



# **Heron Resources Limited**

## **NOTICE OF ANNUAL GENERAL MEETING EXPLANATORY STATEMENT AND PROXY FORM**

**For the Annual General Meeting to be held on  
Friday, 25 November 2005 at 10.30 am Western Standard Time ("WST")  
at The WA Club,  
Murdoch Room  
101 St Georges Terrace  
Perth, Western Australia**

This is an important document. Please read it carefully. If there is any matter that you do not understand you should contact your financial adviser, stockbroker or solicitor.

**HERON RESOURCES LIMITED**  
**ABN 30 068 263 098**

**NOTICE OF ANNUAL GENERAL MEETING**

**Notice is given that the Annual General Meeting of Shareholders of Heron Resources Limited (“Heron” or the “Company”) will be held at The WA Club, 101 St Georges Terrace, Perth, Western Australia at 10.30 am WST on Friday, 25 November 2005.**

**AGENDA**

**ORDINARY BUSINESS**

To consider and, if thought fit, to pass the following resolutions as **ordinary resolutions**:

**1. Resolution 1 – Financial Statements and Reports**

“To receive, consider and adopt the Financial Statements of the Company, together with the Directors’ Declaration, the Directors’ Report and Auditor’s Report, for the year ended 30 June 2005.”

**2. Resolution 2 – Re-election of Allan Trench as a Director**

“To elect as a Director, Mr Allan Trench, who retires by rotation in accordance with the Company’s Constitution and, being eligible, offers himself for re-election.”

**3. Resolution 3 – Butler Settineri (Audit) Pty Ltd be appointed as auditor to the company.**

“To consider and, if thought fit, appoint Butler Settineri (Audit) Pty Ltd as Auditors of the Company, being predicated on the Auditor’s change from the partnership Butler Settineri Chartered Accountants to the authorised audit company Butler Settineri (Audit) Pty Ltd.”

**4. Resolution 4 – Adoption of Remuneration Report**

“To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That, for all purposes, Shareholders adopt the Remuneration Report set out in the Directors’ Report for the year ending 2005.”

Please note that the vote on this resolution is advisory only, and does not bind the Directors or the Company.

**SPECIAL BUSINESS**

To consider and, if thought fit, to pass with or without amendment, the following resolutions as **ordinary resolutions**:

**5. Resolution 5 – Grant of Options to Craig Readhead**

“That, for the purposes of Listing Rules 10.14 of the Listing Rules of Australian Stock Exchange Limited, Section 208 of the Corporations Act 2001 and for all other purposes, the shareholders of the Company authorise and approve the grant of 250,000 options, for no consideration, to subscribe for fully paid ordinary shares in the Company to Craig Readhead pursuant to the Heron Resources Limited Employee Option Plan No. 2 on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

The Company will disregard any votes cast on this resolution by a director of the Company, except one who is ineligible to participate in any employee incentive scheme in relation to the Company, and any of their associates. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**6. Resolution 6 – Grant of Options to Allan Trench**

“That, subject to and conditional upon the due passage of Resolution 5, for the purposes of Listing Rule 10.14 of the Listing Rules of Australian Stock Exchange Limited, Section 208 of the Corporations Act 2001 and for all other purposes, the shareholders of the Company authorise and approve the grant of 200,000 options, for no consideration, to subscribe for fully paid ordinary shares in the Company to Allan Trench pursuant to the Heron Resources Limited Employee Option Plan No 2 on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

The Company will disregard any votes cast on this resolution by a director of the Company, except one who is ineligible to participate in any employee incentive scheme in relation to the Company, and any of their associates. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**8. Resolution 7 – Ratification of Issue of Shares**

“That, for the purposes of Listing Rule 7.4 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the shareholders of the Company ratify and approve the allotment and issue of 14,660,000 fully paid ordinary shares in the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

The Company will disregard any votes cast on this resolution by a person who participated in the issue of the securities and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote how the proxy decides.

By order of the Board

**CRAIG READHEAD**  
**Director**  
14 October 2005

## **Explanatory Statement**

This Notice of General Meeting should be read in conjunction with the accompanying Explanatory Statement, which forms part of this Notice of Annual General Meeting.

## **Voting Entitlements**

Pursuant to regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the Annual General Meeting will be as it appears in the share register at 5.00pm WST on 23 November 2005.

