

HERON RESOURCES NL

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FACSIMILE TRANSMISSION

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29th April, 1997

Company Announcement Officer
Australian Stock Exchange Limited
Post Office Box H224
Australia Square
SYDNEY NSW 2000

Dear Sir

HERON RESOURCES NL
QUARTERLY REPORT
PERIOD ENDING 31 MARCH 1997

1.0 SUMMARY

- **Scotia Kanowna Joint Venture**

The important Joint Venture tenement, E27/145, has received Ministerial consent for MPI to commence their exploration program. E27/145 covers 95.5km², and is located 10km NW along strike from the Silver Swan Nickel Mine.

- **Kanowna East Project**

A 100 - 5300ppb Au bedrock RAB anomaly was tested with wide spaced reconnaissance RC drilling. Anomalous intercepts of 0.4 - 2.64g/t Au were pervasive. Drill hole KERC 7 returned 35m at 0.51g/t Au.

- **Gawler Craton G2 Project**

Crest Resources Australia NL have the right to earn 70% in the 2,668km² project area through spending \$4 million on exploration.

The project area is located on the G2 gravity lineament in the eastern Gawler Craton. This structure is interpreted to localise the world class Olympic Dam gold-copper-uranium mine. Of significance, previous reconnaissance drilling of the G2 project area has included intercepts of up to 7.3m at 0.85% Cu, 3.2m at 0.3g/t Au, and uranium values of up to 250g/t.

Aeromagnetic surveying by Heron has located five magnetic highs consistent with kimberlitic pipes or similar intrusives. Potential exists for diamond occurrences.

- **Silver Swan North, Gindalbie East, Edjudina and Mulgabbie Projects**

A 20,000m Aircore / RAB drilling program is planned for the June - September Quarters, testing soil geochemical anomalies generated by Heron on the project areas.

- **Karonie South Project**

With recent gold exploration successes by Border Gold in the Karonie greenstone belt, Heron has been encouraged to increase its activity within the Karonie South Project. Multi-client aeromagnetics are being acquired. Open file research has confirmed prospective magnetic targets, with potential for both gold and nickel.

- **Mount Morgans, Laverton and Menzies East Projects**

Farm-out negotiations have reached an advanced stage on the above projects. For Heron, these projects are not core areas of operation.

The Mount Morgans and Laverton project areas adjoin or are along strike from historical gold mining centres.

At Menzies East, Heron has located two soil geochemical targets of 10-57ppb Au, associated with known mineralised trends.

- **Bungalbin and Union Jack Well Projects**

These new project acquisitions are the result of Heron's very active tenement acquisition policy. Bungalbin (Heron one of two applicants) is traditionally an iron ore province. Union Jack Well occurs within a very active diamond exploration area. Heron's target concept is gold-nickel.

- **Staffing**

The Company is pleased to announce the appointment of David Crook as Exploration Manager leading the Kalgoorlie team. David has an admirable discovery record, having discovered and mined half a million ounces of gold at the Gidgee Gold Mine. The Board is confident this record will continue with Heron.

2.0 EXPLORATION REVIEW

2.1 Scotia Kanowna Joint Venture

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

Operator MPI advises that Ministerial consent has been obtained for the inclusion of E27/145 within the Joint Venture. The E27/145 Gindalbie Prospect was acquired by Heron in a highly publicised ballot in February 1996.

Helimag data acquired by Heron indicates a zone of komatiite lithology in the southwest tenement area. The zone of magnetic activity covers a 7.0km strike length, with width of 1.0 - 2.5km. The nickel exploration target is discrete channel facies komatiite within the magnetic zone.

The E27/145 komatiite centre is located 10km NW along strike from the Silver Swan Nickel Mine. The prospect is similar to the Silver Swan mining centre in terms of its magnetic signature and structural position with respect to the Moriarty Shear. The Gindalbie Prospect komatiite centre represents the nearest known centre of komatiite volcanism to that hosting the Silver Swan nickel mineralisation.

