

HERON RESOURCES NL

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Dear Sir

HERON RESOURCES NL
QUARTERLY REPORT
PERIOD ENDING 31 DECEMBER 1996

1.0 HIGHLIGHTS

1.1 Edjudina Project

- Drilling at the Webb Find Prospect intersected quartz lode in black shale associated with patchy gold mineralisation. Significant intersections at a 1g/t cut off are:

Hole No.	From	To	Interval (m)	Grade (g/t Au)
WFRC 1	26	28	2	1.66
WFRC 5	25	27	2	1.87
WFRC 7	5	7	2	6.87
WFRC 9	28	38	10	2.60
WFRC 10	7	9	2	1.00
WFRC 11	32	34	2	1.29
WFRC 12	25	37	12	3.80
WFRC 15	28	32	4	2.51
WFRC 18	26	28	2	1.23
WFRC 20	46	52	6	3.85

- Drilling at the Yilgangi Castle Prospect intersected quartz lodes in monzogranite porphyry and andesite. Significant intersections at a 1g/t cut off are:

Hole No.	From	To	Interval (m)	Grade (g/t Au)
YCRC 4	4	8	4	1.75
YCRC 8	12	16	4	1.67

These results confirm that the Keith Kilkenny Lineament in the Edjudina Project area is a potentially mineralised structure.

1.2 Mulgabbie Project

- The Mulgabbie GIS - open file study has identified previous soil gold anomalies and major structural targets which require RC drill follow up. The best target is the Brampton Prospect, where previous shallow RAB drilling of a 250ppb Au soil anomaly intersected 0.1g/t Au saprolite anomalies. The previous drilling is interpreted to have stopped within the zone of surface depletion.

2.0 EXPLORATION REVIEW

2.1 Scotia Kanowna Joint Venture

Heron 100%. MPI-Outokumpu right to earn 75%.
Nickel (- gold)

Operator MPI completed the Joint Venture technical report for E27/123. Aircore drilling carried out in September 1996 by MPI intersected an ultramafic unit at the southern boundary of E27/123. Maximum nickel intersection was 11m at 0.26% Ni, occurring at 32-43m (EOH). The unit hosts the Silver Swan nickel mine 2km to the southeast, but was only intersected on the southernmost drill traverse.

Testing of the main E27/123 helimag anomaly failed to identify ultramafic lithotypes. Magnetic susceptibility logging by MPI of aircore chips confirms high susceptibilities on surficial maghemite intersected in drilling. All bedrock material is entirely non-magnetic.

Results are not yet available from gold targets generated by the MPI drilling.

MPI aircore drilled a magnetic anomaly at the Scotia East Prospect. Nothing significant was intersected.

E27/145, the Gindalbie Prospect, has been recommended for grant.

2.2 Silver Swan North Project

Heron 100%.
Nickel-gold.

Aircore reconnaissance drilling of the Silver Swan North magnetic and ground EM targets was completed (SNAC 1 - 42, 3101m, average depth 73.83m).

Peak base metal values are 622ppm Ni, 1146ppm Co, 1188ppb Zn and 542ppm Cu. The nickel assays indicate the presence of high Mg basalt, but not komatiite. Cobalt is particularly elevated, but this may reflect carbonaceous shale enrichment.

Peak gold is 0.2g/t, with 0.29% As. This definitely requires RC follow up.

Arsenic exceeds 500ppm over significant widths (for example: SNAC 11/28-73m).

Interpretation of data and drill section plotting is current, in order to define follow up targets. Deep RC testing (to 150m) of various aircore Ni-Co-Zn and Au-As anomalies is planned.

2.3 Kanowna East Project

Heron 100%.
Gold-nickel

A data review has been completed, and bedrock gold targets for RC drilling identified in the southern lease area (Peppertree Dam). The target area has intense quartz vein float and old workings.

2.4 Gindalbie East Project

Heron 100%.
Nickel-gold.

