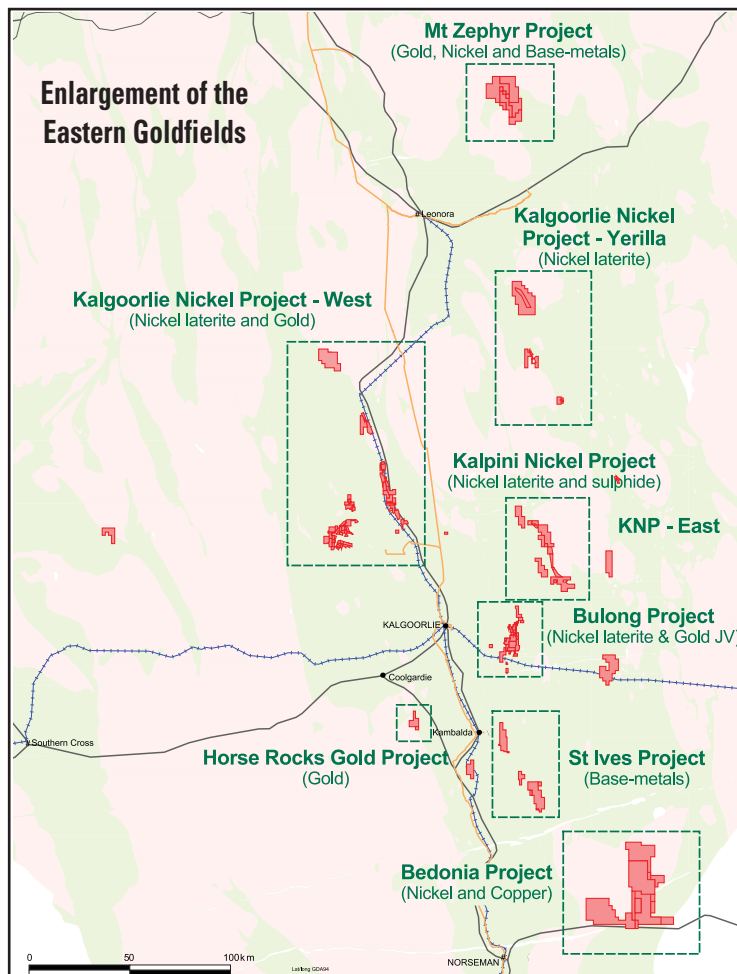
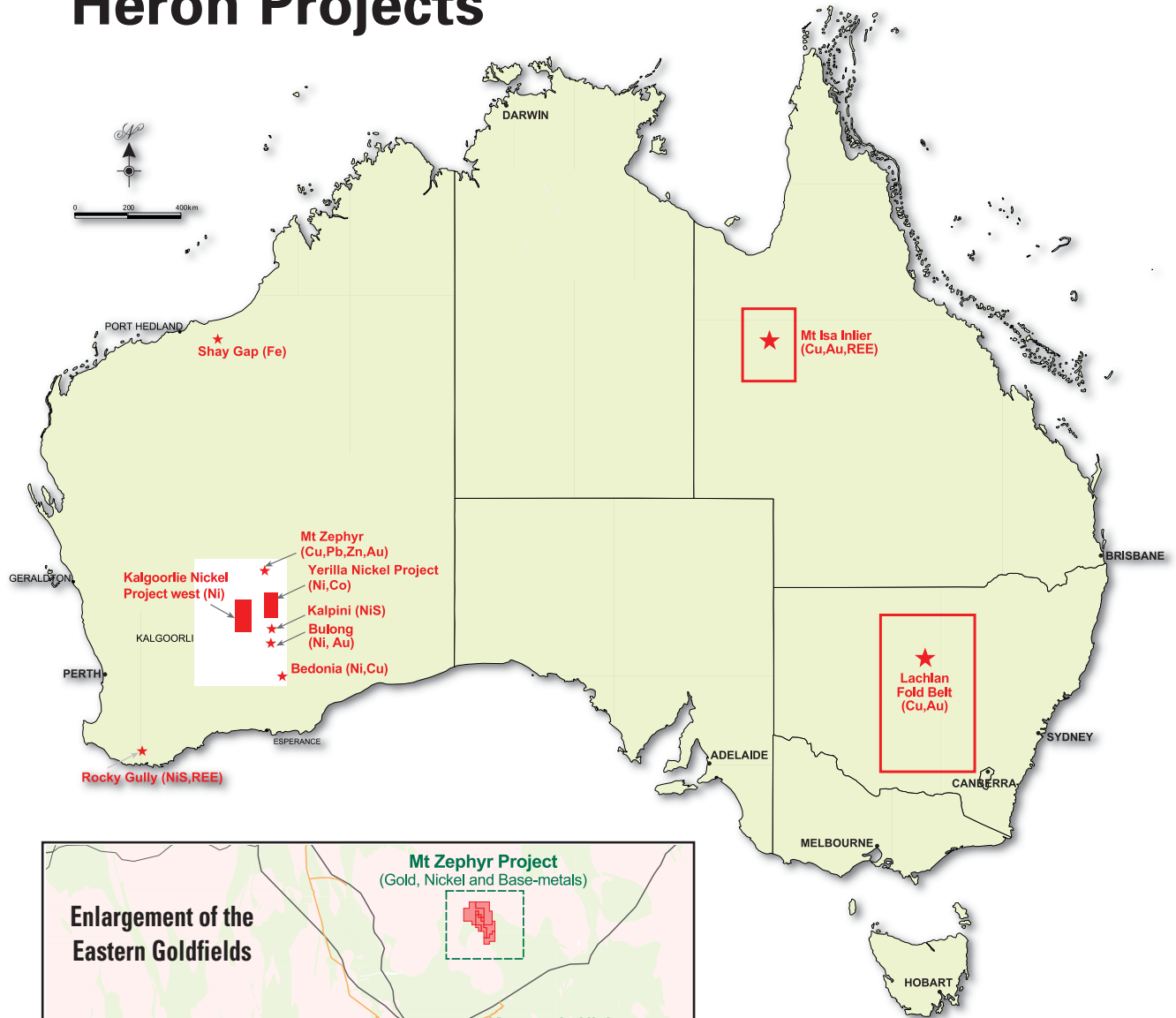
- **Kalgoorlie Nickel Project (KNP)**

- **Simulus Engineers**, agreement signed to undertake metallurgical testwork using sulphuric acid leaching on various KNP ore-types, and to produce a Scoping Study on the applicability of Simulus' innovative reagent recovery technology to the KNP.
- **Direct Nickel**, testwork continues after favourable results at the Highway Prospect, with up to 98% nickel recoveries using nitric acid leaching.





# Heron Projects



Heron has active gold, copper and nickel exploration programs in NSW, WA and Queensland all focussed on generating drill targets leading to economic discoveries.

Figure 1: Tenement Holdings





# Chairman's Letter

## Dear Shareholders,

2013 has been a year of steady advancement for Heron against a backdrop of extremely challenging equities markets both in Australia and elsewhere with many resource companies experiencing weaker equity prices. Heron responded to this difficult market situation by divesting non-core assets and deferring non-essential expenditure.

However, with a **cash balance of \$39.6 million as at 30 June 2013**, we saw the opportunity to take a somewhat counter cyclic view on project and tenement acquisition and in the latter part of the year significantly re-built our management team and commenced aggressive project and exploration licence evaluation with a particular focus on the Lachlan Copper-Gold Province of NSW. The aim is to take full advantage of the opportunities which invariably arise in stressed markets.

The Company has three principal spheres of operation; **Business Development** led by General Manager Strategy and Business Development Charlie Kempson, **Exploration** led by General Manager Exploration Dave von Perger and his team of four, and **Projects** which are coordinated by Managing Director Ian Buchhorn. All three spheres are attuned to prevailing market circumstances and the opportunities that arise.

## Business Development

With its robust cash position and in-house expertise, the Company is in a particularly strong position to take advantage of business development opportunities, both in Australia and overseas. It aims to acquire operating mining assets or pre-development projects in order to enhance long-term value for Shareholders. The Company has reviewed numerous business development opportunities over the last year and currently has a number of promising opportunities under consideration. The style of opportunity tends to be focused on consolidation within a particular mining field or commodity, and seeks to utilize Heron's cash and management expertise to facilitate a step-change in the target's operations. The appointment of Charlie Kempson in March 2013 to a leadership role has increased the depth of our Business Development team.

## Exploration

The Company is continuing its exploration programs on its existing assets and is seeking additional exploration opportunities to supplement its exploration portfolio. During the year, Heron continued to acquire exploration licences in the Lachlan Fold Belt of New South Wales, targeting the world-class styles of copper-gold mineralization which is characterized by that area. This exploration activity commonly complements our business development targets.

Over the last twelve months a number of field exploration programs have been completed, particularly in NSW, with initial drilling of the **Gundagai** prospects returning ore grade gold. Additionally, the active gold exploration program on the KNP tenure has yielded encouraging results at the **Big Four**, **Siberia South** and **Black Range** prospects, all of which have yielded ore grade intersections.

## Projects

At current nickel prices, Heron's Kalgoorlie Nickel Project (**KNP**) is unlikely to be developed as a High Pressure Acid Leach project because it does not provide an acceptable risk adjusted rate of return for the development capital required (estimated to be in excess of \$2 billion). As Shareholders will be aware, since the withdrawal of Vale Inco from the project in 2009, the Company has significantly ramped up its metallurgical studies on the KNP, with these now being focused on low capital cost opportunities and feedstock re-cycling with the aim of generating substantial improvements to both the capital and operating characteristics of the KNP flowsheet.

The metallurgical testwork program continues using the **Direct Nickel** nitric acid leach technology which shows encouraging recoveries.

In addition, we have recently commenced a new program with **Simulus Engineers** using sulphuric acid leaching and reagent recycling. The Company intends to maintain its 100% ownership of the KNP project and will keep the project under constant review as the nickel price improves and technical developments for nickel laterite projects continue to evolve. Future development scenarios include both joint venture or spin-out of the KNP assets in conjunction with a strategic development partner.

In conclusion, I will reiterate that the Management and Board 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, who have worked very hard during the year to ensure that we make the most of our assets and the opportunities.

My thanks must go as well to our loyal Shareholders who continue to support us. While I understand the frustration that some of us may feel, rest assured that no stone is being left unturned in our quest to create real value for all Shareholders.

**Craig Readhead**  
Chairman



# Directors & Management

**CRAIG LESLIE READHEAD**

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

Craig Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialization 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.

**BRYAN HORAN**

FCCA.  
COMPANY SECRETARY & FINANCIAL  
CONTROLLER

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.

**STEPHEN BRUCE DENNIS**

BCom, LL.B., GDipAppFin (Finsia), CFTP  
DIRECTOR (NON-EXECUTIVE)

Stephen Dennis has been actively involved in the mining industry for over 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. Mr Dennis is non-executive Chairman of Cott Oil and Gas Limited.

**DAVID VON PERGER**

BSc (Hons) MAusIMM  
GENERAL MANAGER EXPLORATION

David von Perger was appointed to this position in February 2006. Mr von Perger is a geologist with some 20 years experience in mineral exploration. Mr von Perger has worked on several important styles of mineral deposits. 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 joining 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.

**IAN JAMES BUCHHORN**

BSc (Hons), DiplGeosci (Min Econ),  
MAusIMM  
MANAGING DIRECTOR (EXECUTIVE)

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, as well as setting up and managing Australia's first specialist mining grade control consultancy. Mr Buchhorn has worked on feasibility studies, industrial mineral mining and exploration, gold and base metal project generation, and in corporate evaluations. For the last 25 years Mr Buchhorn has developed mining projects throughout the Eastern Goldfields of Western Australia and operated as a Registered Mine Manager.

**CHARLIE KEMPSON**

MEng (Oxon) MBA GAICD  
GENERAL MANAGER STRATEGY &  
BUSINESS DEVELOPMENT

Mr Kempson is a senior corporate finance executive who was most recently an equity partner and Director of Azure Capital Limited, a mining focused corporate advisor, where he worked for nine years advising across a range of industries including mining, oil & gas and related services on business development, corporate strategy, finance, and mergers and acquisitions. Prior to his arrival in Australia in 2002 Mr Kempson spent five years with investment banks Commerzbank AG and Barclays Capital in London and Germany, and four years working in technical roles for Logica (now part of CGI Group).

The Company has three principal spheres of operation; Business Development, Exploration & Projects. The Board and Management work together to complete cost effective evaluations aimed at creating Shareholder value.



# 1.0 Managing Director's Report

In October 2012, Mr Ian Buchhorn resumed the role of Managing Director which he previously held from 1996 to 2007.

At the November 2012 Annual General Meeting, Non-executive Director Mr Ken Hellsten retired, ending six years of outstanding contribution to Heron. Ken's support and valuable contribution is most appreciated.

Following on from these changes, the Board has taken the opportunity to undertake a review of the Strategic Plan of the Company in consultation with key Shareholders. The objective of this review was to provide strategic direction for Heron's key activities, primarily in the areas of Business Development, Exploration and Projects. The Company is very fortunate to be in a uniquely strong financial position, and this enables Heron to pursue a more aggressive and focused strategy, particularly with respect to exploration and business development activities.

The Company has maintained its strong cash position, and at 30 June 2013 held \$39.6 million in cash and \$3.3 million in listed investments. Being in this strong financial position enables the Company to vigorously pursue new business development opportunities as and when they are identified. Additionally, as soon as drill targets are identified by the Exploration Team, the Company has unfettered capability to quickly drill these targets. For both the Business Development and Exploration activities of the Company, this strong cash position ensures a robust pipeline of opportunities are available to Heron.

## BUSINESS DEVELOPMENT

The Company's growth strategy in 2013 was strongly aligned to seeking out new Business Development opportunities, and in parallel pursuing a more active Exploration effort.

Mr Charlie Kempson was appointed General Manager, Strategy & Business Development in March 2013. Mr Kempson's skills in strategic analysis and mergers & acquisitions has significantly enhanced the Company's ability to identify suitable Business Development opportunities and to undertake a major transaction.

A strategic framework for Business Development has been adopted:

### Preferred Investments

- Production mining operation, targeting good quality ore bodies.  
*The operation benefits from Heron's cash injection, facilitates a step change in the operation.*
- Near-production mining operation.  
*Heron facilitates the equity funding component of the project funding package.*
- Feasibility stage project.  
*Heron funds the resource drill-out and Feasibility Studies to facilitate future project funding.*

### Preferred Locations and Commodities

- WA – gold, nickel, base metals.  
*Heron has good operational experience in the jurisdiction, and acquisition targets commonly complement the KNP.*
- NSW – copper-gold, base metals.  
*Complements Heron's extensive Lachlan Fold Belt exploration holding.*
- International – bulk commodities.  
*Essential that common-user infrastructure is available, and minimal sovereign risk.  
Targeting east and north Asia markets (seek projects in Australia or west coast Americas).*



For the foreseeable future, identifying suitable new Business Development opportunities will remain a prime focus for the Company, as a means to fast-track the acquisition and development of mineral production cash-flow.





## EXPLORATION

A strategic framework for Exploration throughout Australia has been adopted (Figure 1, 2 and 9):

### Copper-Gold Targets – Lachlan Fold Belt of NSW

- Copper and gold are widely traded commodities, and are a good mix in that strong global economic activity favours copper, while economic uncertainty favours gold.
- Premium copper-gold exploration belts are available in Australia, being the Lachlan Fold Belt of NSW (Cadia, North Parkes porphyry) and Cloncurry NW Queensland (Ernest Henry).
- Heron exploration projects are all acquired 100% unencumbered through tenement applications, with applications first requiring identified drill targets in a prior exploration review.

### Nickel-Copper-PGM Sulphides – Albany-Fraser Mobile Zone of WA

- Targeting the Proterozoic mobile belts that flank the Yilgarn Archaean greenstone belts, where Heron has an existing exploration presence.
- Commodities complement the KNP nickel laterite.
- Current active exploration at Bedonia (EM and auger geochemistry completed, anomaly has had initial drill testing).

### Gold – Archaean of WA

- Focus is the Kalgoorlie province greenstones, in particular systematically evaluating existing KNP tenure.
- Gold exploration alone maintains the KNP in good standing, so preserving the KNP asset value.

### Heron Exploration Targets all have 100% Heron ownership

- This avoids onerous conditions precedent, free-carried interests and royalty liabilities.
- Quick decisions can be made regarding further exploration programs or relinquishment.

### Drilling is the Focus

- Unless a drill target is readily generated, Heron simply doesn't apply for the ground.
- Targeting is based on Heron's sophisticated data interrogation capability and long-standing field knowledge of the target provinces.



Big Ben quartz veining

The Company's 100%-owned tenement portfolio in NSW continues to grow with some 3,700km<sup>2</sup> in the Lachlan Fold Belt now under application or granted, and continual soil auger geochemistry and ground EM surveys being implemented.

From July 2012 to June 2013, Heron completed the following drilling programs:

Prospect	Drill Type	Holes Drilled	Metres Drilled	Comments
<b>NSW</b>				
Girilambone	RC	7	1,270	Good alteration up to 1,000ppm Cu in RC drilling, further drilling planned
Gundagai	RC	15	1,613	Several ore intercepts, peak 20m @ 1.58g/t Au, 8m @ 1.07g/t Au
<b>WA</b>				
Mt Zephyr	DDH	1	394	19m @ 0.21% Zn and 27m @ 0.14% Zn - distal part of large VMS system
Big Four	RAB	26	673	12m @ 1.12g/t Au
Horse Rocks	RAB	28	607	Further follow-up planned to test broad anomalous intercepts
Siberia South	RAB	33	480	8m @ 1.9g/t Au, 8m @ 1.33g/t - RC follow-up being undertaken
<b>Total</b>		<b>110</b>	<b>5,037</b>	



## DEVELOPMENT PROJECTS

The Kalgoorlie Nickel Project (KNP) remained the primary development focus of Heron during 2013, with targeted metallurgical test-work completed.

- **KNP Option Value**

*A world-class mineral resource, PFS completed in 2009 by the world's leading nickel company in Vale Inco*

*~\$100 billion in-ground value – such an asset in a \$37 million market capitalization company such as Heron represents significant option value.*

- **KNP Option Value will continue to be preserved by Heron, through targeted development studies**

- **High Pressure Acid Leach (HPAL) Technology**

*HPAL is a proven technology for nickel laterite processing, so is bankable, subject to refining the flowsheet with reagent recycling and ambient pressure leaching.*

*Any future HPAL development of the KNP by Heron will unequivocally be as a partnership, most likely with a downstream Stainless Steel Materials end-user.*

- **Heron strategy is to optimize existing industry-accepted laterite technologies and apply them to the KNP**

- **Technology Partnerships and Alternatives**

Heron is aiming for lower capex cost development of segments of the KNP, facilitated by Heron and a specialist technology partner.