The Gindalbie Prospect komatiite sequence is known to be nickeliferous. During the "Nickel Boom", drilling of "gossanous" outcrops at Mount Jewell East within E27/145 returned 0.9m at 1.68% Ni and 0.28% Cu. A further 18km NW along strike in ground held by Talon Resources NL, the Gindalbie Prospect komatiites host the East Scotia resource of 86,000 tonnes at 2.0% Ni.

MPI have indicated a vigorous exploration program is intended to commence as soon as possible, to include gridding followed by systematic Aircore drilling traverses.

2.2 Silver Swan North Project

Heron 100%.
Nickel-gold.

Aeromagnetic and ground EM interpretation reports have been received from the Company's geophysical consultant.

Drilling targets have been defined, in what appear to be structural splays to the regional Moriarty Shear.

Follow up drilling of various Ni-Co-Zn and Au-As anomalies and structural targets will be completed in conjunction with an Aircore / RAB program planned for the June-September Quarters, weather permitting.

2.3 Kanowna East Project

Heron 100%.
Gold-nickel

A 1400m RC drilling program is current, to follow up 100 - 5300ppb Au bedrock RAB anomalies. Drilling is on 200m line spacings, and is aimed at locating a bulk tonnage mineralised system.

The target zone extends 2km along the length of the lease, being characterised by old workings and supergene gold enrichment in RAB drill holes. Previous drill intersections within the target zone include 2m at 1.07g/t Au, 4m at 5.3g/t Au, 2m at 4.25g/t Au and 2m at 1.01g/t Au. The host rock is an intensely carbonate-pyrite altered ultramafic.

Results for the Company's drilling are as follows:

HOLE NO.	COORDINATE		DECLIN ⁰ AZIM ⁰	DEPTH m	INTERVAL m	GRADE g/t AU
	N	E				
KERC 1	6,613,600	368,300	-60 / 270	102 - 104	2.0	0.40
				136 - 138	2.0	0.53
				141 - 143	2.0	1.69
			<i>including</i>	142 - 143	1.0	3.32
KERC 4	6,614,402	368,870	-60 / 270	60 - 66	6.0	1.05
			<i>including</i>	63 - 66	3.0	1.61
KERC 6	6,614,600	368,820	-60 / 270	81 - 83	2.0	1.53
			<i>including</i>	81 - 82	1.0	2.36
KERC 7	6,614,600	368,852	-60 / 270	66 - 101	35.0	0.51
			<i>including</i>	76 - 77	1.0	1.46
				80 - 81	1.0	1.39
				96 - 98	2.0	2.44
				106 - 112	6.0	0.39
KERC 8	6,614,590	368,890	-60 / 270	80 - 82	2.0	0.53
				120 - 125	5.0	1.21
			<i>including</i>	120 - 121	1.0	4.18
KERC 9	6,614,800	368,810	-60 / 270	57 - 60	3.0	1.05
KERC 10	6,614,800	368,870	-60 / 270	78 - 81	3.0	0.96

*Note : Low grade cut-off 0.4g/t Au, minimum drill width 2m
High grade cut-off 1.0g/t Au*

2.4 Gindalbie East Project

Heron 100%.
Nickel-gold.

Regional

Multi-client aeromagnetic coverage is being purchased to assist in drill target selection. A GIS data base is being compiled.

Garibaldi Prospect P27/1400-1402, 1424

The soil geochemical targets previously identified by Heron are to be drill tested as part of the June-September Quarters Aircore / RAB drilling program. Computer processing of the soil geochemical data has confirmed that significant anomalies are present.

Wellington North Prospect P27/1448-1453

MMI soil geochemical surveying is planned, as a means of identifying channel facies within the komatiite sequence. The area is currently subject to very active nickel exploration.

2.5 Mount Morgans Project

Heron 100%.
Nickel-gold.

The project area is subject to advanced stage joint venture negotiations.

2.6 Edjudina Project

Heron 100%.
Gold.

Regional

Compilation of the GIS data base continues. All open file summaries have been completed. Enhanced aeromagnetic data has confirmed several structural targets within the Heron project area.

High priority gold target areas have been identified at Yarri (M31/115), Wallbrook Hill (E31/237), Outcamp Bore West (E31/311) and Edjudina East (E31/317). In addition, nickel targets have been defined at Wallbrook Hill.