## **Proxies**

If you are unable to attend and vote at the meeting and wish to appoint a person who is attending as your proxy please complete the enclosed Proxy Form. This Form must be received by the Company by 10.30 am WST on 23 November 2005.

The completed proxy form may be:

- mailed to the Company at PO Box 1280, Kalgoorlie WA 6430; or
- faxed to the Company on (08) 9091 9256.

A Shareholder of the Company entitled to attend and vote is entitled to appoint no more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified portion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this portion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.

**HERON RESOURCES LIMITED**  
**ABN 30 068 263 098**

**EXPLANATORY STATEMENT**

**1. Introduction**

The Explanatory Statement (including all Annexures) has been prepared to provide shareholders of Heron Resources Limited (“**Heron** or the **Company**”) with material information to enable them to make an informed decision in relation to the business to be conducted at the Annual General Meeting of the Company to be held at The WA Club, 101 St Georges Terrace, Perth, Western Australia on Friday, 25 November 2005.

**2. Resolution 2 – Re-election of Allan Trench as a Director**

In accordance with ASX Listing Rule 14.4 and Clause 11.1 of the Company’s Constitution, at every annual general meeting one-third of the Directors shall retire from office. Any retiring Director is eligible for re-election.

Mr Allan Trench retires by rotation pursuant to Clause 11.1 of the Company’s Constitution and, being eligible, offers himself for re-election pursuant to Resolution 2.

Information in respect to Mr Allan Trench is available in the Company’s 2005 Annual Report.

**3. Resolution 3 – That Butler Settineri (Audit) Pty Ltd be appointed as auditor to the company.**

The Company’s auditors, Butler Settineri, are a partnership based practice. Following recent changes to the Corporations Act 2001, the partnership chose to register as an Authorised Audit Company and was incorporated on 1 July 2005. Consequently the partnership has resigned as auditor and the directors resolved to appoint the authorised audit company, Butler Settineri (Audit) Pty Ltd, to fill the vacancy. The directors are therefore seeking Shareholder ratification of this appointment.

**4. Resolution 4 – Adoption of Remuneration Report**

The Remuneration Report of the Company for the financial year ending 2005 is set out in the Director’s Report on pages 24 – 29 of the Company’s 2005 Annual Report.

The Remuneration Report sets out the Company’s remuneration arrangements for the executive and non-executive Directors and executive employees of the Company.

A reasonable opportunity will be given for the discussion of the Remuneration Report at the meeting. Shareholders should note that the vote on this resolution is advisory only and does not bind the Company or the Directors.

## 5. Resolutions 5 & 6 - Grant of Options to Directors

### 5.1 Background

Resolutions 5 and 6 seek Shareholder approval to allow the Company to grant the following unlisted options to Directors at no cost:

Director	No. of Options	Expiry Date	Exercise Price
Craig Readhead	250,000	30 June 2009	\$0.60
Allan Trench	200,000	30 June 2009	\$0.60

- (a) in respect of the 250,000 options to be granted to Mr Readhead - to recognise his considerable efforts since being appointed as a Director and to provide him with incentive based remuneration for his KNP contributions; and
- (b) in respect of the 200,000 options to be granted to Dr Trench expiring on 30 June 2009 - to recognise his considerable efforts since being appointed as a Director and to provide him with incentive based remuneration for his future contributions.

The Directors determined the exercise price of these options to Mr Readhead and Dr Trench in light of the prevailing price of Shares in the Company at the time the Board resolved to grant the options (the Shares having a closing price of \$0.545 per Share on 10 May 2005, being the date of the relevant Board meeting). In this regard, Shareholders should refer to Section 5.3 of the Explanatory Statement for further details of the price of the Company's Shares.

The options to be granted are in addition to Mr Readhead and Dr Trench's fees and remuneration package payable by the Company. Further details of these Directors remuneration packages are set out below.

### 5.2 ASX Listing Rules Approval

ASX Listing Rule 10.14 provides that the approval of the holders of an entity's ordinary securities is required before a director of the entity (or any of the director's associates) can acquire the entity's securities under an employee incentive scheme.

