



Heron Resources Limited

NOTICE OF ANNUAL GENERAL MEETING EXPLANATORY STATEMENT AND PROXY FORM

**For the Annual General Meeting to be held on
Friday, 20 November 2009 at 2.00 pm Western Standard Time (“WST”)
at The Celtic Club,
48 Ord Street,
West 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.

20 October 2009

Dear Shareholder,

Please find enclosed the 2009 Notice of Annual General Meeting, Explanatory Statement and Proxy Form. Please also find enclosed an Annual Report if you elected to receive a hard copy of the Annual Report when asked by the Company.

The Annual Report is also available on the Company's website www.heronresources.com.au for download or viewing online.

As highlighted in the Annual Report the Company's major achievements during the year include:

- Securing an option to acquire the A1 Gold Mine in Victoria, a near production project;
- Entering a Binding Framework Agreement with Ningbo Shanshan Co Ltd on the Yerilla Nickel Cobalt Project;
- Securing 100% management of the Kalgoorlie Nickel Project following Vale Inco's withdrawal; and
- Cash as at 30 June 2009 - \$30 million

We thank you for your support and look forward to the coming year.

Yours faithfully



Mathew Longworth
MANAGING DIRECTOR
HERON RESOURCES LIMITED

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 Celtic Club, 48 Ord Street, West Perth, Western Australia at 2.00 pm WST on Friday, 20 November 2009.

AGENDA

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 2009.”

There is no requirement for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the auditor’s report.

1. Resolution 1 – Re-election of Stephen Dennis as a Director

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

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

2. Resolution 2 – Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, 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 2009.”

Please note that the vote on this resolution is advisory only, and does not bind the Directors or the Company. The Chairman will allow a reasonable opportunity for Shareholders to ask questions about, or make comments on, the Remuneration Report.

3. Resolution 3 – Ratification of issue of options to Huashan Capital Ltd

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

“To approve pursuant to Listing Rule 7.4.2 of the ASX Listing Rules, the issue to Huashan Capital Ltd of 4,818,776 options to acquire fully paid ordinary shares in the capital of Heron Resources Limited on the terms and conditions set out in the Explanatory Statement”

Heron will disregard any votes cast on Resolution 3 by:

- *Huashan Capital Ltd; and*
- *An associate of Huashan Capital Ltd.*

However, Heron 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 as the proxy decides.*

4. Resolution 4 – Ratification of issue of shares to Hongkong Shanshan Resources Company Limited

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

“To approve pursuant to Listing Rule 7.4.2 of the ASX Listing Rules, the issue to Hongkong Shanshan Resources Company Limited of 12,046,940 fully paid ordinary shares in the capital of Heron Resources Limited on the terms and conditions set out in the Explanatory Statement”

Heron will disregard any votes cast on Resolution 4 by:

- *Hongkong Shanshan Resources Company Limited; and*
- *An associate of Hongkong Shanshan Resources Company Limited.*

However, Heron 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 as the proxy decides.*

Explanatory Statement

The Explanatory Statement (including Annexure A to the Explanatory Statement) accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice of Annual General Meeting and Explanatory Statement.

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

“Snap-shot” Time

The Company may specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting.

The Company’s Directors have determined that all shares of the Company that are quoted on ASX at 5.00pm (WST) on 18 November 2009 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the shares at that time.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative.

By Order of the Board of Directors

CRAIG READHEAD
Chairman
20 October 2009

HERON RESOURCES LIMITED
ABN 30 068 263 098

EXPLANATORY STATEMENT

1. Introduction

The Explanatory Statement 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 Celtic Club, 48 Ord Street, West Perth, Western Australia at 2.00pm WST on Friday, 20 November 2009.

2. Financial Statements and Reports

The Annual Financial Report, Directors’ Report and Auditor’s Report for the Company for the year ending 30 June 2009 will be laid before the meeting.