These targets will be tested as part of the June-September Quarters Aircore / RAB drilling program.

2.7 Mulgabbie Project

Heron 100%.
Gold.

Through various tenement acquisitions, the Mulgabbie and Edjudina Projects are now semi-contiguous, being covered by the same GIS data base.

Targets at Claypan Dam (E28/567), Round Hill (E28/576), Lake Rebecca (E28/591), Rough Gap (E28/612, 613, 623) have been defined for Aircore / RAB drilling.

Soil geochemical surveying by Heron of the various target areas has defined anomalies of 17-63ppb Au against a 2ppb Au background.

2.8 Karonie South Project

Heron 100%.
Gold-nickel.

Previous exploration data is being compiled and multi-client aeromagnetics have been ordered, in order to generate drilling targets.

Three mineralised target styles have been identified:

1. Shear-hosted gold, as located by Border Gold at Main, Harry's, French Kiss and Italia. The structures hosting these deposits can be traced south along strike onto the Heron project area, which adjoins the Border Gold property.
2. BIF-hosted gold of the Randalls style as located 75km NW of Karonie South. Previous aeromagnetic interpretations of the Heron project area indicate the presence of structurally complex BIF horizons.
3. Ultramafic-hosted nickel, which is documented elsewhere in the Karonie greenstone belt. Aeromagnetics indicate potential ultramafic occurrences within the Heron project area.

2.9 Malcolm Project

Heron 100%.
Gold.

Morapoi E40/88

Blanket soil geochemistry was completed. An altered basalt-chert-felsite sequence strikes WSW across the central southern part of the tenement.

The soil geochemistry located four follow up targets within the basalt sequence, being anomalies of 10-39ppb Au against a 1ppb Au background.

Detailed soil and rock chip sampling was done in an area of alluvial gold occurrences in the south eastern part of E40/88. Although quartz lode in sheared granite from shallow pits assayed 3.6-5.3g/t Au, the soil geochemistry indicated an absence of a large scale mineralised system (peak soil 8ppb Au).

2.10 Victory Project

Heron 100%.
Nickel-gold.

Soil sampling of the project area was delayed due to heavy rain in the area.

Follow up of ultramafic nickel targets will be finalised once ground access improves.

2.11 Scotia Kanowna Dome Project

Heron 100%.
Gold.

Grant of tenement is awaited.

2.12 Dundas Lake Project

Heron 100%.
Gold.

Drilling of palaeochannel gold targets is planned for later in the year, when access to the lake surface improves.

2.13 Laverton Project

Heron 100%.
Gold.

The Hawks Nest prospect area is subject to advanced stage joint venture negotiations.

2.14 Menzies East Project

Heron 100%.
Gold-nickel.

The project area, located 8km SE of Menzies in Western Australia, covers 838ha and is 9km SSE along strike from the recent Granny Venn gold discovery.

Heron has completed reconnaissance sampling and target generation. Two anomalous soil geochemical zones exceeding 1,000m strike length have been identified:

1. Spion Kop South, 10 - 57ppb soil Au associated with ultramafic host rock (soil geochemistry 55 - 566ppm Ni). Of interest, the Granny Venn discovery is similarly partly ultramafic-hosted. A stratiform gossan horizon within the anomalous zone assays 0.28g/t Au.
2. Queens Birthday, soil geochemistry 10 - 29ppb Au associated with altered tremolite zones in basalt. Mullock from old prospecting pits assays up to 3.2g/t Au. The distribution of old pits suggests broad low grade mineralisation, rather than narrow high grade lodes.

Acquisition of multi-client aeromagnetics and DEMS photogrammetry has been completed.

The project area is subject to advanced stage joint venture negotiations.

2.15 Mungari Northwest Project

Heron 100%.
Gold.

The project area consists of approximately 65km² located 15km NW of Mungari in the Eastern Goldfields of Western Australia.

The geological setting is entirely comparable to that of the Mines and Resources Australia Pty Limited - Mineral Commodities NL recent Mungari West gold discovery. In both locations, the favourable geological setting appears to be gabbroic units occurring between the Zuleika Shear Zone in the east and Kunanulling Shear Zone in the west.

