

Appendix 4E

Preliminary Final Report

HERALD RESOURCES LIMITED

ABN: 15 008 672 071	Financial year ended: 31 December 2008
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1. The reporting period is to 31 December 2008 and the previous corresponding period is to 30 June 2008.
2. Key information – Results for announcement to the market.

		(\$'000)
2.1 Revenue from ordinary activities	down 93% to	\$232
2.2 Profit (loss) from ordinary activities after tax attributable to members	N/A	\$ 8,628
2.3 Net profit (loss) attributable to members	N/A	\$ 8,628
2.4 No dividend paid		
3. The Income Statements are attached.
4. The Balance Sheets are attached.
5. The Cashflow Statements are attached.
6. There are no dividends proposed or payable.
7. There are no dividend reinvestment plans.
8. A statement of retained earnings showing movements is contained in the Income Statement.
9. Not applicable for mining companies.
10. There were no entities over which control has been gained or lost during the period.
11. Details of material joint venture entity are as follows:
 - 11.1 Dairi Joint Venture.
 - 11.2 Interest in above 80%.
 - 11.3 Share of profit/loss and assets/liabilities have been fully incorporated into attached financial statements and results.

12. See attached financial statements and commentary herein.

13. Not applicable.

14. The consolidated entity recorded a profit for the year of \$8.6m compared to a loss of \$10.7m for the previous year. Total revenues were down to \$0.2m from \$3.2m previously, due to lower interest income.

Expenses were impacted primarily by costs of employee contract benefits payouts following retirement. Exchange gains arising from revaluation of US\$ cash holdings against the Australian dollar rose to \$11.3m compared with a loss of \$1.3m previously.

Exploration on the Dairi project is capitalised.

Significant cash outflows for the year included development work on the Dairi project of \$7.3m, and exploration expenditure (on the Dairi project) of \$5.8m.

Major cash inflows comprised receipt of loan funds of \$9.2m from majority shareholder PT Bumi Resources Tbk.

During the period, the consolidated entity continued to utilize its cash reserves to develop its major asset, the Dairi zinc/lead project. Future development remains contingent on receiving forestry approval

15. This report is based on accounts which are in the process of being audited.

16. Not applicable.

17. Not applicable.

Income Statements **for the year ended 31 December 2008**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008	30 June 2008	2008	30 June 2008
REVENUES FROM CONTINUING OPERATIONS	231,583	3,168,988	26,565	34,785
Employee benefits expense	(2,016,907)	(962,209)	(2,016,907)	(962,209)
Interest and other costs of finance	-	-	-	-
Exchange gains (losses)	11,312,244	(1,288,308)	-	-
Depreciation and amortisation expense	(12,271)	(45,074)	(12,271)	(45,074)
Exploration expenditure written off	-	(117,475)	-	(117,475)
Loss on de-consolidation of former subsidiaries	-	-	-	-
Administration and other expenses from ordinary activities	(678,931)	(11,536,100)	(678,417)	(11,340,795)
Doubtful debts	-	-	-	(1,966,800)
Loss on sale of property, plant & equipment	(506)	(3,172)	(506)	(3,172)
Share of associate company loss	-	-	-	-
Option issue expense	(227,482)	-	(227,482)	-
PROFIT (LOSS) BEFORE INCOME TAX	8,607,730	(10,783,350)	(2,909,018)	(14,400,740)
Income tax expense	-	-	-	-
PROFIT (LOSS)	8,670,730	(10,783,350)	(2,909,018)	(14,400,740)
Profit (loss) attributable to minority interest	20,504	65,055	-	-
PROFIT (LOSS) ATTRIBUTABLE TO MEMBERS OF HERALD RESOURCES LIMITED	8,628,234	(10,718,295)	(2,909,018)	(14,400,740)
Basic earnings per share (cents per share)	4.3	(5.4)		
Diluted earnings per share (cents per share)	4.3	(5.4)		
Retained profits (accumulated losses) at the beginning of the year	(23,074,920)	(12,356,625)	(43,686,643)	(29,285,903)
Net profits attributable to members of the parent entity	8,628,234	(10,718,295)	(2,909,018)	(14,400,740)
Retained profits (accumulated losses) at the end of the year	(\$14,446,686)	(\$23,074,920)	(\$46,595,661)	(\$43,074,920)

Balance Sheets as at 31 December 2008

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008	30 June 2008	2008	30 June 2008
CURRENT ASSETS				
Cash and cash equivalents	9,654,791	28,319,891	239,974	237,983
Trade and other receivables	647,720	1,042,119	183,548	520,765
TOTAL CURRENT ASSETS	10,302,511	29,362,010	423,522	758,748
NON CURRENT ASSETS				
Receivables	8,162,074	7,332,731	67,906	49,927
Other financial assets	100	100	112,467,809	122,182,447
Investment accounted for using equity method	-	-	250,200	250,200
Plant, equipment, and vehicles	9,669,602	8,071,306	67,640	111,766
Construction work in progress	126,937,154	69,737,366	-	-
Mineral exploration and evaluation expenditure	36,927,887	23,839,146	-	-
TOTAL NON-CURRENT ASSETS	181,696,817	108,926,648	112,853,555	122,594,340
TOTAL ASSETS	191,999,328	138,288,658	113,277,077	123,353,088
CURRENT LIABILITIES				
Trade and other payables	14,829,812	17,515,203	349,716	10,339,328
Borrowings	-	-	-	-
Provisions	465,701	735,656	61,816	499,299
TOTAL CURRENT LIABILITIES	15,295,513	18,250,859	411,532	10,838,557
NON-CURRENT LIABILITIES				
Payables	9,189,877	-	-	-
Borrowings	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	9,189,877	-	-	-
TOTAL LIABILITIES	24,485,389	18,250,859	411,532	10,838,557
NET ASSETS	\$167,513,938	\$120,037,799	\$112,865,545	\$112,514,531
EQUITY				
Parent entity interest				
Contributed Equity	157,539,057	154,506,507	157,539,057	154,506,507
Reserves	24,499,012	(11,336,847)	1,922,149	1,694,667
Retained profits (accumulated losses)	(14,446,686)	(23,074,920)	(46,595,661)	(43,686,643)
Equity attributable to members of Herald Resources Limited	167,591,383	120,094,740	112,865,545	112,514,531
Minority interest	(77,445)	(56,941)	-	-
TOTAL EQUITY	\$167,513,938	\$120,037,799	\$112,865,545	\$112,514,531

