



**HERON RESOURCES LIMITED
ACN 068 263 098**

FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2001

Directors' Report

The Board of Directors of Heron Resources Limited submits its report in respect of the financial half-year ended 31 December 2001.

Directors

The names of the directors in office during or since the end of the half-year are:

CL Readhead (appointed 23 November 2002) - Chairman
IJ Buchhorn – Managing Director
RJ Arancini (appointed 7 March 2002)
RM Evans (resigned 7 March 2002)
RG Colville (resigned 23 November 2001)

Unless otherwise indicated, all directors held their position as a director throughout the entire half-year and up to the date of this report.

Principal Activities

The principal activity of the consolidated entity during the financial half-year was mineral exploration.

Results

The consolidated loss of the consolidated entity for the half-year was \$409,090 after tax.

Review of Operations

During the half-year the consolidated entity:

- continued to pursue its laterite nickel exploration and production opportunities;
- commenced systematic appraisal of its substantial nickel sulphide target portfolio; and
- worked towards the float of its non-nickel assets in Avoca Resources Limited.

This report has been made in accordance with a resolution of the directors

RJ ARANCINI
Director

Dated Perth March, 2002

Directors' Declaration

The directors declare that:

In the opinion of the Directors:

1. the financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views;
2. the financial statements and notes give a true and fair view of the financial position as at 31 December 2001 and performance of the consolidated entity for the half-year then ended: and
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This statement has been made in accordance with a resolution of directors.

RJ ARANCINI
Director

Dated Perth, March, 2002

CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
for the half-year ended 31 December 2001

	Consolidated December 2001 \$	Consolidated December 2000 \$
Revenue from ordinary activities	52,625	85,822
Administration expenses from ordinary activities	<u>(461,715)</u>	<u>(303,972)</u>
Loss from ordinary activities before income tax	<u>(409,090)</u>	<u>(218,150)</u>
Income tax relating to ordinary activities	<u>-</u>	<u>-</u>
Loss from ordinary activities after income tax	<u>(409,090)</u>	<u>(218,150)</u>
Net loss	<u>(409,090)</u>	<u>(218,150)</u>
Basic earnings per share	\$(0.0041)	\$(0.0024)
Diluted earnings per share	\$(0.0041)	\$(0.0024)

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

CONDENSED STATEMENT OF FINANCIAL POSITION
at 31 December 2001

	Consolidated December 2001 \$	Consolidated June 2001 \$
CURRENT ASSETS		
Cash assets	2,183,166	3,130,967
Receivables	116,732	119,554
Total Current Assets	2,299,898	3,250,521
NON-CURRENT ASSETS		
Property, plant & equipment	154,669	126,511
Mineral exploration	14,507,307	13,126,872
Total Non-Current Assets	14,661,976	13,253,383
TOTAL ASSETS	16,961,874	16,503,904
CURRENT LIABILITIES		
Payables	115,610	256,885
Provisions	67,762	93,829
Total Current Liabilities	183,372	350,714
TOTAL LIABILITIES	183,372	350,714
NET ASSETS	16,778,502	16,153,190
EQUITY		
Contributed equity	25,052,496	24,018,094
Accumulated losses	(8,273,994)	(7,864,904)
Total Equity	16,778,502	16,153,190

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

CONDENSED STATEMENT OF CASH FLOWS
for the half- year ended 31 December 2001

	Consolidated December 2001 \$	Consolidated December 2000 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	(479,691)	(308,453)
Goods & services tax	4,369	(30,845)
Interest received	52,625	85,822
Net operating cash flows	<u>(422,697)</u>	<u>(253,476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration expenditure	(1,504,834)	(1,480,087)
Payments for mineral tenements	-	(10,083)
Payments for plant and equipment	(54,672)	-
Net investing cash flows	<u>(1,559,506)</u>	<u>(1,490,170)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,040,000	-
Capital raising expenses	(5,598)	-
Net financing cash flows	<u>1,034,402</u>	<u>-</u>
Net increase(decrease) in cash held	(947,801)	(1,743,646)
Cash at the beginning of the financial period	<u>3,130,967</u>	<u>3,925,296</u>
Cash at the end of the financial period	<u><u>2,183,166</u></u>	<u><u>2,181,650</u></u>

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

NOTE 1. BASIS OF PREPARATION

These general purpose consolidated financial statements have been prepared for the half-year ended 31 December 2001 in accordance with the requirements of the Corporations Act, Australian Accounting Standard AASB 1029 – “Interim Financial Reporting” and Urgent Issues Group Consensus Views. It is recommended that this Report should be read in conjunction with the 30 June 2001 Annual Report and any public announcements made by the Company during the half-year in accordance with the continuous disclosure obligations of the Corporations Act and the Australian Stock Exchange. The notes to the financial statements do not include all information normally contained within the notes to an annual financial report.

The accounting policies are consistent with those applied in the 30 June 2001 Annual Report. This financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

	Consolidated December 2001 \$	Consolidated December 2000 \$
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NOTE 2. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities is after crediting the following revenue:

Interest	52,625	85,822
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Loss from ordinary activities is after charging the following expense:

Administration expenses	461,715	303,972
These expenses include:		
Depreciation	25,438	36,998

NOTE 3. SUBSEQUENT EVENTS

On 29 January 2002 shareholders approved an equal reduction of capital by making a pro rata in specie distribution of wholly owned subsidiary Avoca Resources Limited's shares to shareholders as part of the float strategy adopted for Heron's non-nickel assets.

Heron transferred interests in mineral exploration tenements amounting to \$803,706 to Avoca Resources Limited and received 21,031,735 shares and 6,000,000 options in Avoca Resources Limited. The options are exercisable at \$0.25 per share by 30 June 2006.

The subsequent in-specie distribution of 21,031,735 Avoca Resources Limited shares to Heron shareholders was completed on 12 February 2002.