*Simulus Engineering, using sulphuric acid leaching and reagent recovery for all KNP nickel ores, including Yerilla.*

*Direct Nickel, using nitric acid leaching and reagent recovery focussing on Highway nickel ore.*

*Heap Leach, focussing on Bulong and Kalpini saprolite nickel ore.*

*Iron-Nickel Segregation Roast, focussing on Goongarrie and Siberia goethite nickel ore.*





## 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 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.

#### 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 minimizing environmental impacts, but also ensuring that business activities remain in regulatory compliance. Our activities continue to be scrutinized 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 thirteenth year of donations to the Central Goldfields Education Trust (CGET) which was established by Heron in 2000. To date we have proudly donated over \$200,000, benefiting numerous local students. The Heron Trust supports students in completing their secondary graduation, encouraging entry to tertiary education and professional employment, and making a real difference to Indigenous education in the Goldfields.



### Competent Persons Statement

*The information in this report that is related to Heron’s exploration activities is based on information compiled by David von Perger who is a member of Australian Institute of Mining and Metallurgy. David von Perger is a full time employee of Heron Resources Limited and has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration, and to the exploration activity that is being undertaking to qualify as Competent Person as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. David von Perger consents to the inclusion in this report of the matters based on his information in the form and context that it appears.*



## NEW SOUTH WALES COPPER-GOLD PROJECTS (all projects 100% Heron)

**Heron Resources Limited**

**Figure 2: Lachlan Fold Belt tenure and mineralization**

The map illustrates the Lachlan Fold Belt region, showing Heron Resources Limited's tenure and mineralization. Key features include:

- Basins and Regions:** Great Australian Basin, Sydney Basin, Murray Basin, Lachlan Fold Belt, NSW, VIC.
- Projects and Mines:**
  - Girilambone Project:** Soil Cu anomaly, Follow-up with EM 3km from Avoca Tank.
  - Sussex Project:** Avoca Tank Cu/Au, Girilambone Cu/Au.
  - Osterley Project:** EM anomaly adjacent to gossan zone being followed up with soil auger.
  - Mt Allen Project:** Four structural targets being followed up with soil auger programs.
  - Nymagee Project:** Delby - 300ppm Cu in soils over 800m - requires follow-up EM.
  - Eurow Project:** Historic Cu/Au resource, Sulphide/magnetite bodies, Walk up drill targets into EM conductors. Historic intercepts: 8m @ 2.94% Cu, 0.85g/t Au, 4.4m @ 1.57% Cu, 0.63g/t Au.
  - Gundagai Project:** Basin Creek copper, Historic intercepts: 4.5m@18% Cu, 4.5m@3.1% Cu, 3.0m@5.5% Cu. Follow-up with EM & deeper drilling.
  - Tarago Project:** Initial ground position over Silurian Volcanics.
  - Perseverance Project:** Historic Coppabella Pb/Ag/fluorite mine, Plus several high grade gold prospects.
- Other Mines and Deposits:** Endeavour Zn/Pb/Ag Mine, CSA Cu/Ag Mine, COBAR, Peak Au/Cu Mine, Restdown Au Mine, McKinnon Au Mine, Nymagee Cu Deposit, Wona Winta Ag Mine, Mallee Bull Cu Peel Resource Ltd (Expl), May Day Au, Wagga Tank Au/Zn/Cu, Mt Hope Cu/Au, Mt Solitary Au Prospect, Iron Duke Au/Cu, Mineral Hill Au/Cu Mine, Northparkes Cu/Au Mine, Tomingley Au Project, Peak Hill Au Mine, Copper Hill Cu/Au, McPhillamys Au Deposit, Cadia Ridgeway Cu/Au Mine, Cargot Au/Cu Deposit, Cowal Au Mine, Marsden Cu/Au, Yiddah Au/Cu Deposit, Temora Cu/Au Deposit, WEST WYALONG, YOUNG, GOULBURN, CANBERRA, WAGGA WAGGA, DENILIQUIN, ALBURY, COOMA.
- Legend:**
  - Granted Heron Tenements (Red)
  - Pending Heron Tenements (Orange)
  - Copper/base-metal/gold mines and significant occurrences (X)
- Scale:** 0 to 100 kilometers.



## GUNDAGAI GOLD-COPPER PROJECT

The Gundagai tenements and applications covering some 500km<sup>2</sup> (Figure 3) are located 315km southwest of Sydney. Several old gold workings hosted by mineralized porphyry units exist in the Heron tenement area with mining dating back to 1842, however prior to Heron's involvement there has been little or no modern exploration.

### Big Ben Gold Prospect

The Big Ben gold prospect is located 7km south of Gundagai, and contains a sequence of meta-sandstones and conglomerates intruded by multiple north-south trending mineralized porphyry dykes.

The porphyry contains a stockwork and sheeted veins of quartz-(pyrolusite-limonite) that were historically mined and yielded several high-grade gold lodes. The Heron exploration target is a bulk tonnage gold stockworks hosted in a brittle porphyry intrusive.

A 15 hole RC drilling program for 1,613 metres was completed. Several intervals had panned visible gold indicating coarse gold in the system. Peak assay was 1 metre at 23.7g/t gold from 27 metres in BBRC007. A program of resampling and screen fire assays is being undertaken to determine the precision of the gold assays due to this presence of coarse gold.

The high grade results are encouraging and will be assessed in more detail to determine the potential for high-grade zones (as historically mined), that can be targeted with further deep drilling.

The system is open to the south, under alluvial cover.

### Califat and Snowball Copper-Gold Prospects

The Califat and Snowball copper-gold prospects are located 15km south of Gundagai. The numerous old copper workings throughout the area contain abundant secondary malachite and azurite mineralization and have yielded high grade gold of up to 84 g/t from mullock samples.

A surface EM survey was completed over the zones of known mineralization to generate drill targets.

### Basin Creek Copper Prospect

Historic workings have significant VMS-style copper mineralization hosted within a package of Silurian sediments and felsic volcanic rocks. Previous drill results include 4.5 metres at 18% copper, 4.5 metres at 3.1% copper and 3.0 metres at 5.5% copper. A mapping program was completed for target generation.

### Perseverance Gold Prospect

The Perseverance prospect covers a sequence of Ordovician meta-sediments some 50km south of Wagga Wagga. The area was applied for primarily for the significant Coppabella lead, silver, zinc and fluorite workings that occur around the edge of a Silurian and Devonian granite intrusion. Several high grade historic gold workings also occur in the area. The vein system mineralogy suggests epithermal gold affinities.

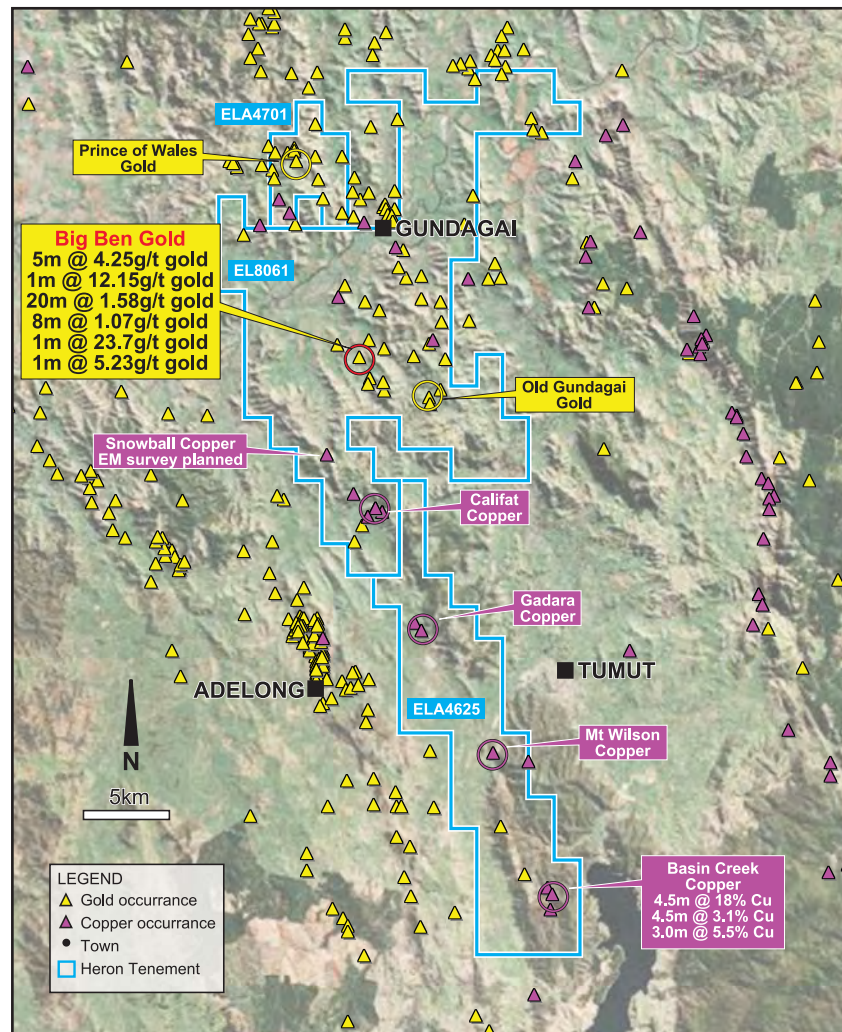


Figure 3: Gundagai, Heron tenement locations and mineralized centres



## WEST LACHLAN COPPER-GOLD PROJECTS

Heron's West Lachlan projects cover Ordovician and Devonian sequences in the western part of the Lachlan Fold Belt and Cobar Basin. Access is excellent both in terms of roads and tracks, but also in terms of the positive reception from the local land owners and graziers. As tenements are being granted, reconnaissance field work has quickly commenced, including rock-chip sampling, soil auger programs and EM surveys.

### Sussex Copper-Gold Project

Sussex covering some 600km<sup>2</sup> is located 50km east of Cobar and 10km northeast of the Mt Boppy gold mine. The area contains a large, complex, magnetic high within Girilambone Beds along the northern extension of the Gilmore Suture, one of the controlling metallogenic structures in the Lachlan Fold Belt. The target magnetic anomaly is located along strike from several historical base-metal and gold workings. Results from the Heron soil auger sampling revealed a large, coherent copper-zinc-nickel anomaly on the south side of the magnetic anomaly, plus an additional copper-gold-arsenic anomaly over a small satellite magnetic high in the south.

Follow-up auger sampling has commenced in the area to extend and infill the existing lines, prior to drill testing.

### Osterley Downs Copper-Gold Project

Osterley Downs covering some 300km<sup>2</sup> is located 25km southwest of Cobar, and contains predominantly turbiditic sediments of the Devonian Upper Amphitheatre Group and sandstone of the Biddabirra Formation. The Thule Fault, which runs through the centre of the area, is a major regional structure that was targeted by previous explorers as a conduit for mineralizing fluids containing gold and copper mineralization associated with fault breccia units.

Better results from historic GeoPeko drilling at Osterley Downs include 6 metres at 0.56g/t gold. The focus of Heron's exploration is on subsidiary structures adjacent to the main Thule Fault. Such subsidiary cross-cutting dilational structures are often the focus for Cobar Basin style mineralization.

A surface-based EM survey, which targeted the Thule Fault and mapped gossan occurrences, has been completed. A number of mapped gossan zones within Devonian sediments were identified by previous explorers in the early 1990s and have had little follow-up since that time. The Heron EM program has identified a subtle, but coherent anomaly directly to the southeast of an old GeoPeko gossan zone in an area of deeper soil cover. The anomaly is associated with a discrete magnetic low and could be related directly to mineralization at depth, or a structural offset where mineralization has been re-mobilised. A program of soil auger sampling has commenced to further test this area.

### Mt Allen Copper-Gold Project

Mt Allen covering some 300km<sup>2</sup> is located on the tenement block at the southern boundary of the Peel Exploration holding which hosts the Mallee Bull polymetallic discovery.

The Mt Allen area has a complex array of NE trending structures splaying off the dominant NNW trending Cobar Basin margin structures.

The Mallee Bull discovery is located 15km northeast of Mt Allen on Heron's interpreted NE trending structures. Soil auger sampling is underway on four initial targets identified from Heron's regional geological and structural interpretations. Initial results include a subtle but coherent copper anomaly of up to 54ppm over 500 metres.

### Nymagee East Copper-Gold Project

This project area covering some 512km<sup>2</sup> comprises a number of tenement applications located 75km southeast of Cobar and 15km northeast of the Nymagee copper mine. The tenements cover a complex zone of north-west trending Devonian-aged sediments and the Ordovician-aged Girilambone Beds adjacent to the southern extension of the Coonara Fault (hosts the Overflow and Mineral Hill copper-gold mines 10km and 50km south). The tenements lie within the strongly mineralized Gilmore Suture Zone.

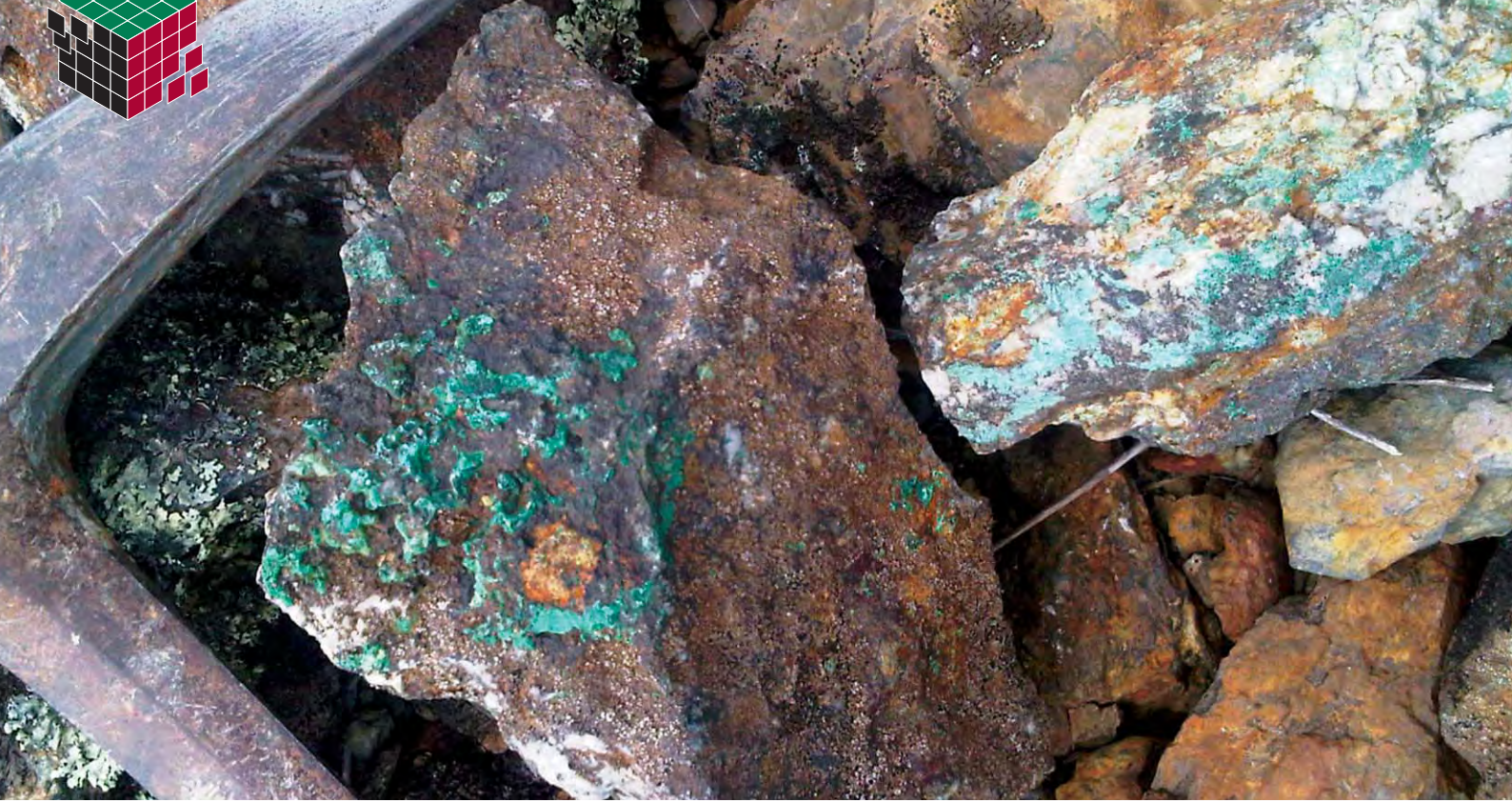
Several gold and base-metal occurrences exist within the applications and these are the immediate focus for generating drill targets. Site reconnaissance has been completed and a soil auger program will commence when tenements are granted.