Heron has compiled a Geographic Information System (GIS) technical data base, as a means of generating exploration targets. Significant soil geochemical targets have been identified from this study, including one zone of 2,500m x 300m at a 10ppb Au threshold.

Several expressions of farm-in interest have been received for the Mungari Northwest Project.

2.16 Gawler Craton G2 Project

Heron 100%. Crest right to earn 70%.
Gold-copper-uranium-diamonds.

In March 1997 Heron secured the rights to a Joint Venture with Crest Resources Australia NL covering the G2 Project on the eastern margin of the Gawler Craton in South Australia. The project area consists of 2,668km² held under two granted exploration licences (EL 2159, EL 2160). The terms of the G2 Joint Venture are summarised as follows:

1. Crest can earn a 50% equity in the G2 Project by spending \$1million within 4 years and can withdraw at any time after spending \$50,000;
2. Crest can earn another 20% equity by spending a further \$3million within the next 4 years; and
3. Crest is the Project Manager.

The tenements are prospective for Moonta, Olympic Dam or Ernest Henry type gold-copper mineralisation, diamond bearing kimberlites and diamond placer deposits. The G2 Project area is situated at the junction of the major G2 structural corridor extending NW/SE across the Gawler Craton, the EW trending Poldia Trough and the Torrens Hinge Zone margin of the Craton. The G2 structure has been interpreted as a major ore forming crustal structure, localising the world class Olympic Dam gold-copper-uranium mine.

The potential for Olympic Dam or Ernest Henry type ore bodies in the project area is indicated by previous stratigraphic drilling encountering signs of major mineralising systems such as haematic breccias and host rock alteration in the Port Broughton to Port Pirie area. A series of 20 vertical holes were drilled by North Broken Hill Ltd between 1978 and 1981 in a 400km² area of coincident magnetic and gravimetric anomalism. In nine holes highly anomalous gold, copper and uranium values were intersected in Gawler Craton basement rocks and overlying Adelaidean Proterozoic sequences. The best intercepts included 7.3m at 0.85% Cu, 3.2m at 0.3g/t Au and uranium values up to 250g/t.

Aeromagnetic interpretations by Heron have also located a series of five “bulls eye” magnetic highs consistent with either kimberlitic pipes or other discrete intrusive bodies on the margin of the possibly diapirically emplaced Yackamoorundie Inlier. Brecciation and hydrothermal alteration of the inlier sequences indicate the potential for mineralising systems localised around the inlier margin and hence associated with the discrete anomalies.

During the June Quarter Crest as operator will be completing high definition low level aeromagnetic surveys in the Port Pirie to Port Broughton area to provide a much higher level of target definition around the known mineralised drill holes than would have been possible at the time they were drilled. Geochemical orientation surveys have begun on the Yackamoorundie targets. High definition aeromagnetic surveys will also be carried out over these targets to provide more precise definition of their depth and shape.

2.17 Bungalbin, Southern Cross

Heron 100% (ballot, one other applicant).
Gold-iron ore

The project area application is east along strike of the Marda gold mining centre. There is a pervasive laterite cover within the prospective area.

The application includes an iron ore resource estimated to be 54.3mt at 57.6% Fe and 0.14% P.

2.18 Union Jack Well

Heron 100%.
Gold - nickel - diamonds.

The application occurs within an area of very active diamond exploration located west of Leonora and north of Menzies.

Heron has pegged the tenement on the basis of gold and nickel targets.

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.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Heron Resources NL

ACN or ARBN

068 263 098

Quarter ended ("current quarter")

31 March 1997

Consolidated statement of cash flows

	Current Qtr \$A'000	Year to Date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(288)	(576)
(b) development		
(c) production		
(d) administration (note 2)	(38)	(262)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	68	224
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(258)	(614)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(8)	(440)
(b) equity investments		
(c) other fixed assets	(16)	(70)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities (note 3)		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net Investing Cash Flows	(24)	(514)
1.13 Total operating and investing cash flows (carried forward)	(282)	(1,124)