In addition to taking questions at the meeting, written questions to the Chairman about the management of the Company, or to the Company’s auditor about:

- the preparation and content of the Auditor’s Report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 13 November 2009 to:

Mr Robert Klug
Company Secretary
Heron Resources Limited
Level 1, 37 Ord Street
West Perth WA 6005
Email: rklug@heronresources.com.au

3. Resolution 1 – Re-election of Stephen Dennis as a Director

In accordance with the ASX Listing Rules and the Company’s Constitution, at every Annual General Meeting, one-third of the Directors shall retire from office. The Directors to retire are to be those who have been in office for three years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement. Any retiring Director is eligible for re-election.

Mr Stephen Dennis retires by rotation pursuant to the Company’s Constitution and, being eligible, offers himself for re-election.

Information with respect to Mr Stephen Dennis is available in the Company’s 2009 Annual Report, at page 31.

4. Resolution 2– Adoption of Remuneration Report

The Remuneration Report of the Company for the financial year ending 2009 is set out in the Directors' Report on pages 35-36 of the Company's 2009 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. Resolution 3 – Ratification of issue of options to Huashan Capital Ltd

Approval is sought from shareholders pursuant to ASX Listing Rule 7.4.2 for the issue made by the Company of 4,818,776 options to Huashan Capital Ltd on 9 June 2009. The following details of the issue are provided to shareholders to assist with the decision whether to approve the issue:

- Number of securities allotted – 4,818,776 options to acquire fully paid ordinary shares in the capital of the Company;
- The options were issued on 9 June 2009 for nil cash consideration to recognise the role played by Huashan Capital Ltd in the entry of the Shanshan Agreement as well as the ongoing role that Huashan will play in that investigation;
- The options have a term of 5 years with an exercise price of \$0.30 and are exercisable upon Ningbo Shanshan Co Ltd commencing construction of the Nickel Cobalt plant at Heron's Yerilla project pursuant to the Shanshan Agreement;
- Huashan Capital Ltd is the allottee of the options;
- Any funds raised by exercise of the options will be used for working capital purposes; and
- The complete set of terms and conditions under which the options were issued are annexed to this Explanatory Statement as "Annexure A".

6. Resolution 4 – Ratification of issue of shares to Hongkong Shanshan Resources Company Limited

Approval is sought from shareholders pursuant to ASX Listing Rule 7.4.2 for the issue made by the Company of 12,046,940 shares to Hongkong Shanshan Resources Company Limited on 02 October 2009. The following details of the issue are provided to shareholders to assist with the decision whether to approve the issue:

- Number of securities allotted – 12,046,940 fully paid ordinary shares in the capital of the Company;
- The shares were issued on 02 October 2009 pursuant to the entry of the Shanshan Agreement;
- The shares were issued at an issue price of \$0.225 and rank pari passu with all existing shares of the Company on issue;

- Hongkong Shanshan Resources Company Limited is the allottee of the shares;
and
- Funds raised from allotment of the shares will be used for working capital purposes.

GLOSSARY

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

“ASX”	means Australian Securities Exchange operated by Australian Stock Exchange Limited (ABN 98 008 624 691).
“Board”	means the Board of Directors of the Company.
“Company” or “Heron”	means Heron Resources Limited (ABN 30 068 263 098).
“Constitution”	means the constitution of the Company.
“Corporations Act”	means the Corporations Act 2001 (Cth) and all regulations made pursuant to such legislation, as amended from time to time.
“Director”	means a director of the Company.
“Directors’ Report”	means the Directors’ Report set out in the 2009 Annual Report.
“Meeting”	means the annual general meeting of Shareholders convened by the Notice of Annual General Meeting to which this Explanatory Statement is attached.
“Shanshan Agreement”	means the agreement entered into on 28 May 2009 between Heron Resources Limited and Ningbo Shanshan Co Ltd to investigate development of the Company’s Yerilla Nickel Cobalt Project.
“Share”	means a fully paid ordinary share in the capital of the Company.
“Shareholder”	means a member of the Company, as defined in the Constitution of the Company.
“WST”	means Australian Western Standard Time.

ANNEXURE A

Terms and Conditions of Options.