### Eurow Copper-Gold Project

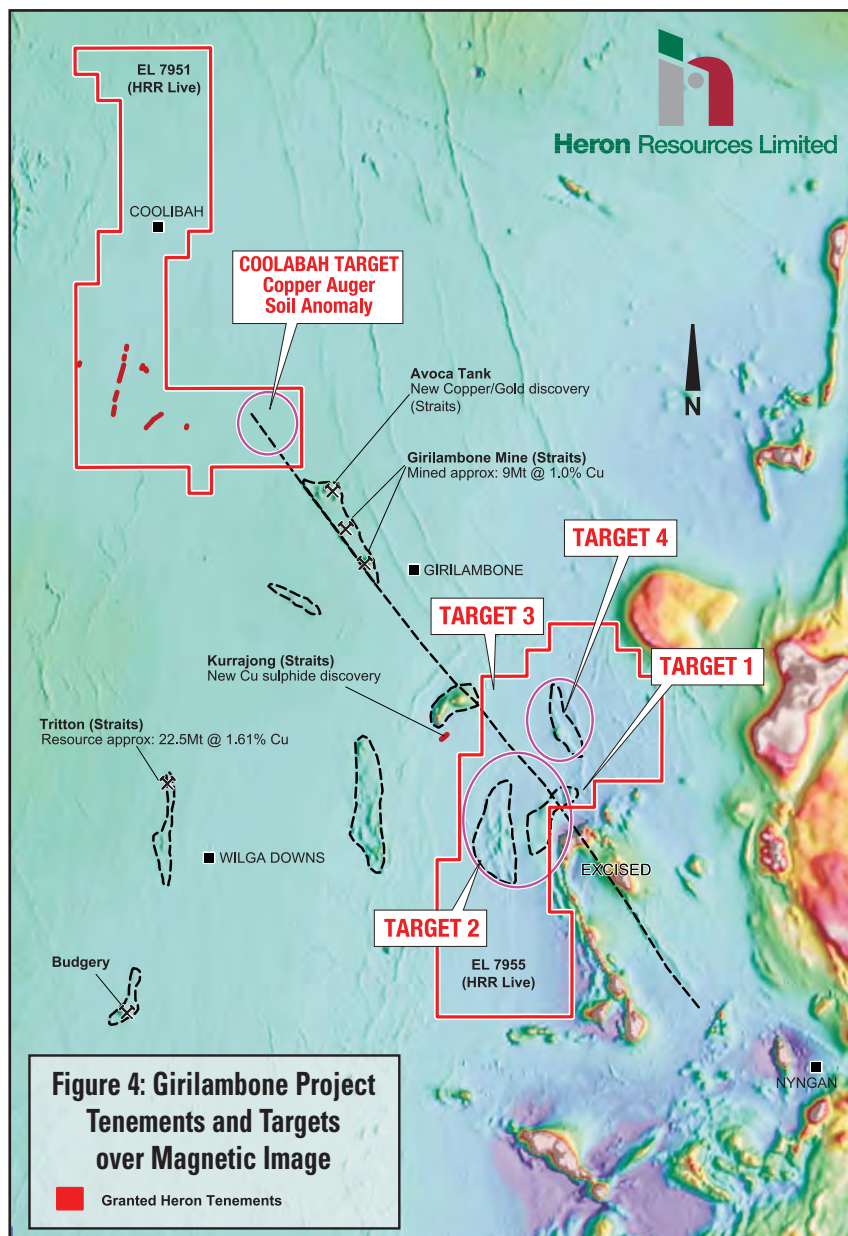
Eurow covers Ordovician and Devonian-aged meta-sediments intruded by Silurian and Devonian granites, located some 40km southeast of Parkes in central NSW. Eurow is proximal to the intersection of the Narromine-Coolac Fault Zone and the Lachlan Transverse Zone. The tenement was primarily acquired for the historic Eurow-Vychan copper-gold workings where a small non-JORC compliant resource has been previously reported. Previous drilling below the workings included intercepts of 8 metres at 2.94% copper and 0.85g/t gold from 47 metres, 3 metres at 4.0% copper and 1.25g/t gold from 73 metres, and 4.4 metres at 1.57% copper and 0.63g/t gold from 212 metres. The mineralization is planar and stratiform and associated with pyrrhotite sulphide (highly conductive and magnetic). There are excellent targets for follow-up drilling based on Heron's data review.







*Califat copper in old mine mullock*



## Girilambone Copper-Gold Project

The Girilambone copper-gold project is located within two granted tenements (EL7955 and EL7951) 25km and 60km northwest of Nyngan NSW (Figure 4). Heron is targeting Tritton/Avoca Tank style copper-gold mineralization within mafic units of the Ordovician Girilambone Beds.

Seven RC holes for 1,270 metres were drilled at the Girilambone Prospect. Best result was from testing a subtle EM conductor adjacent to a larger magnetic anomaly. Strong sericite, chlorite and carbonate alteration was observed, with individual 1 metre samples of sulphidic zones with minor chalcopryrite returning up to 0.11% copper.

Soil auger programs in the Coolabah area have generated a strong coherent copper anomaly located 3.5km northwest along strike of the Avoca Tank discovery (Straits Resources Limited). Auger soils show a moderate copper anomaly of up to 97ppm over 1500 metres with multi-element signature with elements such as arsenic, silver and bismuth showing a strong coincidence. A moving loop EM survey will be done to test for deeper zones of mineralization.





## ALBANY FRASER NICKEL-COPPER PROJECTS, WESTERN AUSTRALIA

### Bedonia Nickel-Copper Prospect (100% Heron)

The Company's Bedonia Project covers 720km<sup>2</sup> and is located 75km east of Norseman, Western Australia and some 60km west-southwest of the Nova-Bollinger nickel-copper discovery by Sirius Resources NL.

Heron is seeking "Nova-Bollinger style" nickel-copper PGM mineralization within the Proterozoic Mount Andrews Gneiss Complex where there is potential for discrete mineralized intrusive bodies (Figures 5, 6).

The Bedonia EM anomaly considered to be related to a bedrock conductive body with a time constant modelled at around 14 milliseconds. The conductive unit was modeled as being some 200 metres below the surface, which is relatively deep and may account for the more subtle response seen at the surface.

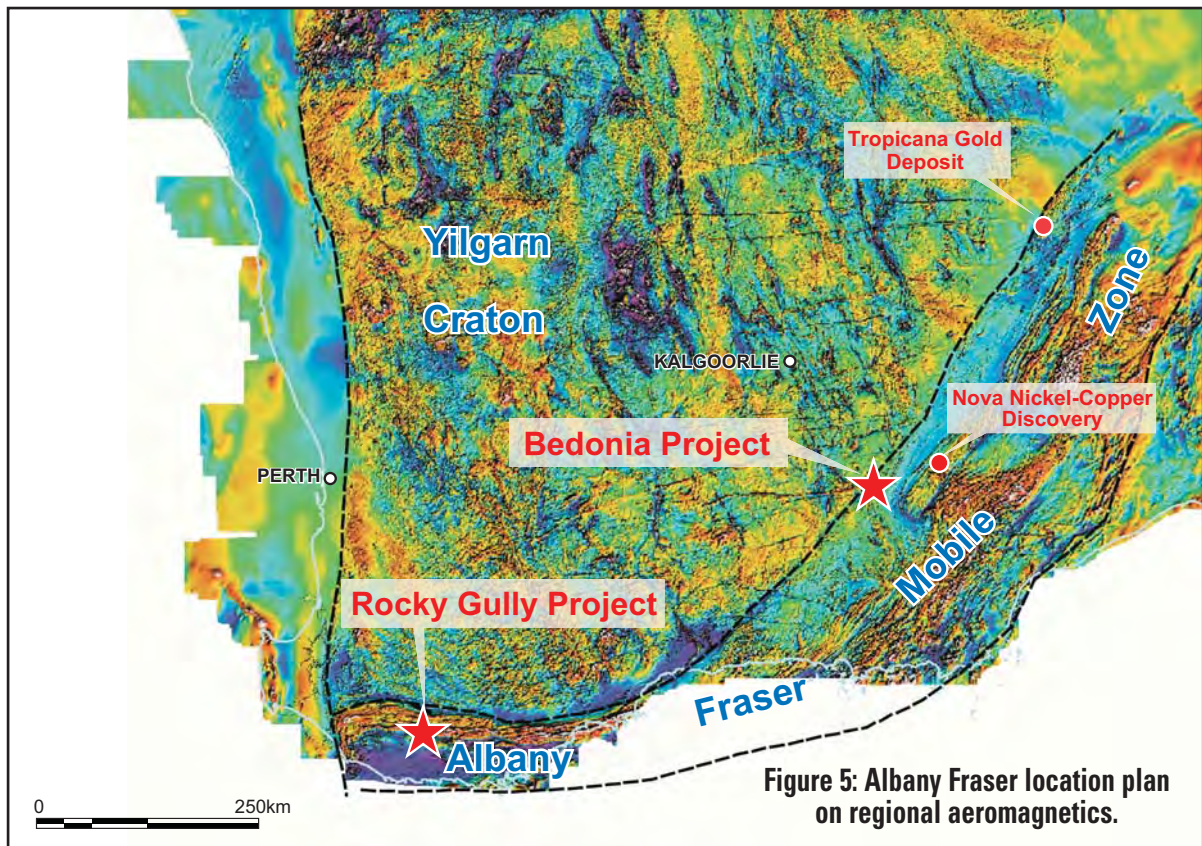
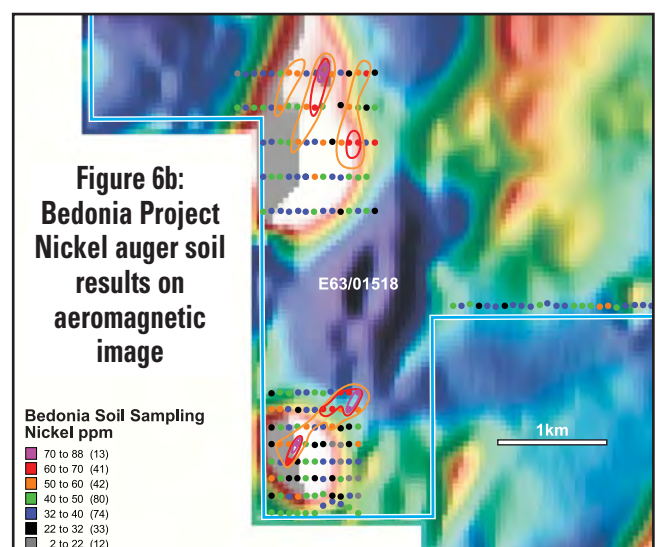
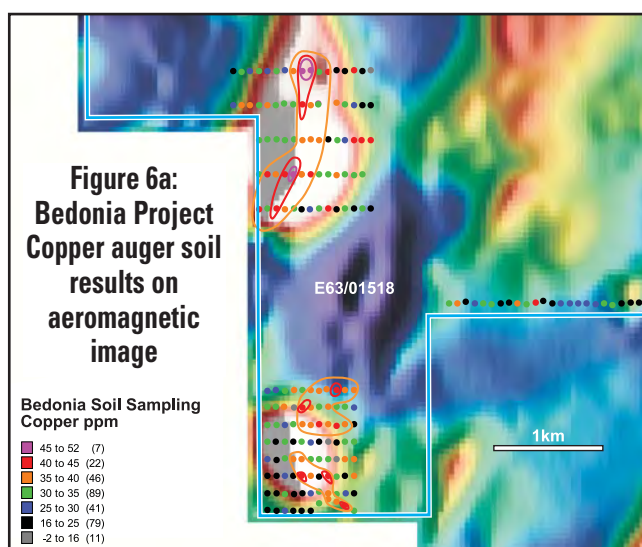


Figure 5: Albany Fraser location plan on regional aeromagnetics.

Heron completed an RC drilling program of 4 holes for 814 metres. No significant sulphides were intersected. Down hole EM interpretations are awaited, to determine the position of conductors.





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

At Rocky Gully, 85km northwest of Albany, the Company is targeting nickel-copper sulphide mineralization associated with mafic-ultramafic intrusions in the area. Previous work by Heron had identified a number of mafic-ultramafic intrusive bodies within the Proterozoic Birunup Gneiss Complex. These bodies are associated with strong nickel-copper-cobalt anomalies in lateritic soils. Previous Heron reconnaissance drilling in the area identified nickel-copper mineralization in laterite as well as nickel-copper sulphides in the bedrock sequence (comparable initial exploration history to Nova-Bollinger).

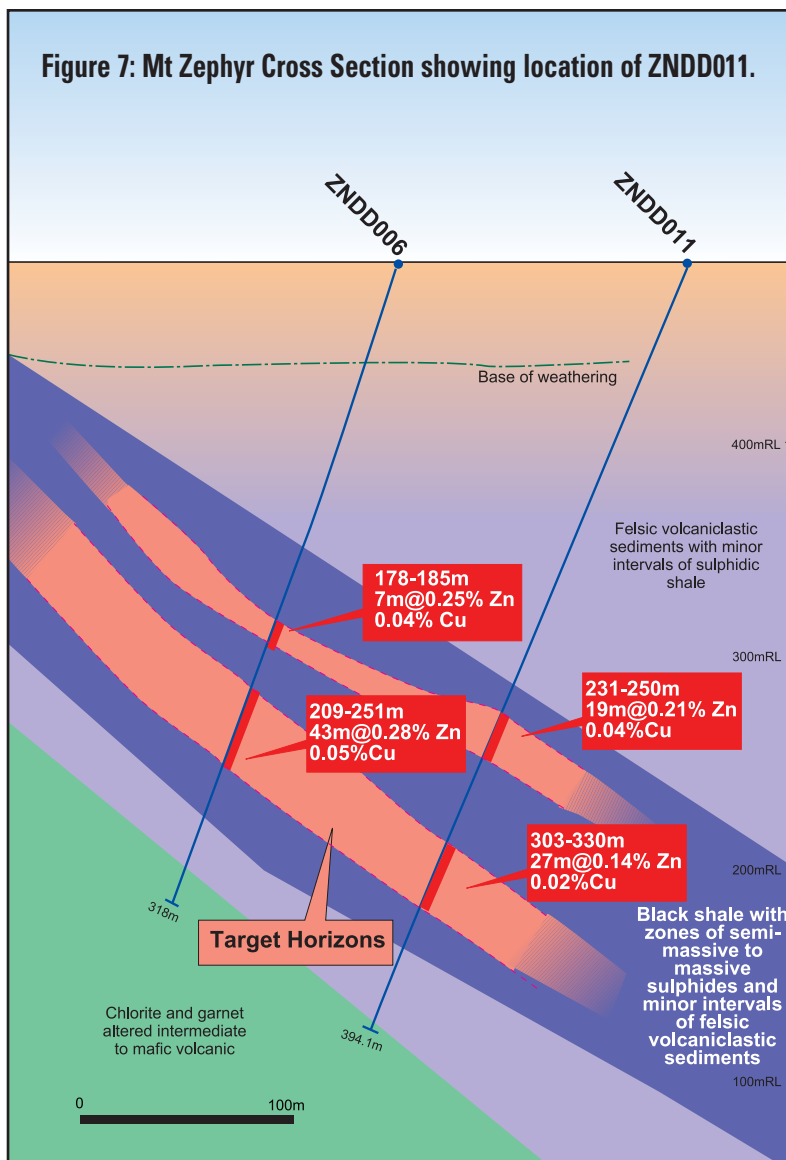
The Company granted a 12 month option to PLD Corporation Limited to purchase a 90% interest in Rocky Gully at PLD's election for either \$230,000 cash or the issue of 28.75 million shares in PLD.

## MT ZEPHYR GOLD AND BASE-METAL PROJECT, WESTERN AUSTRALIA (100% Heron)

The Mt Zephyr Project is located 80km north northeast of Leonora and represents a 5 kilometre strike of volcanics with strong indications of Volcanogenic Massive Sulphide (VMS) style mineralization. The Company is currently seeking a joint venture partner to drill a sequence of deeper holes down-dip from the distal style VMS mineralization discovered by Heron.

The Company completed a diamond core hole ZNDD0011 beneath ZNDD006 where broad zones 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).

The recently drilled ZNDD0011 intersected a similar sequence to that found in ZNDD0006 and the assays have confirmed that the sequence continues down dip, but unfortunately with a similar base-metal tenor. At this stage no further drilling is planned on this section.



The results for ZNDD0011 included 19 metres at 0.21% zinc and 0.04% copper from 231 metres and 27 metres at 0.14% zinc and 0.02% copper from 303 metres.

The Mt Zephyr tenure is a contiguous greenstone package, and remains highly prospective.

The area is also highly prospective for gold mineralization with high-grade laminated quartz reefs in the north of the project area.

Nickel sulphide targets were generated. A surface EM survey at Two Bills Well failed to find any significant bedrock conductors. Further nickel sulphide targets are currently being assessed to the north of the Two Bills Well prospect along similar ultramafic stratigraphy.





## NORTHWEST QUEENSLAND COPPER-GOLD PROJECT (100% Heron)

The Company has acquired a portfolio of 12 tenements covering some 1,147km<sup>2</sup> in the Mt Isa Inlier of northwest Queensland, targeting copper-gold-REE mineralization in Iron Oxide Copper Gold (IOCG) settings (Figure 8).

The Mt Isa Inlier is a world-class Proterozoic mining province hosting the large copper, lead and zinc mines at Mt Isa and George Fisher and the copper-gold mines at Ernest Henry and Osborne plus several other significant mines and development projects. The potential for new economic discoveries in the area is high.

In particular, within Heron's **Mammoth East Prospect** in EPMS 19122 and 19168, previous exploration identified a zone of high-level copper-gold mineralized quartz veining within basalt and quartzite of the Proterozoic Haslingden Group, with the anomaly extending over 500 metres of strike and 50-100 metres wide, hosted within a polyphase epithermal quartz vein.

The northwest Queensland acquisitions reflect the Company's positive view of Proterozoic copper-gold systems. The Company is currently seeking expressions of interest from parties who would be interested in farming into or acquiring the tenements. An Information Memorandum on the project areas was completed and has been forwarded to potential interested parties.

## Project Development

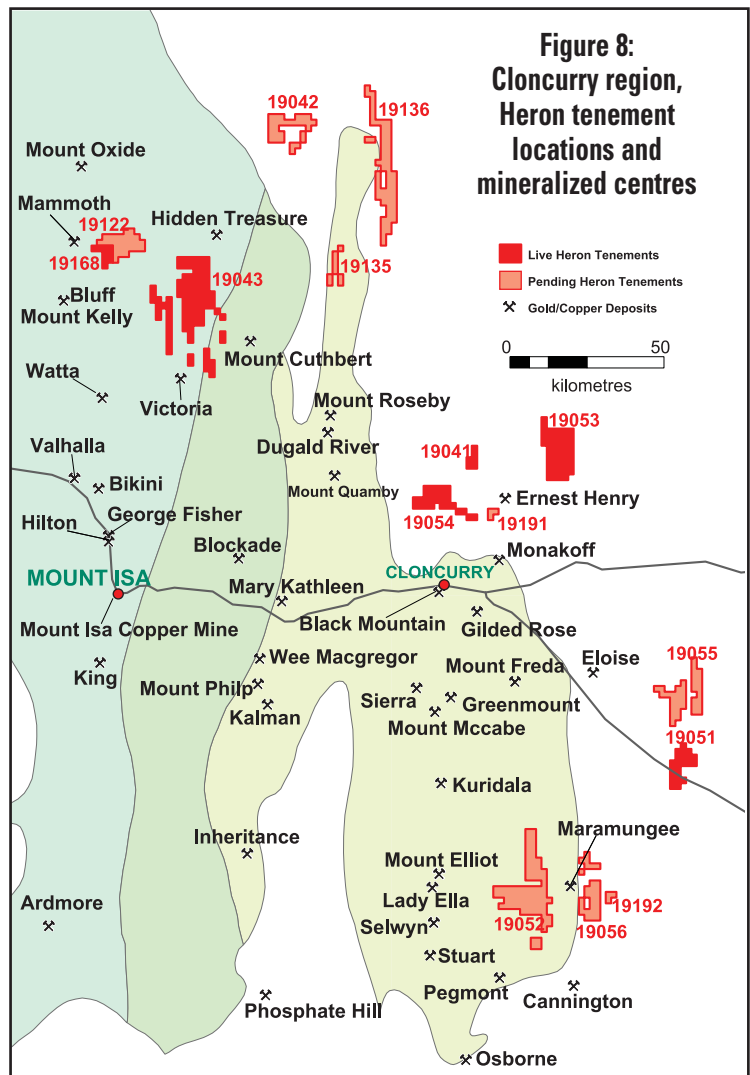
### KALGOORLIE NICKEL PROJECT (100% Heron)

The concept and implementation of the Kalgoorlie Nickel Project (KNP) by Heron commenced in 1997. The journey has been one of challenges, including a hostile bid for Heron in 2000, a competitive process that brought in Vale Inco as partner in 2005, and finally the Global Financial Crisis in 2008 leading to the withdrawal of Vale Inco from the partnership in 2009.