Accordingly, Shareholder approval is required for the grant of options pursuant to Resolution 5 to Mr Readhead and Resolution 6 to Dr Trench under the Heron Resources Limited Employee Share Plan No 2 ("**Plan**"). Given that approval is being sought under ASX Listing Rule 10.14, Exception 4 of Listing Rule 10.12 provides that Shareholder approval under Listing Rule 10.11 is not required. In addition, approval of the issue of options to Mr Readhead under Resolution 5 and Dr Trench under Resolution 7 is not required under Listing Rule 7.1 by virtue of Exception 9 of ASX Listing Rule 7.2.

For the purposes of ASX Listing Rule 10.15, the following information is provided to Shareholders:

- (a) the maximum number of options to be acquired is 250,000 options by Mr Readhead;
- (b) the maximum number of options to be acquired is 200,000 options by Dr Trench;
- (c) the options will be granted for no consideration;

- (d) no persons have received securities under the Plan as yet;
- (e) since 25 November 2004, being the last time Shareholder approval was given under ASX Listing Rule 10.14, the following persons received options under Heron Resources Limited Employee Option Plan, the Company's previous employee incentive scheme for the consideration:

Director	Number Issued	Expiry Date	Exercise Price
Craig Readhead	-		
Ian Buchhorn	2,000,000	31 December 2005	\$0.20
	2,000,000	31 December 2007	\$0.25
Mathew Longworth	200,000	16 December 2007	\$0.25
	1,000,000	31 December 2007	\$0.25
Allan Trench	300,000	16 December 2007	\$0.25

- (f) all of the Directors of the Company are entitled to participate in the Plan, namely Mr Readhead, Mr Buchhorn, Mr Longworth and Dr Trench;
- (g) no loans have or will be made in relation to the grant of the options to Mr Readhead or Dr Trench;
- (h) the options proposed to be granted to Mr Readhead and Dr Trench under Resolutions 5 and 6, if approved by shareholders, will be granted no later than 1 month after the date of the annual general meeting; and
- (i) the options to be granted to Mr Readhead and Dr Trench will be granted on the terms and conditions set out in Annexure A.

### 5.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E of the Corporations Act, each of the Directors is a related party of the Company.

The proposed grant of options to Mr Readhead and Dr Trench constitutes the provision of financial benefits to related parties of the Company and therefore requires Shareholder approval. In accordance with the requirements of Chapter 2E and in particular, Section 219 of the Corporations Act 2001, the following information is provided to allow Shareholders to assess the proposed grant of options in Resolutions 5 and 6 in order to determine whether or not it is in the Company's interests to pass the proposed resolutions.

*The related party to whom the proposed resolution would permit the financial benefit to be given.*

Subject to Shareholder approval, the following related parties will be granted options pursuant to Resolutions 5 and 6:

Craig Leslie Readhead  
Allan Trench

Chairman  
Non-executive Director

*The nature of the financial benefit*

The proposed financial benefits to be given are:

- (a) the grant of 250,000 unlisted options, at no cost, to Craig Readhead, expiring on 30 June 2009 at an exercise price of \$0.60; and
- (b) the grant of 200,000 unlisted options, at no cost, to Allan Trench, expiring on 30 June 2009 at an exercise price of \$0.60.

The options to be issued to Mr Readhead and Dr Trench are to be issued pursuant to the Plan, a summary of the rules of which is set out in Annexure A of this Explanatory Statement.

The grant of the options provides a right to the holder to acquire Shares at any time prior to the expiry date, subject to the terms and conditions of the options. It may reasonably be assumed that the holder will exercise his options when the market price of Shares exceeds the exercise price, as the case may be, of the options (subject to the other terms and conditions of the relevant options). Therefore, while the Company will derive a benefit in the event of the exercise of an option, that benefit is potentially less than the benefit the Company may have derived by placing the same securities in the market at that time. The Company should benefit from providing an incentive to Mr Readhead and Dr Trench to increase the value of the Company to exceed the exercise price of the options.

Corporate Governance Council recommendation 9.3 recommends that companies clearly distinguish the structure of non-executive directors remuneration from that of executives and that non-executive directors should normally be remunerated by way of fees and not by way of non-cash schemes designed for remuneration of executives. Mr Readhead and Dr Trench are not executive directors. Given the size and operations of the Company and in order to conserve Shareholder funds, the issue of Options in this manner is considered appropriate.