- 1 Each Option allows the Holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) in accordance with these Terms and Conditions.
- 2 The exercise price of each Option is A\$0.30 (**Exercise Price**).
- 3 Exercise of each Option is subject to and conditional upon Shanshan Ningbo Co Ltd commencing construction of the Nickel Cobalt plant at Heron's Yerilla project pursuant to the Framework and Co-operation Agreement entered into between Heron and Shanshan Ningbo Co Ltd on 28 May 2009 (**Vesting Condition**).
- 3 If the Holder exercises an Option then the Company must issue a Share to the Holder, free of any Lien, on the terms set out in these Terms and Conditions.
- 4 The Options are exercisable upon satisfaction of the Vesting Condition:
 - (a) in any number;
 - (b) from time to time prior to 5pm (Perth time) on 9 June 2014 (**Expiry Date**);
 - (c) by notice in writing to the directors of the Company (**Exercise Notice**) accompanied by the payment of the purchase price for the Options (being the Exercise Price multiplied by the number of Options the subject of the Exercise Notice, the **Purchase Price**).
- 5 There are no participating rights or entitlements inherent in the Options until those Options are exercised and Shares are issued in accordance with these Terms and Conditions.
- 6 In the event of any reorganisation (including consolidation, subdivision, reduction, cancellation or return) of the issued capital of the Company, the Options are to be reorganised in a manner required by the listing rules or regulations of the Australian Securities Exchange (**ASX Listing Rules**) on a reorganisation of capital (irrespective of whether the Company is or is not listed).
- 7 Shares allotted and issued pursuant to the exercise of Options will be allotted and issued by the Company within 10 Business Days after receipt by the Company of both a properly executed Exercise Notice in accordance with paragraph 4 above and payment of the Purchase Price for those Shares. The Company will also issue within this period a replacement Option Certificate to the holder for the balance of any unexercised Options.
- 8 Application will not be made to the Australian Securities Exchange (**ASX**) for official quotation of the Options.

- 9 All Shares issued upon exercise of any Option will rank pari passu in all respects with the Company's then issued Shares and will be entitled to all dividends declared by the board of the Company in respect of shares of the same class as the Shares after the day the Company has received an Exercise Notice and has received all of the Purchase Price.
- 10 The Company will apply within 10 Business Days of the Holder having exercised any Options (or earlier if required by the ASX Listing Rules) for official quotation with the ASX for all Shares issued upon exercise of any such Options.
- 11 The Company will give the Holder at least 14 Trading Days (as that term is defined in the ASX Listing Rules) written notice for any new issues of Shares or other securities of the Company which is being extended to all shareholders of the Company before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules (**Record Date**).
- 12 The Holder will be entitled to participate in new securities offered to all shareholders in the Company to the extent that it has exercised its Options prior to the Record Date for the new issue.
- 13 If there is a bonus issue to holders of Shares prior to the Expiry Date, the number of Shares over which Options are exercisable will be increased in accordance with the ASX Listing Rules.
- 14 In the event of a pro-rata issue of capital of the Company (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), the Exercise Price for each Option will be adjusted in accordance with the ASX Listing Rules.
- 15 If the Company takes any action of a materially similar nature to the rights issue of Shares or a bonus issue of Shares, the number of Shares to which Options relate and/or the Exercise Price will be adjusted in a manner and at a time determined by the Company (acting reasonably and in good faith), provided that any adjustment to the rights of the Holder to receive Shares by exercising their Options and/or any adjustment to the Exercise Price:
 - (a) will be consistent with the principals governing the basis on which similar adjustments are made under these Terms and Conditions; and
 - (b) will be made in compliance with the Listing Rules.
- 16 Subject to the Corporations Act, the ASX Listing Rules and the constitution of the Company, the Options may not be transferred without the consent of the Company.
- 17 To the extent that any provision of these Terms and Conditions is inconsistent or different in any way from any provision of the ASX Listing Rules in respect of options to subscribe for ordinary shares in companies listed on the ASX, the ASX Listing Rules prevail.
- 18 The Terms and Conditions of the Options are governed by the laws of Western Australia and the parties submit to the exclusive jurisdiction of Western Australia.

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