1.13 Total operating and investing cash flows (brought forward)	(282)	(1,124)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.		8,000
1.15 Proceeds from the sale of forfeited shares		
1.16 Proceeds from borrowings		
1.17 Repayment of borrowings		(174)
1.18 Dividends paid		
1.19 Other (provide details if material) - Share Issue Expenses		(632)
Net financing cash flows	nil	7,194
Net increase (decrease) in cash held		
1.20 Cash at beginning of quarter/year to date	(282)	6,070
1.21 Exchange rate adjustments to 19	6,353	1
1.22 Cash at end of quarter	6,071	6,071

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

- | |
|---|
| <ol style="list-style-type: none"> 1. MPI-Outokumpu has the right to earn a 75% equity interest in the Scotia Kanowna Joint Venture Project tenements through sole funding the initial \$1,500,000 of exploration. 2. Crest Resources Australia NL has the right to earn a 70% equity interest in the G2 Joint Venture Project tenements through sole funding the initial \$4,000,000 of exploration. |
|---|

Financing facilities available

Add notes as necessary for an understanding of the position

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400,000
4.2 Development	
Total	400,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to related items in the accounts as follows.

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank		
5.2 Deposits at call	207	508
5.3 Bank Overdraft	(27)	(50)
5.4 Other (provide details) Bank Bills	5,891	5,895
Total: cash at end of quarter (Item 1.22)	6,071	6,353

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (4))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	none			
6.2 Interests in mining tenements acquired or increased	see attached			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number Issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 Preference securities (description)				
7.2 Issued during quarter				
7.3 Ordinary securities	54,000,000	32,800,003	25	25
7.4 Issued during quarter				
7.5 Convertible debt securities (description)				
7.6 Issued during quarter				
7.7 Options (description)	10,000,000	nil	Exercise Price 25	Expiry Date 30/06/2000
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 6).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: _____
 Company Secretary

Date: _____

Print name: _____

Notes

- 1 the quarterly report is to provide a basis for informing the market how the activities of the entity for the past quarter have been financed and the effect on its cash position. Any entity wishing to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The aggregate amount of payments to suppliers and employees (item 1.2) made to directors of the entity and its related entities, associates of directors and associates of the entities (“specified parties”) must be disclosed by way of note with additional explanations necessary for an understanding of the transactions.
- 3 The aggregate amount of loans (item 1.10) made to specified parties must be disclosed by way of note.
- 4 The “Nature of Interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 5 The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 6 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

6.2 Changes in Interests in Mining Tenements, March 1997

Tenement Reference	Nature of Interest	Interest Beginning of Quarter	Interest End of Quarter
E27/182	Registered Applicant	0	100
E27/183	Registered Applicant	0	100
M27/305	Registered Applicant	0	100
E31/343	Registered Applicant	0	100
E39/641	Registered Applicant	0	100
E39/642	Registered Applicant	0	100
E39/643	Registered Applicant	0	100
E39/644	Registered Applicant (Ballot)	0	100
E28/623	Registered Applicant	0	100
P29/1381	Registered Holder	0	100
P29/1413	Registered Holder	0	100
P29/1496	Registered Holder	0	100
P29/1498	Registered Holder	0	100
P29/1499	Registered Holder	0	100
P29/1500	Registered Holder	0	100
P29/1520	Registered Holder	0	100
P29/1521	Registered Holder	0	100
E15/411	Registered Applicant	0	100
E16/121	Registered Holder	0	100
P16/3812	Registered Holder	0	100
P16/3813	Registered Holder	0	100
P16/1682	Registered Holder	0	100
P16/1683	Registered Holder	0	100
P16/1684	Registered Holder	0	100
P16/1685	Registered Holder	0	100
P16/1686	Registered Holder	0	100
P16/1696	Registered Holder	0	100
P16/1697	Registered Holder	0	100
P16/1811	Registered Holder	0	100
P16/1812	Registered Holder	0	100
P16/1813	Registered Holder	0	100
EL 2159 (Sth Aust)	Registered Holder	0	100
EL 2160 (Sth Aust)	Registered Holder	0	100
E77/842	Registered Applicant (Ballot)	0	100
E37/498	Registered Applicant	0	100