*Directors' recommendation*

The Directors of the Company are:

Mr Craig Readhead	Non-executive Chairman
Mr Ian Buchhorn	Managing Director
Mr Mathew Longworth	Exploration Director
Dr Allan Trench	Non-executive Director

Each of the Directors, other than Mr Readhead in respect of Resolution 5, and Dr Trench in respect of Resolution 6, recommend that Shareholders vote in favour of Resolutions 5 and 6 on the basis that the grant of options is a cost effective and efficient way of remunerating the relevant Directors and provides them with future incentives which are linked to the enhancement of Shareholder value.

Each of Mr Readhead and Dr Trench decline to make a recommendation to Shareholders in relation to the grant of options to themselves pursuant to Resolutions 5 and 6 respectively as each has a material personal interest in the outcome of that particular Resolution.

With the exception of Mr Readhead and Dr Trench, no other Director has a material personal interest in the outcome of Resolutions 5 and 6.

*Other information reasonably required by Shareholders and that is known to the Company or any of its Directors for consideration of Resolutions 5 and 6.*

There are potential benefits that will accrue to Mr Readhead and Dr Trench in the event that the market price of Shares exceeds the exercise price of the options. This benefit would be realised on the exercise of the options and the payment of the exercise price for and the subsequent sale of the Shares for an amount in excess of the exercise price.

Accordingly the grant of the options may create an opportunity cost or benefit foregone by the Company depending on fluctuations in the market value of its Shares during the exercise period of the options.

If Shareholders approve the grant of Options to Mr Readhead and Dr Trench pursuant to Resolutions 5 and 6, the fully diluted shareholding of existing Shareholders will be diluted by approximately 0.003% (based on the number of Shares and options on issue as at the date of the Notice of Meeting).

The Company currently has 162,399,600 Shares on issue.

As at the date of the Notice of Meeting, the Company has the following unlisted options on issue:

<b>Number Issued</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
4,243,172	30 June 2007	\$0.25
3,850,000	16 December 2007	\$0.25
1,300,000	31 July 2006	\$0.25
3,000,000	31 December 2007	\$0.25
2,000,000	31 December 2005	\$0.20
175,000	31 December 2008	\$0.25

Of the total number of options on issue, the following have been issued pursuant to the first Heron Resources Limited Employee Option Plan:

<b>Number Issued</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
2,000,000	31 December 2005	\$0.20
1,000,000	30 June 2007	\$0.25
3,950,000	16 December 2007	\$0.25
3,000,000	31 December 2007	\$0.25

Of the total number of options issued pursuant to the first Heron Resources Limited Employee Option Plan, the following have been issued to Directors or their nominees:

Director	Number Issued	Expiry Date	Exercise Price
Craig Readhead	-		
Ian Buchhorn	2,000,000	31 December 2005	\$0.20
	2,000,000	31 December 2007	\$0.25
Mathew Longworth	200,000	16 December 2007	\$0.25
	1,000,000	31 December 2007	\$0.25
Allan Trench	300,000	16 December 2007	\$0.25

There is no liability to fringe benefits tax in relation to the issue of the options.

The highest and lowest sale prices of Shares, on ASX during the twelve months immediately preceding the lodgement of this Notice of General Meeting with the ASIC and the respective dates of those sales and the closing price on the business day immediately preceding the date of lodgement of the Notice of General Meeting were:

	Date	Price
Highest	3 August 2005	\$0.95
Lowest	22 October 2004	\$0.22
Latest	14 October 2005	\$0.57

The Directors' current Share and option holdings in the Company are:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Craig Readhead	-	329,325	-	500,000
Ian Buchhorn	2,447,857	35,963,298	-	6,000,000
Mathew Longworth	32,000	250,000	200,000	1,000,000
Allan Trench	184,500	-	-	300,000

The current interests of Directors in Shares in the Company is set out in the table below in Column 1 (based on the number of Shares currently on issue and assuming all existing options are exercised). On these same assumptions and assuming that the options the subject of Resolutions 5 and 6 are granted and exercised by the relevant Directors, the interests of Directors of Shares in the Company will be as set out in the table below in Column 2:

Director	Column 1	Column 2
	% of Shares (on fully diluted basis)	% of Shares (on fully diluted basis and assuming options under Resolutions 5 & 6 exercised)
Craig Readhead	0.46%	0.60%
Ian Buchhorn	25.00%	25.00%
Mathew Longworth	0.83%	0.83%
Allan Trench	0.27%	0.38%

It is a requirement of ASIC that a dollar value be placed on the options to be issued to Mr Readhead and Dr Trench. The Black-Scholes option price calculation method is regarded as acceptable, as a valuation model which is designed to value listed securities that are freely tradeable. Whilst the options proposed to be granted will not be listed for official quotation on ASX, in establishing a valuation for present purposes of explanation, a discount has not been included notwithstanding the unlisted status of the options.

