



**HERON RESOURCES LIMITED
ACN 068 263 098**

FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2002

HERON RESOURCES LIMITED
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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2002 and any public announcements made by Heron Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**HERON RESOURCES LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2002**

DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity consisting of Heron Resources Limited ("Heron" or "the Company") and the entities it controlled at the end of, or during, the half year ended 31 December 2002.

Directors

The names of the Directors of Heron Resources Limited in office during the whole of the half year and at the date of this report are:

Craig Leslie Readhead
Ian James Buchhorn
Ross James Arancini

Review of Operations and Results

Heron has been particularly active since June 2002 advancing the Goongarrie Nickel Project towards production and to moving towards divesting non-nickel laterite assets. The main activities and objectives of Heron may be broadly summarised as follows:

1 Heron Corporate

- Heron is seeking to further divest non-nickel laterite, non-core assets, to **concentrate on future nickel laterite production**, and present the Company as a suitable vehicle for any rationalisation of the Western Australia nickel laterite industry.

Accordingly, Heron's nickel sulphide assets are being "spun off" into **Pioneer Nickel Limited**, and the gold/base metal assets into **Regent Resources Limited**. Using the 2002 spin off of Avoca Resources Limited as a working model, these two reductions of capital potentially represent additional value to Heron Shareholders.

- ASX Listing Rules and the Company's Constitution empowers the Company to sell the security holdings of any member who holds less than a marketable parcel of securities. Heron's preference is however for members to increase their Shareholding to at least 10,000 Shares, which mechanism we have just put into place. This rounding up would facilitate maximum Shareholder participation in the Pioneer and Regent proposals.

If on the other hand Shareholders wish to sell their unmarketable parcel of Shares, the Company will endeavour to arrange the sale at the prevailing market price.

With the proposed spin off of the Pioneer and Regent assets into Initial Public Offers ("IPO"), and Heron Shareholders receiving preferential entitlements or Share issues, it was felt prudent for the Company to seek the prior sale of unmarketable parcels.

- Heron has resolved to complete a small capital raising, largely predicated by the working capital requirements of the proposed Pioneer and Regent "spin-offs".

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2 North Kalgoorlie Nickel Project

- Jinchuan Group Limited ("Jinchuan") is evaluating whether to commence a Feasibility Study for a standalone North Kalgoorlie Nickel Project ("NKN Project"). Management of Heron met with Jinchuan in China during late February 2003.
- The NKN Project resource target is 100 million tonne at 1.2% Ni, to produce 45,000tpa nickel-in-intermediate product for a 25 year project life, with refining at Jinchuan operations, Gansu Province, China. An operation of this scale would be within the top 10 nickel mines world-wide.

3 Ore Supply to Cawse

- The world's best nickel laterite in terms of sovereign stability, infrastructure, and metallurgical performance is the Heron Goongarrie-OMG Cawse "Walter Williams Formation" laterite.
- OMG's expertise is as a nickel refiner and marketer, with only one mining operation world-wide, being Cawse. Heron's expertise is in exploration (and mining). Heron is thus keen to develop as the principal source of ore supply to Cawse.

4 Ore Supply to Murrin Murrin

- Blending Goongarrie high grade 1.5% Ni goethite ore with run-of-mine Murrin Murrin clay ore could positively impact on the long term sustainability of the Murrin Murrin operation.
- Heron had discussed an ore supply proposal with Anaconda in mid 2002, which is now in abeyance.

Signed in accordance with a resolution of the Board of Directors



Ross James Arancini
Director

Date: 11 March 2003

HERON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2002

	31 Dec 2002	31 Dec 2001
	\$	\$
Revenue from operating activities	34,363	52,625
Revenue from ordinary activities	34,363	52,625
Depreciation and amortisation	(18,226)	(26,514)
Other expenses from ordinary activities	(309,742)	(435,201)
Loss from ordinary activities before income tax expense	(293,605)	(409,090)
Income tax expense	-	-
Net Loss	(293,605)	(409,090)
Basic earnings per share	\$(0.0028)	\$(0.0041)
Diluted earnings per share	\$(0.0028)	\$(0.0041)