Garibaldi Prospect P27/1400-1402, 1424

Blanket 200 x 50m GPS soil sampling of the Garibaldi Prospect was completed.

Soil gold values are uniformly high at around 10ppb Au. Three distinct anomalies were defined, with peaks of 134ppb Au, 270ppb Au and 377ppb Au.

Follow up 40 x 20m gridding of the Garibaldi gold and base metal target areas is planned, prior to RAB drill testing.

Ground exploration of ultramafic targets at Kalpini North is currently being assessed. The area to the south is currently subject to very active nickel exploration.

2.5 Mount Morgans Project

Heron 100%.
Nickel-gold.

The project area is NW along strike from the Mount Morgans gold mining centre, and immediately east of the Murrin Murrin lateritic nickel project.

Aeromagnetic coverage was acquired.

A 400 x 100m pattern vacuum drill soil sampling program has commenced, but has been impeded by wet ground conditions. Results to date have not been anomalous.

2.6 Edjudina Project

Heron 100%.
Gold.

Regional

The GIS data base is progressing well, with multi-client aeromagnetics, Landsat imaging and mineral occurrences being compiled in the data base.

Outcamp Bore Prospect E31/190, 233, 234 and P31/1537

Regional soil sampling failed to define follow up targets.

Rock chip sampling has generated targets, including 3.37g/t Au, 429ppm Pb and 675ppm Zn from old workings in sheared basalt in the southern prospect area. Old reconnaissance RAB drill spoil failed to produce any anomalies.

Yilgangi East Prospect E31/236

Reconnaissance 400 x 100m soil geochemistry was completed. A low order soil gold anomaly associated with quartz vein float requires further work.

Yarri Prospect M31/115, 141

Follow up of 100 - 2860ppb Au soil geochemical anomalies immediately north and west of the main Yarri workings was completed.

The check sampling has in most instances downgraded the original anomalies, although significant targets are still present.

It had been planned to test the original 2860ppb Au soil anomaly with an RC drilling traverse. In view of the uncertainty of the anomaly position, it is now planned to test the western anomalous zones with RAB traverses. Targets are:

Yarri North 285ppb Au soil anomaly, minor old working (previously 2860ppb Au).

Yarri West 300 - 1365ppb Au soil anomaly (previously 2177ppb Au).

Yilgangi Castle Prospect M31/173

A program of 720m of RC drilling has been completed, to test a 20ppb Au threshold soil gold anomaly, associated with an area of extensive dry blowing activity. The target is granitoid-hosted gold.

Line 9200N

Six holes on a 20m collar spacing to test:

- Soil geochemical peak of 115ppb Au.
- 30m north along strike of 10m vertical RAB hole anomalies of 3 - 10m at 0.23 - 0.34g/t Au.
- Immediately north of a gentle granitoid porphyry ridge with intense dry blowing activity.
- Non-outcrop area located between a line of N-S trending shafts (sheeted quartz veins in granitoid).
- Best intersection, YCRC 4, 4-8m, 4m at 1.75g/t Au, within a pervasive envelope of 0.1 - 0.4g/t Au, hosted by porphyry.

Line 9000N

Six holes on a 20m collar spacing to test:

- Soil geochemical peak of 71 and 1425ppb Au.
- Line of old workings, area of recent alluvial mining.
- 100m south along strike of 5m at 0.88g/t Au in a 10m RAB hole.
- Best intersection YCRC 8, 12-16m, 4m at 1.67g/t Au, hosted by andesite.

The drill results are being compiled, pending which further exploration will be planned.

Webb Find P31/1487, 1493

A 20 hole 1320m RC drilling program was completed to follow up previous Capricorn Resources NL RAB anomalies. Significant results are:

Hole No.	From	To	Interval (m)	Grade (g/t Au)
WFRC 1	26	28	2	1.66
WFRC 5	25	27	2	1.87
WFRC 7	5	7	2	6.87
WFRC 9	28	38	10	2.60
WFRC 10	7	9	2	1.00
WFRC 11	32	34	2	1.29
WFRC 12	25	37	12	3.80
WFRC 15	28	32	4	2.51
WFRC 18	26	28	2	1.23
WFRC 20	46	52	6	3.85

Results are being compiled. At this stage, follow up drilling would be testing for deep targets.