In determining the value of the options, the Company is required to disclose the following assumptions made:

- (a) the share price at issue date will be \$0.58;
- (b) the options are to be exercisable at \$0.60;
- (c) the options are expected to mature in 43 months time, on 30 June 2009;
- (d) price volatility of the shares is approximately 60%;
- (e) the average current risk free interest rate is 6.5%; and
- (f) no discount has been allowed to reflect the unlisted status of the options.

On this basis the implied value being received by Mr Readhead and Dr Trench respectively in relation to the options is \$0.28 for each option.

The total remuneration packages for the Directors' who are to receive options under Resolutions 5 and 6 including the value of those options is as follows:

Director	Total Fixed Remuneration	Value of Options if Granted	Total
Craig Readhead	\$50,000	\$70,000	\$120,000
Allan Trench	\$25,000	\$56,000	\$81,000

In order to exercise the options the subject of Resolutions 5 and 6, Mr Readhead will need to pay \$150,000, and Dr Trench will need to pay \$120,000.

Other than the information specified in this Explanatory Statement, the Company and the Directors believe there is no other information that would be reasonably required by Shareholders in order to decide whether it is in the best interest of the Company to pass Resolutions 5 and 6.

## 6. Resolution 7 – Ratification of Issues of Shares

As at 11 October 2005, the Company had issued 14,660,000 Shares in the previous 12 months as detailed below.

ASX Listing Rule 7.1 provides that prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 states that an issue by a company of securities made without approval under ASX Listing Rule 7.1 is treated as having been made with approval for the purpose of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 and the company's members subsequently approve it.

Under this Resolution, the Company seeks Shareholder approval for, and ratification of, the issues of Shares as set out below so as to restore the Company's capacity under Listing Rule 7.1 to issue further securities representing up to 15% of the Company's issued capital in the next 12 months.

For the purposes of ASX Listing Rule 7.5, the Company provides the following information to Shareholders:

- (a) In August 2004, 4,000,000 Shares were issued at \$0.25 each to clients of Argonaut Capital Limited to provide additional working capital for the commencement of the Company's pre-feasibility study for the Kalgoorlie Nickel Project.
- (b) In September 2004, a placement prospectus was lodged and 8,160,000 shares were issued by the Company to clients of Argonaut Capital Limited at \$0.25 each for working capital for the Pre-Feasibility Study for the Kalgoorlie Nickel Project, including drilling and screen upgrade work.
- (c) In February 2005, 500,000 shares were issued by the Company to Danae Resources NL at \$0.22 each for the acquisition of mining tenements at Bulong East. The Shares were issued for purchase of tenements and accordingly, no funds were raised through the issue of these Shares.
- (d) In June 2005, 2,000,000 shares were issued at \$0.35 each by the Company to the Company's corporate advisor Argonaut Capital Limited, in consideration for the provision of placement management services and based on the Company reaching certain market capitalisation milestones following Inco becoming the Company's partner for the Kalgoorlie Nickel Project. The Shares were issued for services rendered and accordingly, no funds were raised through the issue of these Shares.

The Shares allotted and issued by the Company referred to above are fully paid ordinary Shares in the Company and rank equally with, and are on the same terms as, the existing Shares.