The KNP has several attributes in keeping with a world-class mineral deposit:

- Excellent Resource, **796 million tonnes at 0.70% nickel and 0.048% cobalt** (for details of resource categories and distribution between project areas see the attached statement of mineral resources, Section 8, Statement of Mineral resources), JORC 2012-compliant Mineral Resource, good range of geo-metallurgy ore types for flow-sheet optimization and mine scheduling.
- Screen beneficiated Leach Feed Grade of 1.2-1.5% nickel for siliceous ore, abundance resource tonnes so ability for aggressive screening to increase the Leach Feed Grade.
- Located within 100km radius of Kalgoorlie, with consequent excellent Infrastructure, with all gas, road, rail, port infrastructure present and available to multi-users.
- Benign environmental setting, low risk tailings disposal for the KNP "dry laterites" (contrast the tropical "wet laterites").
- Strong community and government support, no sovereign risk, access to skilled workforce.
- Ravensthorpe HPAL nickel laterite plant has been successfully re-commissioned, providing industry confidence for sulphuric acid leaching.

Vale Inco PFS 2009 commentary: "one of the most prospective nickel laterite tenement packages in the world"





Vale Inco completed a Pre-Feasibility Study (PFS) in 2009:

- \$34.5 million project expenditure, immensely valuable Feasibility Study data set;
  - >95,000 metres drilled, to deliver JORC resource.
  - Metallurgical assessment of HPAL (and lesser Heap Leach studies).
- 2.5 million tonne per annum beneficiated leach feed, up to 36,000 tonnes per annum nickel production over a 34 year mine-life.
- Opex US\$4.42/lb of nickel (after cobalt credits).
- Pre-production capex US\$1.5 billion (in 2009).

### Metallurgical Test Work Programs

The Company recognizes the potential inherent value of the KNP. Heron has a multi-disciplinary strategy to match various extractive technologies to specific ore types within the KNP, with the ultimate aim of enhancing and crystallising value from the KNP through innovative technology.

There is an increased focus world-wide on new nickel laterite extractive technologies which, in part, reflects the tightening situation of traditional sources of supply from nickel sulphides.

### Iron-Nickel Study

This testwork was undertaken at SGS Lakefield Oretest in Perth, utilising bulk samples collected at Goongarrie South:

- Mineralogy by XRD to determine geo-metallurgical classification.
- Reductive roast tests followed by magnetic separation.
- Agitated acid leaching of roast products.
- Segregation roast tests followed magnetic separation.

The iron-nickel mineral resource for Goongarrie South was estimated as **48.5 million tonnes at 41% iron and 0.65% nickel** (see Company announcement 26 October 2011) and formed the basis for initial testwork and studies looking at the potential to produce a viable iron-nickel product. From the testwork this goethite-rich material generated an upgraded iron-nickel sinter product which assayed up to **73.4% Fe and 3.71% Ni** with a **49.5% mass recovery**.

While providing encouragement that this approach can produce an iron-nickel product from the goethite-rich nickel laterite ore, considerably more testwork is required to prove the commercial viability of this option.

### Direct Nickel Metallurgical Study

The Company's most active program has been with Direct Nickel, where testwork has continued, with up to 98% nickel recoveries using nitric acid leaching.

The test programs conducted by Direct Nickel over the last twelve months on samples supplied by Heron from the KNP Highway deposit demonstrate that the key steps of the Direct Nickel Process may be successfully applied to the KNP nickel laterite material.

The results show rapid leach kinetics from run-of-mine KNP goethite samples at atmospheric pressure and moderate temperatures of around 100°C.

Based on these results, studies have commenced to further assess the impacts on project economics of using saline process water.

Goethite-rich nickel laterite  
within old chrysoprase pit south  
of Goongarrie South



Heron's first KNP nickel production, from left to right, green nickel MHP assaying 40% nickel, dark red hematite assaying 56.6% iron and grey-yellow aluminium hydroxide assaying 20.6 % aluminium.

The intermediate process steps of iron hydrolysis and aluminium removal were very satisfactory, producing an iron by-product and an aluminium by-product. Only minor nickel losses were experienced in these refining steps.



Direct Nickel-CSIRO Pilot Plant,  
South Perth

Under the Direct Nickel Process the refined solution was then treated with magnesia to produce a saleable Mixed Hydroxide Product (MHP) assaying 40.1% nickel and 1.7% cobalt, a marketable nickel intermediate product.

Prior to the current studies, chloride levels were felt to be a potential issue in using the Direct Nickel Process to treat the saline KNP materials.

During the test work it became clear that over 80% of the chloride in solution could be isolated in a small fraction of the process streams, offering the opportunity to develop a cost effective flow sheet. Further study has now commenced to optimize the chloride removing process steps.

If it is possible to isolate the chlorides and separate them from any accompanying nitrates, then the potentially superior economics of the Direct Nickel Process may be able to be applied even to the KNP laterites that occur in a saline environment.

Heron will further review the energy balance for the Direct Nickel Process in treating KNP ore in Western Australia plant locations.

**The results demonstrate the Direct Nickel Process may be able to be successfully applied to the KNP nickel laterites.**

### Simulus Engineers Metallurgical Study

Heron has negotiated an agreement with Simulus Engineers (Simulus) to undertake sulphuric acid-based metallurgical testwork on various KNP ore-types and to produce a Scoping Study on the applicability of Simulus' innovative reagent recovery technology to the KNP.

Simulus is a Perth-based metallurgical engineering firm specialising in developing innovative and cost effective solutions to complex metallurgical processes. Simulus has a team of some 20 engineers and has a proven track record of innovative design and cost-effective execution.

Within its subsidiary Carbon Friendly Nickel Processing (CFNP), Simulus has developed a new process technology able to be applied towards the extraction and refining of nickel and cobalt from nickel laterite ore.

The essence of the process is the recovery and re-use of the key reagents used in leaching and purification. The Simulus reagent recovery process can be matched up with any front-end leach process such as high pressure acid leach, atmospheric tank leach, or heap leach. A range of intermediate products or refined metal can also be produced as required.

CFNP has the potential to offer substantial benefits compared to existing processes including reduction in all of reagent costs, tailings production and water consumption, leading to the potential for significant improvements in operating costs.

Three bulk samples of nickel laterite ore have been delivered to Simulus in Kewdale, Western Australia. The samples represent the three main ore types within the KNP:

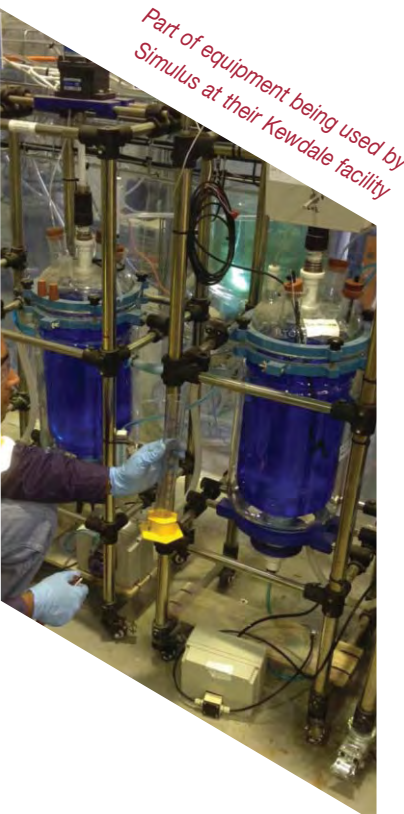
- Goethite ore from composites of sonic drill core drilled at Siberia North
- Saprolite ore mined by Heron from Heron's Boulder Block pit at Bulong
- Nontronite ore from Heron's ore stockpiles at the Jump Up Dam trial pit (Yerilla Project)

These samples are designed to represent the three end members of the dominant material types recovered from the Heron KNP nickel laterite resource inventory and will demonstrate the viability of the Simulus process over the spectrum of KNP metallurgical variability.

Heron believes that the technology Simulus is seeking to apply to the KNP sulphuric acid processing flowsheet has significant potential to catalyse a "step change" in the project economics of the KNP.

If successful, this initial testwork and Scoping Study is intended to lead into a closer partnership between Heron and Simulus through CFNP under which the technology will be further developed.

**Heron believes that the technology Simulus is seeking to apply to the KNP nickel laterite processing flowsheet has significant potential to catalyse a "step change" in the project economics of the KNP.**



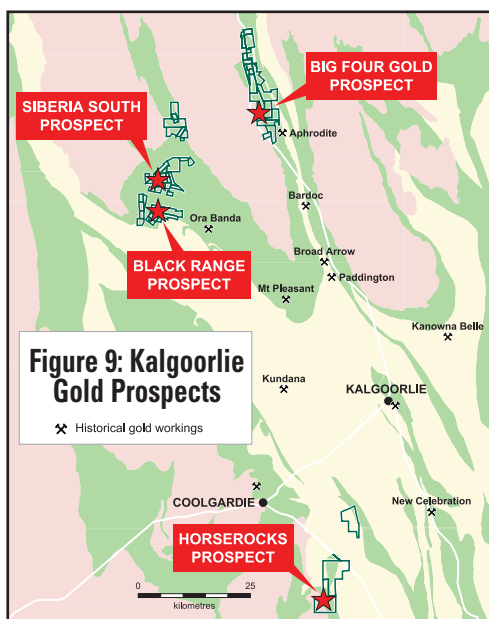
Part of equipment being used by  
Simulus at their Kewdale facility





## KNP GOLD INITIATIVES (100% Heron)

### Big Four Gold Project, Western Australia



The Big Four Gold Project is located 65km north of Kalgoorlie where high grade gold mineralization has been found within an intermediate porphyry unit in the lower part of the Siberia Komatiite.

#### Reverse Circulation Drilling

Bulk grade intercepts of the porphyry are as follows:

- BFR001 **17 metres at 4.41g/t gold** from 47 metres
- BFR004 **26 metres at 1.18g/t gold** from 8 metres
- BFR006 **26 metres at 3.46g/t gold** from 87 metres
- BFR017 **19 metres at 3.21g/t gold** from 22 metres
- BFR021 **10 metres at 8.94g/t gold** from 102 metres
- BFR030 **24 metres at 4.58g/t gold** from 61 metres

#### Rotary Air-Blast Drilling

A RAB drilling program was completed with 26 holes for 673 metres to test the south-west extension of the Big Four mineralization beneath a strong gold-in-soil anomaly generated by Heron auger sampling. Significant results:

- BFRB202 **12 metres at 1.12g/t gold** from 20 metres
- BFRB204 **12 metres at 0.76g/t gold** from surface

The Company has recently received an expression of interest from a local mining group to develop a small-scale open pit to open up the ore zone prior to further deeper drilling.

### Siberia South Gold Project, Western Australia

A 480 metre RAB drilling program for 33 holes was completed at the Siberia South Gold Project located 70km northwest of Kalgoorlie, Western Australia within the KNP. The drilling is targeting Archaean gold mineralization along the contact between ultramafic rocks (Siberia Komatiite) and a range of mafic volcanic and intrusive rocks.

The targeted soil anomalies are up to 49ppb gold and covered a strike length of up to 1 kilometre. They are partially associated with shallow old workings, however the anomalism extended beyond the workings into an area of deeper soil cover and these extensional areas are the key targets for the drilling. Best RAB result was **8 metres at 1.90g/t gold**.

## KNP NICKEL SULPHIDE INITIATIVES (100% Heron)

As part of Heron's regional soil auger gold sampling, several positions have been identified which are prospective for nickel sulphide mineralization. These programs help to maintain the KNP nickel laterite tenure in good standing.

### Kalpini Nickel Project, Western Australia (100% Heron)

The Kalpini ultramafic belt which hosts KNP nickel laterite resources additionally has several documented fertile nickel sulphide ultramafic contacts. Heron's project generation studies through the belt have generated several nickel sulphide targets. The Company geophysical consultants have commenced a review of these targets, with several good opportunities already identified.

## JOINT VENTURE PROJECTS, WESTERN AUSTRALIA

Heron has farmed out various of the KNP nickel laterite tenure for gold exploration, again as a means to assist in keeping the KNP in good standing with the WA Department of Mines and Petroleum (DMP).

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

Southern Gold Limited has earned its 80% interest in the two joint venture areas at Bulong (30km east of Kalgoorlie) through meeting the required expenditure commitments. At Bulong East, Heron is free carried at 20% interest until a pre-feasibility study is completed and \$8 million has been expended. At Bulong South, Heron is free carried at 20% interest until the completion of Bankable Feasibility Study.

Southern Gold has completed several field programs within the Heron tenure over the last two years with several encouraging results being received including **4 metres at 6.8g/t gold** and **4 metres at 4.5g/t gold** at the Turnpike prospect.

Work completed in the last year included a Sub-audio Magnetics (SAM) survey that has highlighted and delineated a number of shear zone targets coincident with previously reported gold-in-soil anomalies.







## Heron Resources Limited

ABN 30 068 263 098

# Annual Report 30 June 2013

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Siberia RAB



## 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

Ian Buchhorn resumed the Managing Director role he previously held from 1996 to 2007. Charlie Kempson was appointed to the position of General Manager Strategy and Business Development in March 2013.

The Company signed an agreement with Stimulus Engineers (Stimulus) to undertake metallurgical testwork on the Kalgoorlie Nickel Project (KNP) nickel laterite ores and to produce a Scoping Study on the applicability of Stimulus’ innovative reagent recovery technology to the KNP.

- Stimulus will trial its patented process for the recovery of sulphuric acid and other reagents in nickel laterite hydrometallurgical processing.
- Recovery of reagents in nickel laterite processing has potential to generate substantial cost savings in plant construction and operation.
- Heron has provided three bulk laterite samples for the initial testwork to Stimulus in Kewdale, Western Australia.
- The testwork will generate inputs for a Scoping Study to estimate the size of the potential benefits which may be achieved through applying the technology to the KNP at a commercial scale.

The Company announced the results of exploration being carried out at its wholly owned copper-gold projects in the Lachlan Fold Belt of New South Wales.

- At the Gundagai Copper-Gold Project, a 15 hole RC drilling program for 1,613 metres was completed. Drilling targeted gold stockworks systems below the historic Big Ben lode workings. Better results included 20 metres at 1.58g/t gold from 27 metres and 8 metres at 1.07g/t gold from 25 metres.
- At the Osterley Downs Copper-Gold Project, a ground Electro-Magnetic (EM) survey has identified a subtle conductor directly to the south-east of a mapped gossan zone.

The Company announced an update on the results of exploration being carried out at its wholly owned Bedonia Nickel-Copper Project and Siberia South Gold Project in Western Australia.

- At Bedonia, drill testing of EM conductors adjacent to a copper-nickel soil anomaly was completed. The drill targets were intrusive-related nickel-copper sulphides of the Nova-Bollinger style.
- At Siberia South, a RAB drilling program was completed following up soil auger and rock chip gold anomalies identified by Heron.

The Company strategy is to systematically evaluate merger/acquisition and joint venture opportunities to acquire an advanced stage development project with an associated “up-side” exploration portfolio. Heron is fortunate to have a strong balance sheet with \$43 million in cash and investments which places the Company in a very good position to take advantage of any opportunities as they 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](http://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 two of the three Directors comprising the Board are considered independent within ASX Corporate Governance Guidelines. Messrs Readhead and Dennis are considered independent because they are not significant shareholders in the Company.

The Company believes that Messrs Readhead, Buchhorn 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 Buchhorn 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 of 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 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.

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 organisation, 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 with Mr Stephen Dennis as Chairman of that committee. Because the Company presently has a small board comprising three Directors, all Directors of the Company are members of the audit committee. The audit committee met three times during the financial year and all members attended all 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
- has at least three members.

The Company does not comply with this recommendation. The Company can't comply with this recommendation because it only has three directors, one of which is executive and not independent. Because the Company presently has a small board comprising three Directors, all Directors of the Company are members of the audit committee.

**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.

**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. Although Heron's external audit engagement partner is usually rotated in accordance with the requirements of Section 324DA of the Corporations Act 2001 the tenure of the current external auditor has been extended by a period of 2 years to 2015 following application made to ASIC in accordance with the requirements of Section 324DAB(4) of the Corporations Act 2001.

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, the Managing Director and senior management make tours elsewhere in Australia and overseas whenever possible to meet with Shareholders, media, financial institutions and representatives of the sharebroking sector.

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 examines and considers 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 attend 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 2013.

### 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:

<b>Director</b>	<b>Craig Leslie Readhead - B.Juris. LL.B.</b>
<b>Appointed</b>	23 November 2001
<b>Position</b>	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.
<b>Other current directorships</b>	Chairman of Galaxy Resources Limited since 2000 Chairman of Beadell Resources Limited since 2010 Non-executive Director of General Mining Corporation since 2009 Non-executive Director of Redbank Copper Limited since April 2013 Non-executive Director of Swan Gold Mining Limited since March 2013
<b>Former directorships in last 3 years</b>	Non-executive Director of India Resources Limited 2007-2012 Non-executive Director of Mount Gibson Iron Limited 2002-2011 Non-executive Director of Frankland River Olive Company Limited 2000-2012
<b>Director</b>	<b>Ian James Buchhorn - BSc (Hons), Dip Geosci (Min Econ), MAusIMM.</b>
<b>Appointed</b>	17 February 1995
<b>Position</b>	Managing Director and CEO, Member of Audit Committee 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.
<b>Other current directorships</b>	Non-executive Director of Rubicon Resources Limited since August 2005
<b>Former directorships in last 3 years</b>	None
<b>Director</b>	<b>Stephen Bruce Dennis - BCom LL.B. GDipAppFin(Finsia) CFTP.</b>
<b>Appointed</b>	05 December 2006
<b>Position</b>	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.
<b>Other current directorships</b>	Managing Director of CBH Resources Limited since November 2007 Non-executive Chairman of Cott Oil and Gas Limited since January 2013
<b>Former directorships in last 3 years</b>	None
<b>Director</b>	<b>Kenneth John Hellsten - BSc (Hons) FAIMM MAICD.</b>
<b>Appointed</b>	19 December 2006 – resigned 16 November 2012
<b>Position</b>	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.