2.7 Mulgabbie Project

Heron 100%.
Gold.

Consultants Mackay and Schnellmann are compiling a GIS data base containing GSWA 1:100,000 geology, multi-client aeromagnetics, mineral occurrences, Landsat and regolith interpretation.

Open file data for the Edjudina - Mulgabbie region is being compiled. Interpretations for E28/567, 591, 612 and 613 have been completed. Results to date indicate quite significant soil geochemical anomalies have been located by previous explorers. These were tested by wide spaced RAB drilling, without locating sources for the anomalies.

2.8 Karonie Project

Heron 100%.
Gold.

Regional studies are continuing.

2.9 Malcolm Project

Heron 100%.
Gold.

Initial ground reconnaissance has commenced.

2.10 Victory Project

Heron 100%.
Nickel-gold.

A new project area has been acquired, centred on the old Victory gold mine.

Reconnaissance of the western area (E37/406) was completed. Minor old RAB holes were apparent, presumably targeted for nickel, in view of the inferred ultramafic subcrop. Recent exploration results for adjoining areas have been acquired, and are being assessed prior to further work.

2.11 Scotia Kanowna Dome Project

Heron 100%.
Gold.

A new project area has been acquired on the Scotia Kanowna Dome, on the basis of recent exploration success by AMX in the immediate area.

King of the West Prospect

A blanket 200 x 200m soil geochemical survey was completed on P24/3404. The target is granitoid-hosted gold, of the type located 9km N at the AMX Paddington East prospect.

A low order soil gold anomaly was outlined, which requires infill sampling.

2.12 Dundas Lake Project

Heron 100%.
Gold.

The tenements have been recommended for grant.

Aircore drilling traverses on 1km line spacings is planned in order to locate possible palaeochannels. A consultant is currently compiling a data review, in order to optimise drill targets.

2.13 Laverton Project

Heron 100%.
Gold.

A new project area was acquired, centred on Laverton. The main area of interest is centred on the Laverton to Duketon greenstone belt.

Initial field reconnaissance of the Laverton area was undertaken, prior to purchasing a GIS data base.

Applications for Exploration Licences in the Mt Varden Corktree Well area were lodged. The applications are subject to ballot.

I J BUCHHORN **MANAGING DIRECTOR**

The information is based on, and accurately reflects, information compiled by Ian James Buchhorn, who is a Member of the Australia Institute of Mining and Metallurgy.

6.2 Changes In Interests In Mining Tenements, December 1996

Tenement Reference	Nature of Interest	Interest Beginning of Quarter	Interest End of Quarter
E25/143	Registered Applicant (Ballot)	0	100
E37/350	Registered Holder	0	100
E40/72	Registered Holder	0	100
E40/88	Registered Holder	0	100
E38/944	Registered Applicant (Ballot)	0	100
E38/945	Registered Applicant (Ballot)	0	100
E38/946	Registered Applicant (Ballot)	0	100
E38/947	Registered Applicant (Ballot)	0	100
E38/948	Registered Applicant (Ballot)	0	100
E39/550	Registered Applicant (Ballot)	0	100
E39/581	Registered Applicant (Ballot)	0	100
P27/1354	Registered Holder	0	100
P27/1355	Registered Holder	0	100
P27/1358	Registered Holder	0	100
P27/1359	Registered Holder	0	100
P28/885	Registered Holder	0	100
P28/888	Registered Holder	0	100
P31/1482	Registered Holder	0	100
P31/1483	Registered Holder	0	100
P31/1489	Registered Holder	0	100
P31/1490	Registered Holder	0	100