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

HERON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2002

	31 Dec 2002 \$	30 June 2002 \$
Current Assets		
Cash assets	1,146,752	2,126,519
Receivables	58,447	91,431
Total Current Assets	<u>1,205,199</u>	<u>2,217,950</u>
Non-Current Assets		
Property, plant and equipment	66,768	84,599
Exploration and evaluation costs carried forward	13,808,834	13,084,566
Total Non-Current Assets	<u>13,875,602</u>	<u>13,169,165</u>
Total Assets	<u>15,080,801</u>	<u>15,387,115</u>
Current Liabilities		
Payables	82,901	119,987
Provisions	53,188	53,188
Total Current Liabilities	<u>136,089</u>	<u>173,175</u>
Non-current Liabilities		
Provisions	24,377	-
Total Non-current Liabilities	<u>24,377</u>	<u>-</u>
Total Liabilities	<u>160,466</u>	<u>173,175</u>
Net Assets	<u>14,920,335</u>	<u>15,213,940</u>
Equity		
Contributed equity	24,242,276	24,242,276
Accumulated losses	(9,321,941)	(9,028,336)
Total Equity	<u>14,920,335</u>	<u>15,213,940</u>

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

HERON RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2002

	31 Dec 2002	31 Dec 2001
	\$	\$
Cash flows from operating activities		
Payments for administration expenses	(253,887)	(479,691)
Goods and services tax (net movement)	(13,671)	4,369
Interest received	34,942	52,625
Net cash from / (used in) operating activities	<u>(232,616)</u>	<u>(422,697)</u>
Cash flows from investing activities		
Exploration expenditure	(750,287)	(1,504,834)
Payments for plant and equipment	(395)	(54,672)
Net cash from / (used in) investing activities	<u>(750,682)</u>	<u>(1,559,506)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	1,040,000
Unsecured loan repayment	3,531	-
Capital raising expenses	-	(5,598)
Net cash from / (used in) financing activities	<u>3,531</u>	<u>1,034,402</u>
Net increase / (decrease) in cash held	(979,767)	(947,801)
Cash at the beginning of the reporting period	2,126,519	3,130,967
Cash at the end of the reporting period	<u>1,146,752</u>	<u>2,183,166</u>

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

HERON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

This general purpose financial report for the interim half year reporting period ended 31 December 2002 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2002 and any public announcements made by Heron Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless stated otherwise.

NOTE 2 DIVIDENDS

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

NOTE 3 EARNINGS PER SHARE

The number of shares on issue at the end of the half year, and used in the calculation of basic earnings per share, was 105,158,727. The 5,170,000 options on issue as at the end of the half year have no dilutive effect.

NOTE 4 SEGMENT INFORMATION

The consolidated entity operates within the mineral exploration industry in Western Australia.

NOTE 5 SUBSEQUENT EVENTS

Other than noted below, there are no matters or circumstances that have arisen since the end of the half year which significantly affect, or may significantly affect, the state of affairs or operations of the consolidated entity subsequent to the half year ended 31 December 2002.

During February 2003 Heron Resources Limited allotted and issued 3,200,000 shares at \$0.163 each raising \$521,600 to be used for additional working capital.

Pioneer Nickel Limited, wholly owned by Heron Resources Limited, was incorporated in January 2003 for the purpose of "spinning off" Heron's Nickel Sulphide assets.

HERON RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The recently enacted taxation consolidation regime applies to the group. The legislation allows a group of wholly owned Australian resident entities to consolidate and be treated as a single entity for taxation purposes. The group intends to divest itself of its subsidiary companies and hence does not intend to elect to be treated as a consolidated entity for taxation purposes.

NOTE 6 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.

DIRECTORS' DECLARATION

The Directors declare that:

In the opinion of the Directors:

1. the financial statements and associated notes comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the financial statements and associated notes give a true and fair view of the consolidated entity's financial position as at 31 December 2002 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date; and
3. there are reasonable grounds to believe that Heron Resources Limited will be able to pay its debts as and when they become due and payable.

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



Ross James Arancini
Director

Date: 11 March 2003

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF HERON RESOURCES LIMITED**

Chartered
Accountants

**BUTLER
SETTINERI**

Scope

We have reviewed the financial report of Heron Resources Limited ("the Company") for the half-year ended 31 December 2002 as set out on pages 3 to 8. The Company's directors are responsible for the financial report which includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the half year. We have performed an independent review of the financial report in order for the Company to lodge the financial report with the Australian Securities & Investment Commission. This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows.


Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of Company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the Company is not in accordance with:

- a) the Corporations Act 2001 including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.


BUTLER SETTINERI
Chartered Accountants


PAUL J CHABREL
Partner

Perth
Date: 12 March 2003

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