#### Other current directorships

Non-executive Director of Brierty Limited since February 2010

#### Former directorships in last 3 years

Managing Director of Strike Resources Limited from March 2010 to January 2013.

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

**Appointed** 1 August 2011 – resigned 9 October 2012

**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.

### 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.

### GENERAL MANAGER STRATEGY & BUSINESS DEVELOPMENT

Mr Kempson is a senior corporate finance executive who was most recently an equity partner and Director of Azure Capital Limited, a mining focused leading independent Perth-based corporate advisor, where he worked for nine years advising boards and senior executives across a range of industries including mining, oil & gas and related services on business development, corporate strategy, finance, and mergers and acquisitions. Prior to his arrival in Australia in 2002 Mr Kempson spent five years with investment banks Commerzbank AG and Barclays Capital in London and Germany, and four years working in technical roles for Logica (now part of CGI Group).

### PRINCIPAL ACTIVITIES

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

- Minerals exploration and project 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 2013 financial year after income tax of nil (2012: nil) was \$10,483,306 (2012: \$5,356,368).

### 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.

Mr Shellabear resigned from the role of CEO and Managing Director on 9 October 2012 and was replaced by Mr Buchhorn.

Mr Kempson was appointed to the role of General Manager Strategy and Business Development on 5 March 2013.

## 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 2013 that has significantly affected or may significantly affect:

- The operations, in the financial years subsequent to 30 June 2013, of the Consolidated Entity;
- The results of those operations; or
- The state of affairs, in the financial years subsequent to 30 June 2013, 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
333,333	16 January 2015	\$0.22
333,333	16 January 2016	\$0.27
333,334	16 January 2017	\$0.31
1,000,000	5 March 2016	\$0.22
1,000,000	5 March 2017	\$0.27
1,000,000	5 March 2018	\$0.31

Subsequent to 30 June 2013 no Options were issued or exercised.

The following Options expired/lapsed during the year:

Number Issued	Expiry Date	Exercise Price
2,500,000	5 June 2013	\$1.50
3,500,000	5 June 2013	\$2.00
2,000,000	23 June 2015	\$0.27
2,000,000	23 June 2016	\$0.31
750,000	5 June 2014	\$2.50

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 2014	4,500,000	\$2.50
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 2014	4,750,000	\$0.22
19 November 2011	23 June 2015	2,750,000	\$0.27
19 November 2011	23 June 2016	2,750,000	\$0.31
5 October 2012	16 January 2015	333,333	\$0.22
5 October 2012	16 January 2016	333,333	\$0.27
5 October 2012	16 January 2017	333,334	\$0.31
3 April 2013	5 March 2016	1,000,000	\$0.22
3 April 2013	5 March 2017	1,000,000	\$0.27
3 April 2013	5 March 2018	1,000,000	\$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	-	750,000
I J Buchhorn	2,518,241	42,967,999	3,000,000	8,000,000
S B Dennis	-	450,000	750,000	-
<b>Key Management Personnel</b>				
D von Perger	131,692	80,000	3,500,000	500,000
B P Horan	-	-	2,100,000	-
C Kempson	-	300,000	-	3,000,000

## DIRECTORS MEETINGS

During the year the Company held 13 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	13	13	3
I J Buchhorn <sup>1</sup>	13	13	2
S B Dennis	13	13	3
K J Hellsten	5	5	1
J N Shellabear	3	3	-

1 Mr Buchhorn was appointed to the audit committee on 1 March 2013.

## 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 Buchhorn, Mr Horan, Mr Kempson and Mr von Perger are formalised in service agreements/work contracts.

The agreement with Mr Buchhorn requires the provision of his services as Managing Director and CEO 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 three 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.



The agreement with Mr Kempson requires the provision of his services as General Manager Strategy and business Development of the Company and contains the following major provisions:

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

Non-executive Directors, Mr Craig Readhead and Mr Stephen Dennis, 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.

	<b>Short-term -----benefits-----</b>		<b>Post-employment -----benefits-----</b>		<b>Termination payments</b>	<b>Share- based payment Options</b>	<b>Total</b>
	<b>Cash Salary &amp; fees</b>	<b>Non-Cash</b>	<b>Super</b>	<b>Retirement</b>			
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Directors</b>							
C L Readhead	100,000	-	-	-	-	67,843	167,843
I J Buchhorn	321,101	3,904	28,899	-	-	593,566	947,470
S B Dennis	73,000	-	6,570	-	-	67,843	147,413
K J Hellsten <sup>2</sup>	29,167	-	2,625	-	-	-	31,792
J N Shellabear <sup>1</sup>	129,808	-	20,806	-	230,541	-	381,155
<b>Key Management Personnel</b>							
D von Perger	261,468	10,041	23,532	-	-	77,274	372,315
B Horan	201,835	-	18,165	-	-	38,637	258,637
C Kempson	74,057	-	6,665	-	-	32,341	113,063
<b>Total</b>	<b>1,190,436</b>	<b>13,945</b>	<b>107,262</b>	<b>-</b>	<b>230,541</b>	<b>877,504</b>	<b>2,419,688</b>

1 Resigned 9 October 2012

2 Resigned 16 November 2012

Fair values for the options at grant date, as included in the previous table, 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-tradable 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 and Mr Dennis are performance related, for Mr Buchhorn it is 87% 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:

<b>Conditions</b>	<b>Number Issued</b>
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 production achieving a level of 10,000 tonnes of nickel in intermediate product annualised production rate over a three calendar month period.	4,500,000
Six months from the date of issue	1,600,000
One year after 23 June 2011	2,500,000
Two years after 23 June 2011	2,500,000
Three years after 23 June 2011	2,500,000
One year after 5 March 2013	1,000,000
Two years after 5 March 2013	1,000,000
Three years after 5 March 2013	1,000,000
	<b>21,600,000</b>





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-14	\$2.50	750,000	No	\$0.6337	0%
Stephen Dennis	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-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	0%
	19-Nov-11	23-Jun-13	23-Jun-15	\$0.27	1,000,000	n/a	\$0.075	100%
	19-Nov-11	23-Jun-14	23-Jun-16	\$0.31	1,000,000	n/a	\$0.082	0%
Bryan Horan	25-Jun-09	25-Dec-09	25-Jun-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	0%
	19-Nov-11	23-Jun-13	23-Jun-15	\$0.27	500,000	n/a	\$0.075	100%
	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	0%
	19-Nov-11	23-Jun-13	23-Jun-15	\$0.27	1,000,000	n/a	\$0.075	100%
	19-Nov-11	23-Jun-14	23-Jun-16	\$0.31	1,000,000	n/a	\$0.082	0%
Charlie Kempson	3-Apr-13	5-Mar-14	5-Mar-16	\$0.22	1,000,000	n/a	\$0.066	0%
	3-Apr-13	5-Mar-15	5-Mar-17	\$0.27	1,000,000	n/a	\$0.07	0%
	3-Apr-13	5-Mar-16	5-Mar-18	\$0.31	1,000,000	n/a	\$0.076	0%

Employee Diversity – women currently represent 18% 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 willful 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.



## AUDITOR

The Audit Committee of the Company recommended the approval of Ms Lucy Gardner of Butler Settineri (Audit) Pty Ltd as auditor of the Company for two successive financial years in addition to the five successive years mentioned in s324DA(1) of the Corporations Act.

The Audit Committee is satisfied that the approval:

- i) Is consistent with maintaining the quality of the audit provided to the company
- ii) Would not give rise to a conflict of interest situation (as defined in s324CD)

## 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

**C L READHEAD**

Chairman

Perth, 26 September 2013



Chartered  
Accountants

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Heron Resources Limited for the year ended 30 June 2013, 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: 26 September 2013

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*





## 5.0 Financial Statements

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Consolidated Entity	
		2013 \$'000	2012 \$'000
REVENUES FROM CONTINUING ACTIVITIES	2	1,869	2,082
Accountancy fees		(4)	(4)
Audit		(43)	(45)
Consultants		(339)	(646)
Depreciation expense	3(a)	(110)	(177)
Directors fees		(202)	(244)
Wages, salaries & employee benefits		(571)	(414)
Insurance		(61)	(53)
Legal		(457)	(121)
Equity settled share based payments	14(b)	(1,322)	(2,057)
Other expenses from ordinary activities	3(b)	(726)	(708)
Exploration expenditure expensed as incurred	9	(2,971)	(2,079)
Exploration expenditure written off	9	(108)	(910)
Exploration & evaluation impairment	9	(1,600)	-
Investment impairment	6(a) & (b)	(3,450)	(397)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(10,095)	(5,773)
INCOME TAX EXPENSE	4	-	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(10,095)	(5,773)
NET PROFIT (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(10,095)	(5,773)
OTHER COMPREHENSIVE INCOME			
Available-for-sale financial assets	14(c)	(388)	417
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(10,483)	(5,356)
		\$	\$
Basic earnings per Share	21	(0.03990)	(0.02282)
Diluted earnings per Share	21	(0.03990)	(0.02282)

The accompanying notes form part of these financial statements

**CONSOLIDATED BALANCE SHEET** AS AT 30 JUNE 2013

	<b>Notes</b>	<b>Consolidated Entity 2013 \$'000</b>	<b>2012 \$'000</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	15(c)	39,597	43,171
Trade and other receivables	5	371	491
Investments	6(a)	61	355
<b>TOTAL CURRENT ASSETS</b>		<b>40,029</b>	<b>44,017</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	7	35	35
Investments	6(b)	3,275	6,943
Property, plant and equipment	8	97	199
Exploration and evaluation costs carried forward	9	5,070	6,716
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,477</b>	<b>13,893</b>
<b>TOTAL ASSETS</b>		<b>48,506</b>	<b>57,910</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	347	645
Provisions - employee entitlements	11	457	402
<b>TOTAL CURRENT LIABILITIES</b>		<b>804</b>	<b>1,047</b>
<b>TOTAL LIABILITIES</b>		<b>804</b>	<b>1,047</b>
<b>NET ASSETS</b>		<b>47,702</b>	<b>56,863</b>
<b>EQUITY</b>			
Contributed equity	12	116,035	116,035
Revaluation reserve	14(c)	-	388
Option reserve	14(b)	5,591	8,239
Accumulated losses	14(a)	(73,924)	(67,799)
<b>TOTAL EQUITY</b>		<b>47,702</b>	<b>56,863</b>

The accompanying notes form part of these financial statements


**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Issued Capital \$'000	Retained Earnings \$'000	Revaluation Reserve \$'000	Option Reserve \$'000	Total \$'000
<b>As at 30 June 2012</b>		116,035	(67,799)	388	8,239	56,863
Total comprehensive income for the year		-	(10,095)	(388)	-	(10,483)
Issue of share capital	12	-	-	-	-	-
Option reserve transfer on exercise	12	-	-	-	-	-
Option reserve write back	14(b)	-	3,970	-	(3,970)	-
Cost of share based payments	14(b)	-	-	-	1,322	1,322
<b>As at 30 June 2013</b>		116,035	(73,924)	-	5,591	47,702
<b>As at 30 June 2011</b>		116,035	(63,262)	(29)	7,418	60,162
Total comprehensive income for the year		-	(5,773)	417	-	(5,356)
Issue of share capital		-	-	-	-	-
Option reserve transfer on exercise		-	-	-	-	-
Option reserve write back	14(b)	-	1,236	-	(1,236)	-
Cost of share based payments	14(b)	-	-	-	2,057	2,057
<b>As at 30 June 2012</b>		116,035	(67,799)	388	8,239	56,863

The accompanying notes form part of these financial statements



**CONSOLIDATED CASH FLOW STATEMENT** FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Consolidated Entity 2013 \$'000	2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,796	2,445
Payments to suppliers		(2,342)	(2,453)
NET CASH USED IN OPERATING ACTIVITIES	15(a)	(546)	(8)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(3,168)	(4,112)
Purchase of shares		-	(163)
Sale of shares	6(a)	146	475
Acquisition of plant and equipment		(10)	(12)
Proceeds from sale of plant and equipment		4	18
NET CASH USED IN INVESTING ACTIVITIES		(3,028)	(3,794)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH HELD		(3,574)	(3,802)
Cash at the beginning of the reporting period		43,171	46,973
CASH AT THE END OF THE REPORTING PERIOD	15(c)	39,597	43,171

The accompanying notes form part of these financial statements

**NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2013****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 results of which form the basis of making judgments. 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. 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**

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 Group 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 Group 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 2013 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 not likely to affect the Company's accounting for its financial assets.

*AASB10 Consolidated Financial Statements (effective from 1 January 2013)*

AASB10 Consolidated Financial Statements establishes principals for the preparation and presentation of financial statements for an entity that controls one or more other entities and is not likely to affect the Company's accounting for its controlled entities.

*AASB11 Joint Arrangements (effective from 1 January 2013)*

AASB11 Joint Arrangements establishes principals for entities that have an interest in arrangements that are controlled jointly. The Company currently has no jointly controlled arrangements.

*AASB12 Disclosure of Interest in Other Entities (effective from 1 January 2013)*

AASB12 Disclosure of Interests in Other Entities requires an entity to disclose information that enables users of financial statements to evaluate the risks associated with its interests in other entities and the effect of those risks on its own financial statements. The Company discloses the information about its controlled entities in the notes to the accounts.



*AASB13 Fair Value Measurement (effective from 1 January 2013)*

AASB13 Fair Value Measurement defines fair value, sets out a framework for measuring fair value and requires disclosure about fair value measurements. The Company discloses information about fair value measurement in the notes to the accounts.

**x) Capital risk management**

The Group'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 Group monitors capital on the basis of working capital requirements.

During 2013 the Group's strategy, which was unchanged from 2012, was to maintain a current account balance sufficient to meet the Group's day to day expenses with the balance held in term deposits.

**NOTE 2. REVENUE FROM CONTINUING ACTIVITIES**

	<b>Consolidated Entity</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenues from continuing activities		
Sale of tenements	34	50
Sale of fixed assets	3	(12)
Profit / (loss) on sale of investments	9	(363)
Interest received - other persons/corporations	1,818	2,377
Sundry income	5	10
Sale of data	-	20
Total revenues from continuing activities	<u>1,869</u>	<u>2,082</u>

**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	(61)	(100)
Office equipment & furniture	(25)	(53)
Motor vehicles	(24)	(24)
	<u>(110)</u>	<u>(177)</u>
b) Other expenses includes the following:		
Payroll tax	(29)	(26)
Rental expenses	(243)	(238)
Stock exchange	(50)	(51)
Travel & accommodation	(89)	(31)
Office expenses and supplies	(102)	(106)
Computer support services	(72)	(73)
Report expenses and printing	(52)	(29)
Conferences and seminars	(8)	(8)
Donations	(21)	(20)
Miscellaneous expenses	(60)	(126)
Total other expenses	<u>(726)</u>	<u>(708)</u>

**NOTE 4. INCOME TAX**

	<b>Consolidated Entity</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
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.

b) Numerical reconciliation of income tax expense to prima facie tax payable is as follows:

Profit (loss) from operations before income tax expense	(10,095)	(5,773)
Tax at Australian tax rates of 30% (2012 also 30%)	(3,029)	(1,732)
Tax effect of non-temporary differences	557	768
Tax effect of equity raising costs debited to equity	-	-
Over or under provision from previous years	-	-
Tax effect of tax losses and temporary differences not recognised	2,472	964
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 deferred tax asset adjusted for non-temporary differences	73,801	70,433
Potential tax benefit at 30%	22,140	21,130

e) Unrecognised temporary differences

Non deductible amounts as temporary differences	(5,924)	(2,444)
Accelerated deductions for tax compared to book	282	1,776
Total at 100%	(5,642)	(668)

Potential effect on future tax expense for temporary differences at 30%	(1,693)	(200)
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f) There are no franking credits available for future years

**NOTE 5. TRADE AND OTHER RECEIVABLES – CURRENT**

Prepayment - rent	23	21
Prepayment - software	7	3
Prepayment - subscriptions	7	6
Accrued interest	245	224
Goods & services tax paid	21	15
Expenses to be reimbursed	-	200
Sundry Debtors	68	22
	371	491





#### NOTE 6(a). INVESTMENTS IN ENTITIES - CURRENT

**Southern Cross Goldfields Limited** (SXG) is an Australian listed public exploration company with 408,912,834 fully paid ordinary shares on issue. Heron sold 2,896,115 shares in January 2013 and now holds 5,875,528 fully paid shares at 30 June 2013, 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 held 750,000 shares which were sold in January 2013.

**Radar Iron Limited** (RAD) is an Australian listed public exploration company with 81,340,070 fully paid ordinary shares on issue. Heron holds 75,000 fully paid shares (received as part of a tenement sale) at 30 June 2013, which have been valued at the closing price on that day.

	<b>Consolidated Entity</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Investments in other entities at fair value</b>		
<i>Southern Cross Goldfields Limited:</i>		
Cost	1,092	1,631
Impairment	(1,033)	(1,306)
Carrying value	59	325
<i>Niuminco Limited:</i>		
Cost	-	150
Impairment	-	(120)
Carrying value	-	30
<i>Radar Iron Limited:</i>		
Cost	14	-
Impairment	(12)	-
Carrying value	2	-
<i>Summary</i>		
Total cost of investments	1,106	1,781
Impairment brought forward	(875)	(1,029)
Impairment for year ended June 2013	(170)	(397)
Total carrying value	61	355

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

**A1 Consolidated Gold Limited** (AYC) is an Australian listed public exploration company with 138,208,291 fully paid ordinary shares on issue. Heron holds 26,200,000 fully paid shares at 30 June 2013, which have been valued at the closing price on that day.