## GLOSSARY

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

<b>“Annexure”</b>	means an annexure to this Explanatory Statement.
<b>“ASIC”</b>	means the Australian Securities and Investments Commission.
<b>“ASX”</b>	means Australian Stock Exchange operated by Australian Stock Exchange Limited (ABN 98 008 624 691).
<b>“ASX Listing Rules”</b>	means the Listing Rules of ASX and <b>“Listing Rules”</b> has an identical meaning.
<b>“Board”</b>	means the Board of Directors of the Company.
<b>“Business Day”</b>	has the meaning given in the ASX Listing Rules.
<b>“Company”</b>	means Heron Resources Limited (ABN 30 068 263 098).
<b>“Constitution”</b>	means the constitution of the Company.
<b>“Corporations Act”</b>	means the Corporations Act 2001 (Cth) and all regulations made pursuant to such legislation, as amended from time to time.
<b>“Director”</b>	means a director of the Company.
<b>“Meeting”</b>	means the annual general meeting of Shareholders convened by the Notice of Annual General Meeting to which this Explanatory Statement is attached.
<b>“Plan”</b>	means Heron Resources Limited Employee Share Option Plan No 2, the Terms and Conditions of which are summarised in Section 4 of this Explanatory Statement.
<b>“Share”</b>	means a fully paid ordinary share in the capital of the Company.
<b>“Shareholder”</b>	means a member of the Company, as defined in the Constitution of the Company.
<b>“WST”</b>	means Western Standard Time.

## ANNEXURE A

### TERMS AND CONDITIONS OF OPTIONS TO BE GRANTED TO MR READHEAD AND DR TRENCH

The terms and conditions of the options are as follows:

- (i) The exercise price of each option is \$0.60;
- (ii) The options shall expire on 30 June 2009;
- (iii) The options are exercisable by completing a notice of exercise and delivering it, together with payment for the number of Shares in respect of which the options are exercised, to the Company;
- (iv) Options will not be listed for Official Quotation on ASX;
- (v) The options may not be transferred or otherwise disposed of in whole or part at any time prior to expiry except as outlined in the Plan;
- (vi) Within 10 business days of the receipt of a properly executed notice of exercise and cleared application monies the Company will allot and issue to the number of Shares specified in the notice;
- (vii) Shares allotted pursuant to the exercise of options shall rank, from the date of allotment equally with the existing Shares of the Company in all respects;
- (viii) The Company will deliver a holding statement and apply for Official Quotation by ASX of the Shares allotted;
- (ix) The options do not confer the right to participate in new issues of capital during the exercise period. The Company will give not less than 9 business days notice to exercise its options prior to the date of determining Shareholder entitlements for any new issues of capital that occur during the option exercise period;
- (x) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the share capital of the Company, the options will be reorganised as required by ASX Listing Rules;
- (xi) Except in the case of a bonus issue, there is no change in the exercise price or the number of Shares over which an option is exercisable in the event of the Company making a pro rata issue of Shares or other securities;
- (xii) If there is a bonus issue to the holders of Shares, the number of Shares to be issued upon the exercise of an option will be increased by the number of Shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue; and
- (xiii) The options are granted subject to the rules of the Heron Resources Limited Employee Option Plan No 2.

**HERON RESOURCES LIMITED  
ABN 30 068 263 098**

**PROXY FORM**

I/We, \_\_\_\_\_ being a shareholder of Heron Resources Limited, hereby appoint \_\_\_\_\_ of \_\_\_\_\_

or, in his/her absence the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10.30 am WST on Friday, 25 November 2005 at The WA Club, 101 St Georges Terrace, Perth, Western Australia and at any adjournment of that meeting in respect of:

- The whole of my voting rights  
 % of my voting rights

*(Please complete as appropriate. If no details are inserted and only one proxy is appointed, it will be assumed that the proxy is for all of the voting rights of the shareholder.)*

If you do not wish to direct your proxy how to vote, please insert "X" in this box.

By marking this box you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxy holder will be disregarded because of that interest.

If you desire to direct your proxy how to vote in relation to the each proposed resolution to be considered at the Meeting, please indicate the manner in which your proxy is to vote by inserting "X" in the appropriate boxes below. If you do not direct your own proxy on any resolution, he/she will vote on it as he/she thinks fit or may abstain from voting.

I instruct my proxy to vote as indicated in respect of:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
1. Adoption of Financial Statements and Reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Allan Trench as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Change of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Grant of Options to Craig Readhead	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Grant of Options to Allan Trench	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Ratification of Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

It is the Chairman's intention to vote in favour of each of the resolutions in relation to any undirected proxies.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005

INDIVIDUALS

CORPORATIONS

\_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_  
 Director / Sole Director and Sole Secretary  
 \_\_\_\_\_  
 Director / Secretary

**Please return this Proxy Form by 10.30 am WST on 23 November 2005 to:**

**Mailing Address: Heron Resources Limited, PO Box 1280, Kalgoorlie WA 6430  
 Facsimile Address: Heron Resources Limited, (08) 9091 9256**