Statements of Changes in Equity **for the year ended 31 December 2008**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008	30 June 2008	2008	30 June 2008
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR	120,037,799	137,947,274	112,514,531	123,239,653
Exchange differences on translation of foreign operations	35,608,378	(10,801,743)	-	-
NET INCOME RECOGNISED DIRECTLY IN EQUITY	35,608,378	(10,801,743)	-	-
PROFIT (LOSS) FOR THE YEAR	8,628,234	(10,718,295)	(2,909,018)	(14,400,740)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR	44,236,612	(21,520,038)	(2,909,018)	(14,400,740)
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs	3,032,550	3,675,618	3,032,550	3,675,618
Minority Interest	(20,504)	(65,055)	-	-
De-consolidation of minority interest	-	-	-	-
Employee share options	227,482	-	227,482	-
	3,239,528	3,610,563	3,260,032	3,675,618
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR	\$167,513,939	\$120,037,799	\$112,865,545	\$112,514,531
Total recognised income and expense for the year is attributable to:				
Members of Herald Resources Limited	8,628,234	(10,718,295)	(2,909,018)	(14,400,740)
Minority interest	(20,504)	(65,055)	-	-
	\$8,607,730	(\$10,783,350)	(2,909,018)	(\$14,400,740)

Cash Flow Statements **for the year ended 31 December 2008**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008	30 June 2008	2008	30 June 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Sales and other income	16,365	23,139	16,365	23,139
Payments to suppliers and employees	(12,796,745)	(3,113,556)	(12,796,231)	(2,918,317)
Interest received	224,390	3,219,389	11,299	11,019
Interest paid	-	-	-	-
Net cash outflow from operating activities	(12,555,990)	128,972	(12,768,567)	(2,884,159)
CASH FLOWS FROM INVESTING ACTIVITIES				
Security bonds / other	(17,979)	11,828	(17,979)	9,219
Advances repaid by entities	1,192,500	135,000	-	-
Proceeds from sale of investments	-	-	-	-
Payments for property, plant and equipment	(49,108)	(7,851,324)	(908)	(14,200)
Proceeds from sale of property, plant and equipment	32,257	8,791	32,257	8,791
Exploration and evaluation expenditure	(5,809,416)	(5,315,243)	-	(117,475)
Construction work in progress	(7,310,005)	(39,321,908)	-	-
Net cash outflow from investing activities	(11,961,751)	(52,332,856)	13,370	(113,665)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	-	(374)	-	(374)
Proceeds from issue of shares	3,032,550	3,675,618	3,032,550	3,675,618
Repayments of borrowings	-	-	-	-
Advances from related entities	-	-	30,263,689	49,044,641
Advances to related entities	-	-	(20,539,052)	(49,791,992)
Net cash inflow from financing activities	3,032,550	3,675,244	12,757,187	2,927,893
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
	(21,485,192)	(48,528,369)	1,991	(69,931)
Cash and cash equivalents at the beginning of the financial year	28,319,892	79,857,717	237,983	307,194
Effect of de-consolidation of former subsidiary	-	-	-	-
Effect of exchange rate differences on cash held in foreign currencies	2,820,091	(3,009,186)	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR				
	\$9,654,791	\$28,319,892	\$239,974	\$237,983

Cash Flow Statements **for the year ended 31 December 2008**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008	30 June 2008	2008	30 June 2008
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO PROFIT (LOSS) AFTER INCOME TAX				
Profit (loss) for the year	8,628,234	(10,718,295)	(2,909,018)	(14,400,740)
Non cash flows in profit (loss)				
Capitalised exploration expenditure written-off or provided for	-	117,475	-	117,475
Depreciation, amortisation, & waste removal adjustments	12,271	45,074	12,271	45,074
Provision for employee entitlements	(437,413)	(228,954)	(437,413)	(228,954)
Provision for close out of call options	-	-	-	-
Doubtful debts	-	-	-	1,966,800
Loss (profit) on sale of property, plant & equipment	506	3,172	506	3,172
Revaluation of investments	-	-	-	-
Share of loss on associate company	-	-	-	-
Option issue expense	-	-	-	-
Minority interests	(20,504)	(65,055)	-	-
Change in assets and liabilities				
Payables and accruals increase (decrease)	(9,989,612)	10,083,391	(9,989,612)	10,083,391
Receivables (increase) decrease	335,290	(396,144)	327,217	(470,377)
Exchange (gains) losses	(11,312,244)	1,288,308	-	-
Net cash outflow from operating activities	(12,555,990)	\$128,972	(\$12,768,567)	(\$2,884,159)
Cash and cash equivalents represents:				
Bank overdraft	-	-	-	-
Cash on hand	500	500	500	500
Cash at bank	126,333	142,849	122,189	120,198
Cash on deposit	9,527,958	28,176,543	117,285	117,285
	\$9,654,791	\$28,319,892	\$239,974	\$237,983