	<b>Consolidated Entity</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Investments in other entities at fair value</b>		
<i>A1 Consolidated Gold:</i>		
Cost	6,555	6,555
Impairment	(3,280)	-
Revaluation	-	388
Carrying value	3,275	6,943

**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**

Plant and equipment at cost	620	633
Accumulated depreciation	(589)	(541)
	31	92
Office equipment & furniture at cost	579	570
Accumulated depreciation	(530)	(505)
	49	65
Motor vehicles at cost	180	184
Accumulated depreciation	(163)	(142)
	17	42
Total property, plant and equipment	97	199
Reconciliation		
Plant and equipment:		
Carrying amount at 1 July	92	192
Additions	1	-
Disposals	(1)	-
Depreciation Expense	(61)	(100)
Carrying value at 30 June	31	92
Office equipment and furniture:		
Carrying amount at 1 July	65	105
Additions	9	12
Disposals	-	-
Depreciation Expense	(25)	(52)
Carrying value at 30 June	49	65
Motor vehicles:		
Carrying amount at 1 July	42	96
Additions	-	-
Disposals	(1)	(30)
Depreciation Expense	(24)	(24)
Carrying value at 30 June	17	42


**NOTE 9. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS CARRIED FORWARD**

	<b>Consolidated Entity</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of year	6,716	5,535
Acquisition costs	62	71
Exploration and evaluation costs incurred during the year	2,971	4,099
Exploration and evaluation costs expensed as incurred	(2,971)	(2,079)
Exploration and evaluation impairment	(1,600)	-
Exploration and evaluation costs written off	(108)	(910)
Balance at end of year	5,070	6,716

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	229	377
Trade creditors and accruals - Other	118	268
	347	645

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

**NOTE 11. PROVISIONS – CURRENT**

Employee entitlements	457	402
	457	402

**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.

	<b>Consolidated Entity</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Shares		
Issued and paid up capital 252,985,787 (2012: 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:

	<b>2013</b>	<b>2013</b>
	<b>No. of Shares</b>	<b>\$'000</b>
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 2013

	No. of Options
Opening balance at 1 July 2012	37,918,776
Options issued	4,000,000
Options expired/lapsed	(10,750,000)
Closing balance at 30 June 2013	31,168,776

The weighted average remaining contractual life of options on issue at 30 June 2013 is 693 days.

### Options

The following Options were issued during the year:

Number	Expiry date	Exercise price
333,333	16 January 2015	\$0.22
333,333	16 January 2016	\$0.27
333,334	16 January 2017	\$0.31
1,000,000	5 March 2016	\$0.22
1,000,000	5 March 2017	\$0.27
1,000,000	5 March 2018	\$0.31

The following options expired/lapsed during the year:

Number	Expiry date	Exercise price
2,500,000	5 June 2013	\$1.50
3,500,000	5 June 2013	\$2.00
750,000	5 June 2014	\$2.50
2,000,000	23 June 2015	\$0.27
2,000,000	23 June 2016	\$0.31

As at 30 June 2013 the Company had the following options on issue:

Number	Expiry date	Exercise price
4,500,000	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
2,750,000	23 June 2015	\$0.27
2,750,000	23 June 2016	\$0.31
333,333	16 January 2015	\$0.22
333,333	16 January 2016	\$0.27
333,334	16 January 2017	\$0.31
1,000,000	5 March 2016	\$0.22
1,000,000	5 March 2017	\$0.27
1,000,000	5 March 2018	\$0.31
31,168,776		

The following table lists the inputs used to value the options issued for the year ended 30 June 2013

	333,333	333,333	333,334	1,000,000	1,000,000	1,000,000
Number of options	333,333	333,333	333,334	1,000,000	1,000,000	1,000,000
Method adopted	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Average volatility (%)	75	75	75	75	75	75
Average risk free interest rate (%)	3.25	3.25	3.25	3.00	3.00	3.00
Average expected life of option (years)	2.25	3.25	4.25	2.92	3.92	4.92
Average exercise price	\$0.22	\$0.27	\$0.31	\$0.22	\$0.27	\$0.31
Average deemed share price at grant date	\$0.14	\$0.14	\$0.14	\$0.16	\$0.16	\$0.16
Average value per option	\$0.044	\$0.05	\$0.057	\$0.066	\$0.07	\$0.076





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 / lapsed this year	Options Issued this year	Number of Options at the end of the year	Options Exercisable at the end of the year
<b>2013 Consolidated and parent entity</b>							
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	(750,000)	-	4,500,000	-
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	(2,000,000)	-	2,750,000	2,750,000
19 November 2011	23 June 2016	\$0.31	4,750,000	(2,000,000)	-	2,750,000	-
5 October 2012	16 January 2015	\$0.22	-	-	333,333	333,333	-
5 October 2012	16 January 2016	\$0.27	-	-	333,333	333,333	-
5 October 2012	16 January 2017	\$0.31	-	-	333,334	333,334	-
3 April 2013	5 March 2016	\$0.22	-	-	1,000,000	1,000,000	-
3 April 2013	5 March 2017	\$0.27	-	-	1,000,000	1,000,000	-
3 April 2013	5 March 2018	\$0.31	-	-	1,000,000	1,000,000	-
			37,918,776	(10,750,000)	4,000,000	31,168,776	10,100,000
Weighted average exercise price			0.89	1.28	0.27	0.67	0.29

### NOTE 13. SEGMENT REPORTING

Segmental information for consolidated statement of comprehensive income

Year ended June 2013	Corporate	KNP Project	Yerilla Project	Exploration	A1	Total
Sale of tenements	-	-	-	34	-	34
Sale of fixed assets	-	-	3	-	-	3
Sale of investments	9	-	-	-	-	9
Interest received - other persons/corporations	1,818	-	-	-	-	1,818
Sundry income	5	-	-	-	-	5
Total revenues	1,832	-	3	34	-	1,869
Depreciation	(26)	-	(38)	(46)	-	(110)
Exploration expenditure expensed as incurred	-	(964)	(227)	(1,780)	-	(2,971)
Exploration expenditure written off	-	(105)	(3)	-	-	(108)
Exploration expenditure impairment	-	(1,600)	-	-	-	(1,600)
Other expenses	(7,175)	-	-	-	-	(7,175)
Profit / (loss)	(5,369)	(2,669)	(265)	(1,792)	-	(10,095)
<b>Year ended June 2012</b>						
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)



## Segmental information for consolidated balance sheet

<b>Balance at June 2013</b>	<b>Corporate</b>	<b>KNP Project</b>	<b>Yerilla Project</b>	<b>Exploration</b>	<b>A1</b>	<b>Total</b>
Total current assets	40,029	-	-	-	-	40,029
Property, plant and equipment	49	-	7	41	-	97
Exploration and evaluation costs carried forward	-	5,070	-	-	-	5,070
Other non-current assets	3,310	-	-	-	-	3,310
Total non-current assets	3,359	5,070	7	41	-	8,477
Total assets	43,388	5,070	7	41	-	48,506
Total liabilities	172	-	-	632	-	804
<b>Movement for the year to June 2013</b>	<b>Corporate</b>	<b>KNP Project</b>	<b>Yerilla Project</b>	<b>Exploration</b>	<b>A1</b>	<b>Total</b>
Total current assets	(3,988)	-	-	-	-	(3,988)
Property, plant and equipment	(17)	-	(39)	(46)	-	(102)
Exploration and evaluation costs carried forward	-	(1,646)	-	-	-	(1,646)
Other non-current assets	(3,668)	-	-	-	-	(3,668)
Total non-current assets	(3,685)	(1,646)	(39)	(46)	-	(5,416)
Total assets	(7,673)	(1,646)	(39)	(46)	-	(9,404)
Total liabilities	(147)	-	-	(96)	-	(243)
<b>Balance at June 2012</b>	<b>Corporate</b>	<b>KNP Project</b>	<b>Yerilla Project</b>	<b>Exploration</b>	<b>A1</b>	<b>Total</b>
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
<b>Movement for the year to June 2012</b>	<b>Corporate</b>	<b>KNP Project</b>	<b>Yerilla Project</b>	<b>Exploration</b>	<b>A1</b>	<b>Total</b>
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
Total assets	1,772	1,181	(73)	(52)	(6,210)	(3,382)
Total liabilities	(117)	(1)	(53)	215	(127)	(83)



**Consolidated Entity**  
**2013**  
**\$'000**

**NOTE 14. ACCUMULATED LOSSES AND RESERVES**

a) Accumulated Losses		
Balance at the beginning of the year	(67,799)	(63,262)
Write back of expense for expired/lapsed options	3,970	1,236
Net profit/(loss)	(10,095)	(5,773)
Balance at end of the year	(73,924)	(67,799)
b) Option Reserve		
Balance at the beginning of the year	8,239	7,418
Cost of share based payments	1,322	2,057
Write back lapsed options expense	(3,970)	(1,236)
Balance at end of the year	5,591	8,239

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	388	(29)
Southern Cross Goldfields shares	-	44
Niuminco shares	-	(15)
A1 Consolidated Gold shares	(388)	388
Movement for the year	(388)	417
Balance at end of the year	-	388

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**

a) Reconciliation of operating loss after income tax to the net cash flows from operations:		
Operating loss after income tax	(10,095)	(5,773)
Add/(less)		
Exploration and evaluation costs written off	3,079	2,989
Depreciation	110	177
Share based payments	1,322	2,057
(Profit)/loss on sale of shares	(9)	363
(Profit)/loss on sale of tenements	(34)	(50)
(Profit)/loss on sale of fixed assets	(3)	12
Profit on sale of data	-	(20)
Investment Impairment	3,450	397
Exploration & Evaluation Impairment	1,600	-
Increase/(decrease) in prepayments and debtors	(8)	5
(Increase)/decrease in accrued interest and GST	(160)	215
Increase/(decrease) in creditors, accruals and provisions	202	(380)
	(546)	(8)



	<b>Consolidated Entity</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
b) During the year the following non cash transactions occurred in the Company: The Company received 75,000 fully paid shares in Radar Iron Limited from the sale of a tenement.		
c) Reconciliation of Cash		
Cash on hand and at bank	39,597	43,171
Closing cash balance	39,597	43,171

Cash security for environmental bonds of \$477,000 (2012 : \$485,000) is included in cash on hand and at bank. This is not available to the Company for ordinary activities.

Property bonds of \$46,545 (2012 : \$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 (resigned 16 November 2012)

##### **Executive Directors**

Ian James Buchhorn

Jonathan Nicholas Shellabear (resigned 9 October 2012)

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

##### **General Manager Strategy and Business Development**

Charlie Kempson (appointed 5 March 2013)

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

<b>Shares</b>	<b>Held at 1 July 2012</b>	<b>Purchased on market</b>	<b>Sold</b>	<b>Held at 30 June 2013</b>
<b>Directors</b>				
CL Readhead	844,709	-	-	844,709
IJ Buchhorn	45,436,240	50,000	-	45,486,240
SB Dennis	450,000	-	-	450,000
KJ Hellsten (resigned 16/11/12)	65,000	-	-	65,000
JN Shellabear (resigned 9/10/12)	-	-	-	-
<b>Key Management Personnel</b>				
BP Horan	-	-	-	-
D von Perger	211,692	-	-	211,692
C Kempson	-	250,000	-	250,000





5.0 FINANCIAL STATEMENTS CONTINUED  
NOTE 16. RELATED PARTY TRANSACTIONS CONTINUED

Options	Expiry Date	Exercise Price	Held at 1 July 2012	Issued	Expired	Held at 30 June 2013
<b>Directors</b>						
C L Readhead	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 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 (resigned 16/11/12)	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 (resigned 9/10/12)	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)	-
<b>Key Management Personnel</b>						
D von Perger	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 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
C Kempson	5 March 2016	\$0.22	-	1,000,000	-	1,000,000
	5 March 2017	\$0.27	-	1,000,000	-	1,000,000
	5 March 2018	\$0.31	-	1,000,000	-	1,000,000
			31,350,000	3,000,000	(10,750,000)	23,600,000

Other related party transactions during the financial year were:

- payment of \$72,450 (2012 : \$72,000) to an entity related to Mr IJ Buchhorn for the provision of office accommodation on normal commercial terms and conditions;
- payment of \$238,914 (2012 : \$16,580) to Allion Legal of which Mr CL 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 0.37% (2012 : 4.11%)
Term Deposits		Term Deposits are carried at cost.	Term Deposits are secured with a 3 month term with an interest rate of 4.06% (2012 : 5.05%)
Environmental Bonds		Environmental Bonds are carried at cost.	Environmental Bonds are security term deposits with a 6 month term with an interest rate of 3.95% (2012 : 4.92%)
Property Bonds		Property Bonds are carried at cost.	Property Bonds are security term deposits with an 6 month term with an interest rate of 4.13% (2012 : 4.9%)
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 Group 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 Group has no interest-bearing liabilities, the Group's cash out flows are not exposed to changes in market interest rates. The Group 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	
2013	2012
\$'000	\$'000

#### NOTE 18. AUDITORS' REMUNERATION

Amounts paid or due and payable for:

Butler Settineri (Audit) Pty Ltd - Audit services	45	45
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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	3,489	3,000
-----------------------	-------	-------

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	332	329
Later than 1 year but not later than 5 years	582	852
Later than 5 years	-	-

##### c) Capital Commitments

The Company has no capital commitments at 30 June 2013.

#### 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	
			2013	2012	2013	2012
					\$	\$
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**  
**2013**      **2012**  
**\$'000**      **\$'000**

**NOTE 21. EARNINGS PER SHARE**

Basic earnings per share	(0.03990)	(0.02282)
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	(0.03990)	(0.02282)
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	(10,483,306)	(5,773,226)

The 31,168,776 (2012: 37,918,776) options are not considered to be dilutive.

**NOTE 22. EMPLOYEE ENTITLEMENTS**

## a) Employee Entitlements

The aggregate employee entitlement is comprised of:

Provisions (Current)	457	402
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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 8 employees, directors and officers eligible for this scheme.

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

During the year 10,750,000 options expired/lapsed and 4,000,000 options were issued under the Employee Options Plan Number 3.

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 / lapsed this year	Options Issued this year	Number of Options at the end of the year	Options Exercisable at the end of the year
<b>2013 Consolidated and parent entity</b>							
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	(750,000)	-	4,500,000	-
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	(2,000,000)	-	2,750,000	2,750,000
19 November 2011	23 June 2016	\$0.31	4,750,000	(2,000,000)	-	2,750,000	-
5 October 2012	16 January 2015	\$0.22	-	-	333,333	333,333	-
5 October 2012	16 January 2016	\$0.27	-	-	333,333	333,333	-
5 October 2012	16 January 2017	\$0.31	-	-	333,334	333,334	-
3 April 2013	5 March 2016	\$0.22	-	-	1,000,000	1,000,000	-
3 April 2013	5 March 2017	\$0.27	-	-	1,000,000	1,000,000	-
3 April 2013	5 March 2018	\$0.31	-	-	1,000,000	1,000,000	-
			37,918,776	(10,750,000)	4,000,000	31,168,776	10,100,000
Weighted average exercise price			0.89	1.28	0.27	0.67	0.29



**NOTE 23. SUBSEQUENT EVENTS**

There is no matter or circumstance which has arisen since 30 June 2013 that has significantly affected or may significantly affect:

- a) The operations, in the financial years subsequent to 30 June 2013, of the Company;
- b) The results of those operations; or
- c) The state of affairs, in the financial years subsequent to 30 June 2013, of the Company.

**NOTE 24. CONTINGENT LIABILITIES**

Native title claims have been made with respect to areas which include tenements in which the consolidated entity 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 received a claim for \$92,882, being for legal costs associated with a terminated due diligence review undertaken by Heron during the reporting period. Heron's termination was based on its discovery of due diligence information in respect of certain technical matters, and as having regard to the terms of the agreement under which the due diligence review was undertaken, Heron considers it does not have any obligation to reimburse the claimed costs.

**NOTE 25. PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Heron Resources Limited, at 30 June 2013. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	<b>2013 \$'000</b>	<b>2012 \$'000</b>
a) Financial Position		
Current assets	39,834	43,872
Non-current assets	17,364	21,561
Total assets	<u>57,198</u>	<u>65,433</u>
Current liabilities	680	1,009
Total liabilities	<u>680</u>	<u>1,009</u>
Contributed equity	116,035	116,035
Fair value reserve	-	388
Option reserve	5,591	8,239
Accumulated losses	(65,108)	(60,238)
Total equity	<u>56,518</u>	<u>64,424</u>
Loss for the year	(7,886)	(4,556)
Other comprehensive income	(388)	417
Total comprehensive loss for the year	<u>(8,274)</u>	<u>(4,139)</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 24.		
d) Capital commitments of the Parent		
Heron Resources Limited's capital commitments are disclosed in note 19c.		



# 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 Group's financial position as at 30 June 2013 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 Group 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, 26 September 2013



## 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 balance sheet as at 30 June 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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.

### Independence

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

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*





### **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 2013 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 2013.

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 2013 complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER  
Director

Perth

Date: 26 September 2013





# 7.0 Shareholder Information

AT 9 SEPTEMBER 2013

## 1. Issued Shares and Options

a) Distribution of Shareholders:

Size of Holding	Number of Holders	Shares Held
1 - 1,000	249	153,804
1,001 - 5,000	687	2,197,470
5,001 - 10,000	482	3,932,315
10,001 - 100,000	955	30,812,255
100,001 -	168	215,889,943
	2,541	252,985,787

b) The twenty largest shareholders hold 65.7% 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	45,486,240	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 547 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 9 September 2013

	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 Limited	32,440,651	12.82
4 Citicorp Nominees Pty Limited	12,840,514	5.08
5 MBM Corporation Pty Ltd	9,600,000	3.79
6 Chaos Investments Pty Limited	5,952,308	2.35
7 Hazurn Pty Ltd	4,841,554	1.91
8 Fremont Cat Pty Ltd	4,205,476	1.66
9 Mr David James Wardle	4,070,000	1.61
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 Mr Olivier Robert Dupuy	2,438,151	0.96
15 Kimlex Investments Pty Ltd	2,200,000	0.87
16 BHP Minerals Holdings Pty Ltd	2,150,000	0.85
17 Mrs Pamela Jean Buchhorn	2,137,690	0.84
18 BGK Investments Pty Limited	2,000,000	0.79
19 Manorina Mining Pty Ltd	1,825,992	0.72
20 Tierra De Suenos SA	1,802,000	0.71
TOTAL	166,257,145	65.70



## 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	4,500,000	exercisable on or before 5 June 2014 for a payment of \$2.50 per option
3	4,818,776	exercisable on or before 9 June 2014 for a payment of \$0.30 per option
4	2,600,000	exercisable on or before 25 June 2014 for a payment of \$0.425 per option
5	4,750,000	exercisable on or before 23 June 2014 for a payment of \$0.22 per option
6	2,750,000	exercisable on or before 23 June 2015 for a payment of \$0.27 per option
7	2,750,000	exercisable on or before 23 June 2016 for a payment of \$0.31 per option
8	333,333	exercisable on or before 16 January 2015 for a payment of \$0.22 per option
9	333,333	exercisable on or before 16 January 2016 for a payment of \$0.27 per option
10	333,334	exercisable on or before 16 January 2017 for a payment of \$0.31 per option
11	1,000,000	exercisable on or before 5 March 2016 for a payment of \$0.22 per option
12	1,000,000	exercisable on or before 5 March 2017 for a payment of \$0.27 per option
13	1,000,000	exercisable on or before 5 March 2018 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 -	11	31,168,776
	11	31,168,776

Summary of option holders as at 9 September 2013

	Number of Options	% of Issued Options
1 Employees & directors	23,350,000	74.91%
2 Huashan Capital	4,818,776	15.46%
3 Jonathan Shellabear	2,000,000	6.42%
4 Robert George Klug	1,000,000	3.21%
TOTAL	31,168,776	100.00%



## 8.0 Statement of Mineral Resources

Region	Prospect	Million tonnes <sup>1</sup>	Ni %	Co %	Resource Category	Estimation Method	Estimate Source	Study Period
Goongarrie	Goongarrie South*	5.8	1.08	0.105	Measured	Krige	Heron	Post PFS
	Goongarrie South*	54.2	0.79	0.066	Indicated	Krige	Heron	Post PFS
	Goongarrie South*	34.4	0.63	0.042	Inferred	Krige	Heron	Post PFS
	Highway	52.9	0.66	0.042	Indicated	Krige	Heron	Post PFS
	Highway	38.4	0.63	0.040	Inferred	Krige	Heron	Post PFS
	Ghost Rocks	24.8	0.67	0.047	Inferred	Krige	Snowden	Pre PFS
	Goongarrie Hill	53.6	0.60	0.037	Inferred	Krige	Heron	Post PFS
	Big Four	42.6	0.69	0.052	Indicated	Krige	Heron	Post PFS
	Big Four	12.4	0.54	0.054	Inferred	Krige	Heron	Post PFS
	Scotia	11.2	0.77	0.080	Inferred	Krige	Snowden	Pre PFS
<b>Sub-Total Goongarrie</b>		<b>330.3</b>	<b>0.68</b>	<b>0.049</b>				
Siberia	Siberia South	104.4	0.66	0.035	Inferred	Krige	Snowden	Pre PFS
	Siberia North	10.8	0.64	0.051	Indicated	Krige	Snowden	Post PFS
	Siberia North	60.0	0.66	0.040	Inferred	Krige	Snowden	Post PFS
	Black Range	20.1	0.75	0.103	Inferred	Krige	Snowden	Pre PFS
<b>Sub-Total Siberia</b>		<b>195.3</b>	<b>0.66</b>	<b>0.043</b>				
<b>Total KNP West</b>		<b>525.6</b>	<b>0.67</b>	<b>0.047</b>				
Bulong	Taurus	14.2	0.83	0.051	Inferred	Krige	Snowden	Pre PFS
	East	15.9	0.89	0.046	Indicated	Krige	Snowden	Pre PFS
	East	24.3	0.78	0.053	Inferred	Krige	Snowden	Pre PFS
<b>Sub-Total Bulong</b>		<b>54.4</b>	<b>0.87</b>	<b>0.054</b>				
Hampton	Kalpini	75.4	0.73	0.044	Inferred	Krige	Snowden	Pre PFS
<b>Sub-Total Hampton</b>		<b>75.4</b>	<b>0.73</b>	<b>0.044</b>				
<b>Total KNP East</b>		<b>129.8</b>	<b>0.79</b>	<b>0.048</b>				
Yerilla	Jump Up Dam‡	3.8	0.94	0.048	Measured	Krige	Snowden	PFS
	Jump Up Dam	41.7	0.79	0.044	Indicated	Krige	Snowden	PFS
	Jump Up Dam	18.5	0.64	0.035	Inferred	Krige	Snowden	PFS
	Boyce Creek	26.8	0.77	0.058	Inferred	Krige	Heron	PFS
	Aubils**	49.4	0.70	0.066	Inferred	Krige	Heron	PFS
<b>Sub-Total KNP Yerilla</b>		<b>140.2</b>	<b>0.73</b>	<b>0.052</b>				
<b>Company Total</b>		<b>795.6</b>	<b>0.70</b>	<b>0.048</b>				

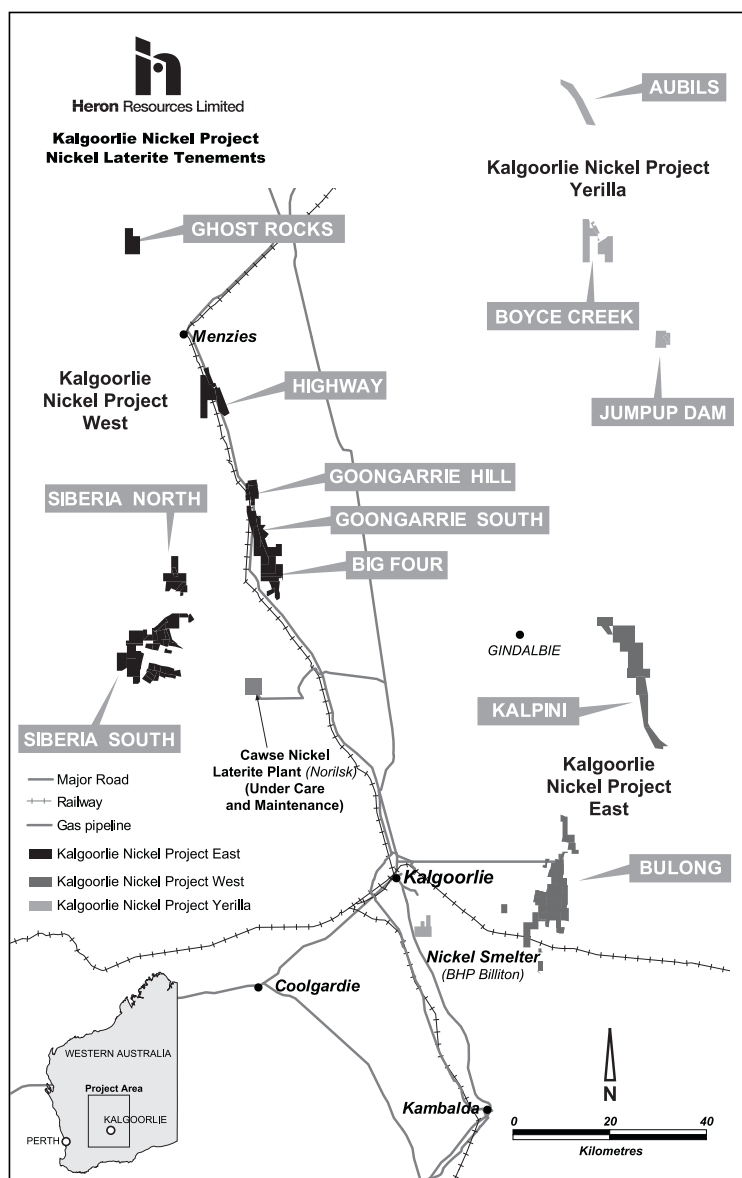
\* Includes 33.4 million tonnes at 0.70% nickel and 0.040% cobalt located on a pending mining lease.

\*\* Includes 49.4 million tonnes at 0.70% nickel and 0.066% cobalt located on a pending mining lease.

‡ Includes approximately 20,000 tonnes at 1.3% nickel and 0.050% cobalt in stockpiles from the 2006 trial.

### Notes:

1. Tonnage (dry) and grade estimates have been rounded to reflect the estimation precision.
2. Economic parameters for the KNP are based on a Pre-feasibility Study completed by Vale Inco under farm-in arrangements between April 2005 and July 2009, and re-optimized by Heron between August 2009 and May 2010. The Vale Inco farm-in ended in July 2009 and Vale Inco has no retained rights in respect of the KNP tenements.
3. Economic parameters for Yerilla are based on a Pre-feasibility Study completed by Heron between June 2006 and April 2009, and re-optimized by Shanshan under joint venture between May 2009 and May 2011. The Shanshan joint venture expired in May 2011 and has been the subject of re-negotiation. Shanshan currently has no retained rights in respect of the Yerilla tenements.



#### Attribution Statement

The information in this report that relates to Mineral Resources for the Highway, Goongarrie Hill, Goongarrie South, Big Four, Aubils and Boyce Creek Prospects is based on information originally compiled by a former Heron Resources Limited resource geologist and validated by Steve Jones in 2013. Both are Members of the Australasian Institute of Mining and Metallurgy. Steve Jones is a full time employee of Heron Resources Limited and has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the resource estimation activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Steve Jones consents to the inclusion in this report of the matters based on his information in the form and context that it appears. Note that Mineral Resources that are not Ore Reserves do not have demonstrated viability.

The information in this report that relates to Mineral Resources for the Siberia North, Bulong East, Siberia, Black Range, Taurus and Jump Up Dam Prospects is based on information compiled by Snowden Mining Industry Consultants by members of the Australian Institute of Mining and Metallurgy. Snowden Mining Industry Consultants had sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the resource estimation activity. All resources were internally audited by Snowden and signed off by a person of sufficient experience to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Steve Jones validated the Snowden Mining Siberia North estimate in 2013. Note that Mineral Resources that are not Ore Reserves do not have demonstrated viability.

The information in this report that relates to exploration and resource data (including drilling data, database quality, geological interpretation and density modelling) is based on information originally compiled by Steve Jones and other previous full time employees of Heron Resources Limited. Steve Jones has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the exploration activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Steve Jones has validated the original estimates during 2013. Steve Jones consents to the inclusion in this report of the matters based on his information in the form and context that it appears.



## 9.0 Interest in Mining Tenements

Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km <sup>2</sup> Actual	Status	Notes
<b>KALGOORLIE NICKEL PROJECT</b>						
<b>Siberia Project</b>						
Siberia North	78km NW of Kalgoorlie	E24/00158	100.0	2.80	Live	
Wongi Hill	78km NW of Kalgoorlie	E29/00889	100.0	2.80	Pending	
Siberia	78km NW of Kalgoorlie	M24/00634	100.0	1.85	Live	
Riches Find	75km NW of Kalgoorlie	M24/00658	100.0	3.75	Live	
Riches Find	75km NW of Kalgoorlie	M24/00660	100.0	1.74	Live	
Siberia	75km NW of Kalgoorlie	M24/00663	100.0	3.06	Live	
Siberia	75km NW of Kalgoorlie	M24/00664	100.0	1.43	Live	
Siberia	75km NW of Kalgoorlie	M24/00686	100.0	2.15	Live	
Wongi Bore	78km NW of Kalgoorlie	M24/00915	100.0	0.70	Live	
Siberia North	78km NW of Kalgoorlie	M24/00916	100.0	5.44	Live	
Siberia South Cave Hill	75km NW of Kalgoorlie	M24/00917	100.0	1.50	Live	
Siberia	78km NW of Kalgoorlie	M29/00312	100.0	4.78	Live	
Siberia	75km NW of Kalgoorlie	P24/04202	100.0	1.98	Live	
Siberia	75km NW of Kalgoorlie	P24/04203	100.0	1.65	Live	
Siberia	75km NW of Kalgoorlie	P24/04204	100.0	1.61	Live	
Siberia	75km NW of Kalgoorlie	P24/04205	100.0	1.93	Live	
Siberia	75km NW of Kalgoorlie	P24/04206	100.0	1.81	Live	
Theil Well	75km NW of Kalgoorlie	P24/04207	100.0	1.42	Live	
Theil Well	75km NW of Kalgoorlie	P24/04208	100.0	2.00	Live	
Siberia East	70km NW of Kalgoorlie	P24/04219	100.0	1.70	Live	
Siberia East	70km NW of Kalgoorlie	P24/04220	100.0	1.34	Live	
Siberia	75km NW of Kalgoorlie	P24/04221	100.0	0.12	Live	
Siberia	75km NW of Kalgoorlie	P24/04243	100.0	1.17	Live	1
Siberia South	75km NW of Kalgoorlie	P24/04652	100.0	0.07	Pending	
Riches Find South	75km NW of Kalgoorlie	P24/04653	100.0	0.52	Live	
25				49.32		
<b>SMC Siberia Project</b>						
Siberia North	78km NW of Kalgoorlie	M24/00683	100.0	0.56	Live	
Broad Arrow	71km NW of Kalgoorlie	M24/00772	100.0	1.98	Live	
Siberia North	78km NW of Kalgoorlie	M24/00797	100.0	8.06	Live	
3				10.60		
<b>Black Range Project</b>						
Black Range	63km NW of Kalgoorlie	M24/00757	100.0	5.91	Live	
Mt Carnage	63km NW of Kalgoorlie	M24/00912	100.0	2.84	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04395	100.0	1.92	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04396	100.0	1.64	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04400	100.0	2.00	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04401	100.0	1.90	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04402	100.0	1.72	Live	
Mt Carnage	70km NW of Kalgoorlie	P24/04403	100.0	1.92	Live	
8				19.85		
<b>Siberia Tank Project</b>						
Siberia Tank	75km NW of Kalgoorlie	M24/00665	90.0	8.25	Live	2
1				8.25		
<b>Monarch Siberia Project</b>						
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	
4				31.05		





Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km <sup>2</sup> Actual	Status	Notes
<b>KALGOORLIE NICKEL PROJECT continued</b>						
<b>Frances Lesley Project</b>						
Carbine North	62km NW of Kalgoorlie	E16/00332	100 of Ni only	42.00	Live	3
1				42.00		
<b>Theil Well Project</b>						
Theil Well	70km NW of Kalgoorlie	P24/04434	100.0	1.63	Live	
Theil Well	70km NW of Kalgoorlie	P24/04435	100.0	1.75	Live	
Theil Well	70km NW of Kalgoorlie	P24/04436	100.0	1.79	Live	
Theil Well	70km NW of Kalgoorlie	P24/04437	100.0	1.71	Live	
Theil Well	70km NW of Kalgoorlie	P24/04438	100.0	2.00	Live	
5				8.88		
<b>Ghost Rocks Project</b>						
Ghost Rocks	140km NNW of Kalgoorlie	E29/00873	100.0	14.00	Pending	
1				14.00		
<b>Goongarrie Project</b>						
Scotia Dam	67km NNW of Kalgoorlie	M24/00541	100.0	5.20	Live	
Scotia North	75km NNW of Kalgoorlie	M24/00744	100.0	0.06	Live	
Goongarrie West	87km NNW of Kalgoorlie	M29/00167	100.0	0.80	Live	
Goongarrie West	86km NNW of Kalgoorlie	M29/00202	100.0	5.94	Live	
Goongarrie South	77km NNW of Kalgoorlie	M29/00272	100.0	6.03	Live	
Canegrass	74km NNW of Kalgoorlie	M29/00278	100.0	8.03	Live	
Goongarrie South	75km NNW of Kalgoorlie	M29/00283	100.0	5.53	Live	
Goongarrie South	76km NNW of Kalgoorlie	M29/00413	100.0	8.22	Pending	
Goongarrie	76km NNW of Kalgoorlie	M29/00423	100.0	8.22	Pending	
Scotia Dam	67km NNW of Kalgoorlie	P24/04531	100.0	1.83	Live	
Goongarrie	82km NNW of Kalgoorlie	P29/01960	100.0	0.24	Live	
Goongarrie Hill	90km NNW of Kalgoorlie	P29/02264	100.0	1.03	Live	
Goongarrie Hill	90km NNW of Kalgoorlie	P29/02265	100.0	2.00	Live	
Goongarrie Hill	90km NNW of Kalgoorlie	P29/02266	100.0	1.22	Live	
Goongarrie Hill	90km NNW of Kalgoorlie	P29/02267	100.0	0.85	Live	
15				55.19		
<b>Placer Big Four Project</b>						
Placer Big Four	70km NNW of Kalgoorlie	M24/00731	100.0	6.03	Live	4
Placer Big Four	70km NNW of Kalgoorlie	M24/00732	100.0	5.09	Live	4
Placer Big Four	70km NNW of Kalgoorlie	M24/00778	100.0	8.90	Live	4
Placer Big Four	70km NNW of Kalgoorlie	M29/00169	100.0	9.74	Live	4
4				29.76		
<b>Highway Project</b>						
Highway West	105km NNW of Kalgoorlie	E29/00850	100.0	28.00	Live	
Highway	100km NNW of Kalgoorlie	M29/00214	100.0	9.50	Live	
Highway Extended	90km NNW of Kalgoorlie	M29/00416	87.5	4.50	Live	
3				42.00		



Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km² Actual	Status	Notes
<b>KALGOORLIE NICKEL PROJECT continued</b>						
<b>Bulong Project</b>						
Bulong	38km E of Kalgoorlie	E25/00476	100.0	14.00	Live	
Gumbulgera Hill	34km E of Kalgoorlie	M25/00059	100 Ni Lat	0.84	Live	6
Bulong	40km E of Kalgoorlie	M25/00111	100 Ni Lat	1.19	Live	6
Bulong	40km E of Kalgoorlie	M25/00134	100 Ni Lat	8.16	Live	6
Bulong	40km E of Kalgoorlie	M25/00145	100 Ni Lat	1.72	Live	6
South West Taurus Dam	38km E of Kalgoorlie	M25/00151	100.0	3.66	Live	
Bulong	40km E of Kalgoorlie	M25/00161	100 Ni Lat	6.40	Live	6
Bulong	40km E of Kalgoorlie	M25/00162	100 Ni Lat	3.66	Live	6
Bulong	40km E of Kalgoorlie	M25/00165	100 Ni Lat	{4.45}	Pending	6
Bulong	40km E of Kalgoorlie	M25/00171	100 Ni Lat	1.01	Live	6
Gumbulgera Hill	40km E of Kalgoorlie	M25/00187	100.0	0.50	Live	
Bulong	34km E of Kalgoorlie	M25/00191	100 Ni Lat	{3.63}	Pending	6
Bulong	40km E of Kalgoorlie	M25/00206	100 Ni Lat	2.14	Live	6
Bulong	40km E of Kalgoorlie	M25/00207	100 Ni Lat	1.82	Live	6
Bulong	40km E of Kalgoorlie	M25/00208	100 Ni Lat	1.21	Live	6
Bulong	40km E of Kalgoorlie	M25/00209	100 Ni Lat	9.60	Live	6
Bulong	40km E of Kalgoorlie	M25/00210	100 Ni Lat	9.58	Live	6
Bulong	40km E of Kalgoorlie	M25/00220	100 Ni Lat	1.21	Live	6
Bulong	40km E of Kalgoorlie	M25/00234	100 Ni Lat	6.06	Live	6
Bulong	40km E of Kalgoorlie	M25/00260	100 Ni Lat	0.04	Live	6
Bulong	40km E of Kalgoorlie	M25/00341	100 Ni Lat	0.02	Live	6
Bulong	40km E of Kalgoorlie	P25/02050	100 Ni Lat	1.20	Live	6
Bulong	40km E of Kalgoorlie	P25/02062	100 Ni Lat	1.20	Live	6
Bulong	40km E of Kalgoorlie	P25/02170	100 Ni Lat	1.21	Live	6
Bulong	40km E of Kalgoorlie	P25/02171	100 Ni Lat	1.21	Live	6
Lake Rebecca	113km NE of Kalgoorlie	P31/02038	100.0	1.21	Pending	
Lake Rebecca	113km NE of Kalgoorlie	P31/02039	100.0	1.16	Pending	
Lake Rebecca	113km NE of Kalgoorlie	P31/02040	100.0	1.99	Pending	
28				82.00		
<b>Kalpini Project</b>						
Emu Lake	67km NE of Kalgoorlie	E27/00524	100.0	16.80	Pending	
Wellington East	63km NE of Kalgoorlie	E28/01224	100.0	47.60	Live	
Wellington North	68km NE of Kalgoorlie	M27/00395	100.0	2.53	Live	
Acra North	65km NE of Kalgoorlie	M28/00199	100.0	9.76	Live	
Acra North	65km NE of Kalgoorlie	M28/00201	100.0	8.96	Live	
Betsy Bore	66km NE of Kalgoorlie	M28/00205	100.0	8.50	Live	
6				94.14		
<b>Total KNP Tenements: 104</b>			<b>Total KNP Area: 487.05</b>			

## YERILLA NICKEL PROJECT

Yerilla SE	140km NNE of Kalgoorlie	E31/00684	100.0	14.00	Live	5
Boyce Creek	140km NNE of Kalgoorlie	E31/00797	100.0	19.60	Live	5
Aubils	170km NNE of Kalgoorlie	E39/01736	100.0	126.00	Pending	5
Jump Up Dam	129km NE of Kalgoorlie	M31/00475	100.0	1.21	Live	5
Jump Up Dam	129km NE of Kalgoorlie	M31/00477	100.0	1.47	Live	5
Jump Up Dam	129km NE of Kalgoorlie	M31/00479	100.0	7.70	Live	5
Boyce Creek North	146km NNE of Kalgoorlie	M31/00483	100.0	2.02	Live	5
Aubils	170km NNE of Kalgoorlie	M39/01085	100.0	18.05	Pending	5
8				190.05		



Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km <sup>2</sup> Actual	Status	Notes
<b>COOLGARDIE GOLD PROJECT</b>						
Horse Rocks	25km SE of Coolgardie	E15/01119	100.0	22.40	Live	
Horse Rocks	30km SE of Coolgardie	E15/01344	100.0	2.80	Live	
Mandilla	80km SW of Kambalda	E15/01157	100.0	22.40	Live	
3				47.60		
<b>MT ZEPHYR GOLD AND BASE-METAL PROJECT</b>						
Zephyr West	72km NE of Leonora	E37/01045	100.0	75.60	Live	
Mt Zephyr	72km NE of Leonora	E39/00940	100.0	30.80	Live	
Nambi	70km NW of Laverton	E39/01465	100.0	8.40	Live	
Zephyr South	70km NW of Laverton	E39/01466	100.0	25.20	Live	
Mt Zephyr	70km NW of Laverton	E39/01574	100.0	8.40	Live	
Mt Zephyr	70km NW of Laverton	E39/01575	100.0	30.80	Live	
Mt Zephyr	70km NW of Laverton	E39/01706	100.0	67.20	Pending	
Mt Zephyr	70km NW of Laverton	E39/01757	100.0	9.60	Pending	
8				256.00		
<b>KIMBERLEYS GOLD AND BASE-METAL PROJECT</b>						
Margaret River	114km SW of Fitzroy Crossing	E80/04262	100.0	33.60	Live	
1				33.60		
<b>ALBANY FRASER NICKEL AND COPPER PROJECT</b>						
<b>Bedonia Project</b>						
Lake Cowan East	70km E of Norseman	E63/01518	100.0	156.80	Live	
Bedonia	70km E of Norseman	E63/01632	100.0	22.40	Pending	
Bedonia	70km E of Norseman	E63/01633	100.0	8.40	Pending	
Eyre Highway	70km E of Norseman	E63/01565	100.0	182.00	Pending	
Eyre Highway	70km E of Norseman	E63/01643	100.0	196.00	Pending	
Woodline	70km E of Norseman	E28/02311	100.0	140.00	Pending	
Wolgerina Rock	70km E of Norseman	E28/02324	100.0	159.60	Pending	
7				865.20		
<b>Rocky Gully Project</b>						
Rocky Gully West	105km NW of Albany	E70/04457	100.0	434.00	Pending	
Rocky Gully	85km NW of Albany	E70/02801	100.0	64.40	Live	
2				64.40		
<b>PILBARA IRON ORE PROJECT</b>						
Shay Gap West	150km E of Pt Hedland	E45/03657	100.0	154.00	Live	
Black Hill	150km ESE of Pt Hedland	E45/03478	100.0	145.60	Live	
2				299.60		



Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km <sup>2</sup> Actual	Status	Notes
<b>QUEENSLAND GOLD AND BASE-METAL PROJECTS</b>						
Kamileroi	81km NE of Gunpowder	EPM19042	100	81.20	Pending	
Mt Fox	46km SE of Gunpowder	EPM19043	100	315.00	Live	
McKinlay	97km SE of Cloncurry	EPM19051	100	70.00	Live	
Mt Margaret	58km NE of Cloncurry	EPM19053	100	132.30	Live	
Mt Fort Constantine	30km N of Cloncurry	EPM19054	100	135.00	Live	
Boat Creek	86km SE of Cloncurry	EPM19055	100	102.60	Pending	
Gunpowder	16km E of Gunpowder	EPM19122	100	75.60	Pending	
Black Mountain	86km E of Gunpowder	EPM19135	100	24.30	Pending	
Black Mountain	105km E of Gunpowder	EPM19136	100	170.10	Pending	
Gunpowder	10km SE of Gunpowder	EPM19168	100	24.30	Live	
Mt Fort Constantine	29km NE of Cloncurry	EPM19191	100	8.10	Pending	
Nettle Creek	46km SW of McKinlay	EPM19192	100	8.10	Pending	
12				1,147.00		
<b>NEW SOUTH WALES GOLD AND BASE-METAL PROJECTS</b>						
Coolabah	72km NW of Nyngan	EL7951	100	238.00	Live	
South Girilambone	27km NW of Nyngan	EL7955	100	249.20	Live	
Mt Boppy East	50km E of Cobar	EL8057	100	280.00	Live	
Canbelego	57km E of Cobar	EL8086	100	280.00	Live	
McKinnons South	41km S of Cobar	EL8087	100	280.00	Live	
Mt Allen	10km N of Mount Hope	EL8088	100	280.00	Live	
Gundagai South	Gundagai	EL8061	100	277.20	Live	
Yarara	25km E of Holbrook	EL8105	100	280.00	Live	
Gundagai North	3km NW of Gundagai	ELA4701	100	25.20	Pending	
Kimo	Kimo	ELA4776	100	28.00	Pending	
Gundagai East	Gundagai	ELA4797	100	11.20	Pending	
Sussex North Pole	43km ENE of Cobar	ELA4817	100	196.00	Pending	
Rosevale	63km SE of Cobar	ELA4828	100	280.00	Pending	
The Overflow	79km W of Tottenham	ELA4829	100	280.00	Pending	
Basin Creek	9km E of Adelong	ELA4836	100	187.60	Pending	
Tarago	38km ENE of Queanbeyan	ELA4837	100	204.40	Pending	
Eurow	23km SE of Parkes	ELA4838	100	168.00	Pending	
Junee Reefs	13km NE of Junee	ELA4856	100	168.00	Pending	
17				3,713.00		
<b>Total Tenements: 164</b>			<b>Total Area: 7,076</b>			



Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km <sup>2</sup> Actual	Status	Notes
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## RETAINED INTEREST TENEMENTS

### METALIKO: HERON RETAINS NICKEL RIGHTS

Scotia Dam South	63km NNW of Kalgoorlie	M24/00919	100% to Ni	7.52	Live	
Baden Powell	55km NNW of Kalgoorlie	P24/04198	100% to Ni	1.30	Live	
Baden Powell	55km NNW of Kalgoorlie	P24/04199	100% to Ni	1.93	Live	
Vetters North	62km NNW of Kalgoorlie	P24/04200	100% to Ni	1.55	Live	
Vetters North	62km NNW of Kalgoorlie	P24/04201	100% to Ni	0.59	Live	
Placer Big Four	70km NNW of Kalgoorlie	P24/04210	100% to Ni	0.81	Live	
Vettersberg	62km NNW of Kalgoorlie	P24/04212	100% to Ni	2.00	Live	
Blue Reef	60km NNW of Kalgoorlie	P24/04215	100% to Ni	1.27	Live	
Blue Reef	60km NNW of Kalgoorlie	P24/04216	100% to Ni	2.00	Live	
Windanya	55km NNW of Kalgoorlie	P24/04217	100% to Ni	1.37	Live	
Windanya	55km NNW of Kalgoorlie	P24/04218	100% to Ni	1.86	Live	
Windanya	55km NNW of Kalgoorlie	P24/04222	100% to Ni	1.16	Live	
Bardoc West	71km NW of Kalgoorlie	P24/04488	100% to Ni	1.46	Live	
13				24.82		

### PIONEER: HERON RETAINS NICKEL LATERITE

Sampson	66km NE of Kalgoorlie	E27/00273	Ni Lat 100	44.80	Live	
Kalpini	61km NE of Kalgoorlie	E27/00278	Ni Lat 100	28.00	Live	
Jubilee	62m NE of Kalgoorlie	E27/00520	Ni Lat 100	42.00	Pending	
Jubilee	62m NE of Kalgoorlie	E28/01746	Ni Lat 100	56.00	Live	
Jubilee	62km NE of Kalgoorlie	P28/01120	Ni Lat 100	1.25	Live	
5				172.05		

### RAMELIUS: HERON PRE-EMPTIVE RIGHT TO NICKEL LATERITE

Mt Jewell	48km N of Kalgoorlie	E27/00300	preempt Ni Lat	2.80	Live	
Wattle Dam	65km S of Kalgoorlie	M15/01101	preempt Ni Lat	5.19	Live	
Wattle Dam	65km S of Kalgoorlie	M15/01263	preempt Ni Lat	2.17	Live	
Wattle Dam	65km S of Kalgoorlie	M15/01264	preempt Ni Lat	0.85	Live	
Wattle Dam	65km S of Kalgoorlie	M15/01323	preempt Ni Lat	0.50	Live	
Wattle Dam	65km S of Kalgoorlie	M15/01338	preempt Ni Lat	0.88	Live	
6				12.39		

### ST IVES GOLD MINING, HERON RETAINS ROYALTY ON GOLD PRODUCTION AND RIGHT TO EXPLORE AND MINE BASE METALS

Lake Lefroy	68km SE of Kalgoorlie	E15/00927	Royalty	5.60	Live	
Marloo Dam North	70km SE of Kalgoorlie	E15/01005	Royalty	67.20	Live	
Lake Lefroy	60km SSE of Kalgoorlie	E15/01010	Royalty	53.20	Live	
Lake Lefroy	68km SE of Kalgoorlie	E15/01040	Royalty	14.00	Live	
Yacca Hill	70km SE of Kalgoorlie	E15/01083	Royalty	2.80	Live	
Marloo Dam	70km SE of Kalgoorlie	P15/05265	Royalty	0.54	Live	
6				143.34		





Prospect	Geographic Location	Tenement ID	Heron % Beneficial Interest	Area km <sup>2</sup> Actual	Status	Notes
<b>YARRI BATTERY AND RESOURCES: HERON RETAINS A ROYALTY ON GOLD PRODUCTION</b>						
Yarri South	170km NE of Kalgoorlie	E31/00859	Royalty	58.80	Live	
Horse Rock Bore	160km NE of Kalgoorlie	E31/00887	Royalty	39.20	Live	
Yarri	136km NE of Kalgoorlie	P31/01788	Royalty	1.66	Live	
Yarri	136km NE of Kalgoorlie	P31/01789	Royalty	1.64	Live	
Yarri	136km NE of Kalgoorlie	P31/01790	Royalty	1.12	Live	
Yarri	137km NE of Kalgoorlie	P31/01791	Royalty	0.19	Live	
Banjo Well	141km NE of Kalgoorlie	P31/01792	Royalty	1.80	Live	
Banjo Well	141km NE of Kalgoorlie	P31/01793	Royalty	1.80	Live	
Banjo Well	141km NE of Kalgoorlie	P31/01794	Royalty	1.10	Live	
9				107.31		
<b>SOUTHERN GOLD LTD: HERON RETAINS 20% FREE CARRIED TO BFS</b>						
Clinker Hill	32km ESE of Kalgoorlie	E25/00250	20.0	16.80	Live	
Boorara Hill East	25km ESE of Kalgoorlie	E25/00321	20.0	2.80	Live	
Bodgie Dam	30km E of Kalgoorlie	E25/00361	20.0	8.40	Live	
3				28.00		
<b>KCGM: HERON RETAINS A ROYALTY ON GOLD PRODUCTION</b>						
Gidji	14km N of Kalgoorlie	E26/00124	Royalty	58.80	Live	
Gidji	14km N of Kalgoorlie	P26/03481	Royalty	1.56	Live	
Five Mile Hill South	10km NE of Kalgoorlie	P26/03757	Royalty	1.78	Live	
Five Mile Hill North	10km NE of Kalgoorlie	P26/03758	Royalty	1.86	Live	
Five Mill Hill	6km NNE of Kalgoorlie	P26/03360	Royalty	0.89	Live	
Five Mill Hill	6km NNE of Kalgoorlie	P26/03361	Royalty	0.18	Live	
Five Mill Hill	6km NNE of Kalgoorlie	P26/03362	Royalty	1.40	Live	
Five Mill Hill	6km NNE of Kalgoorlie	P26/03493	Royalty	1.55	Live	
Five Mill Hill	6km NNE of Kalgoorlie	P26/03494	Royalty	1.51	Live	
Five Mill Hill	6km NNE of Kalgoorlie	P26/03495	Royalty	2.00	Live	
Five Mill Hill	6km NNE of Kalgoorlie	P26/03496	Royalty	2.00	Live	
11				60.36		
<b>CLIFF ASIA PACIFIC: HERON RETAINS A ROYALTY ON IRON ORE PRODUCTION</b>						
Metzke	104km WNW of Menzies	E29/00710	Royalty	47.60	live	
Lake Barlee	130km N of Southern Cross	E30/00368	Royalty	117.60	live	
Riverina	104km WNW of Menzies	E29/00736	Royalty	22.40	Live	
3				165.20		

#### NOTES

- 1 Britannia Gold Ltd retained precious metal rights
- 2 Impress Ventures Ltd has a 10% equity free-carried interest to a decision to mine.
- 3 Swan Gold Limited holds the tenement, Heron retains nickel rights
- 4 Placer Dome Australia Limited retains certain gold rights.
- 5 Heron entered a binding framework agreement with Ningbo Shanshan Co Ltd, Shanshan had a right to earn a 70% interest in the Yerilla Nickel-Cobalt Project up until May 2011. That right has expired.
- 6 Subject to Farm In agreement with Southern Gold Ltd.

Areas in brackets are not included in the total areas due to overlying tenure



# 10.0 Glossary

**"Acid Leaching"** means:

**"HPAL"** means High 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.

**"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.

**"Mineralization"** 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 mineralized crustal structure.



**"RAB drilling"** means the Rotary Air Blast 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 Reverse Circulation 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 mineralization 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.

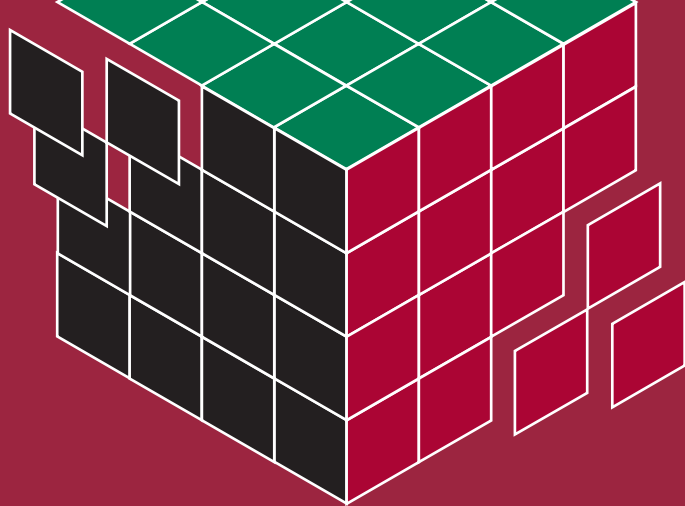
**"Siliceous Ore"** means nickel laterite mineralization consisting of chalcedonic silica and hydrated iron oxide with nickel and cobalt occurring in association with iron and manganese oxide minerals. The ore nickel and cobalt grades may be increased by 50-100% through wet screening and rejection of low grade siliceous fragments within the ore. Total SiO<sub>2</sub> 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 occurring north of Kalgoorlie within the KNP, 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 mineralization.

**"XRF"** means an assay technique using X-ray fluorescence spectroscopy on a fused glass button of powdered rock sample, which is an analytical method used in nickel laterite grade estimation.



## Heron Resources Limited

ABN 30 068 263 098

Heron has three principal spheres of operation; Business Development led by General Manager Strategy and Business Development Charlie Kempson, Exploration led by General Manager Exploration Dave von Perger, and Projects which are coordinated by Managing Director Ian Buchhorn. All three spheres are attuned to prevailing market circumstances and the opportunities that arise.



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