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

Dear Sir / Madam

RE: HERON RESOURCES NL
QUARTERLY REPORT FOR PERIOD ENDING 31 MARCH 1998

1.0 SUMMARY

The Company has targeted the Emu Fault and Keith Kilkenny Provinces east of Kalgoorlie from Yerilla in the north to Transline in the south as its major lateritic nickel focus. As part of this strategy, the Company has acquired the following resources:

- The Kalpini Lateritic Nickel Project was purchased from Mining Project Investors subsidiary Fodina Minerals, Outokumpu Exploration Ventures and Rio Tinto Exploration. Ten zones of lateritic nickel mineralisation have been defined from previous drilling at Kalpini, using a 0.8% Ni cut-off. The strike extent of the favourable ultramafic zone exceeds 30km. The geological potential is entirely comparable to that of the Cawse lateritic nickel project.
- The Lake Rebecca Lateritic Nickel Project was purchased from Voyager Gold, as a potential source of higher grade ore feed for any future Kalpini nickel processing operation.

Subject to the very limited extent of previous exploration drilling, preliminary cash flow modeling by the Company indicates that Kalpini is potentially a viable project.

- Heron's resource target is 40 million tonnes at 1.0% Ni, with 80 million tonnes of 0.7% Ni available as a low grade, end project resource. From assaying of old drill holes and the initial Heron drilling completed in the current Quarter, some 30% of this target has been indicated. Significant cobalt credits are present, but it is current Company policy to aim for standalone viability on the basis of the nickel resource.
- The ore intersected to date has a significant silica component, suggesting screen upgrade may be viable. This will be a critical parameter to quantify before feasibility stage.
- Good project infrastructure is available in terms of proximity to Kalgoorlie, plant site location, road access and potential borefields.

Heron is currently engaged in ore reserve drilling at Kalpini, with the aim of being in a position to commence a feasibility study in the March 1999 Quarter.

Resource Indications

Betsy Bore Zone 6

Ore grade lateritic nickel mineralisation has been defined in very limited drilling traverses over a strike length exceeding 5,600m, and is open north and south. Intersections at a 0.5% Ni cut-off include 19m at 1.10% Ni, 10m at 0.81% Ni, 17m at 0.73% Ni, 17m at 1.04% Ni, 8m at 1.00% Ni and 20m at 1.00% Ni.

Potential for a significant medium to high grade nickel laterite resource is indicated.

Acra North Zone 1

Ore grade lateritic nickel mineralisation has been defined in broad spaced reconnaissance drilling over a strike length exceeding 10,000m, and is open north and south. Intersections at a 0.5% Ni cut-off include 36m at 0.80% Ni, 12m at 0.69% Ni, 24m at 1.03% Ni, 20m at 1.00% Ni, 20m at 0.78% Ni, and 12m at 0.76% Ni.

Potential for a significant medium to high grade nickel laterite resource is indicated.

Wellington East Zone 8

Ore grade lateritic nickel mineralisation has been intersected in Heron 400 x 80m drilling over a strike length exceeding 4,000m, and is open north and south. Intersections at a 0.5% Ni cut-off include 16m at 0.85% Ni, 24m at 0.75% Ni (including 8m at 1.07% Ni), 32m at 0.78% Ni (including 16m at 0.98% Ni), 16m at 0.95% Ni, 14m at 0.94% Ni (including 10m at 1.08% Ni), 23m at 0.62% Ni and 14m at 0.73% Ni.

Potential for a significant medium grade nickel laterite resource is indicated.

Wellington Fold

Low grade nickel laterite mineralisation has been intersected in Heron 400 x 80m drilling over a strike length exceeding 1,100m, and is open north and south. Intersections at a 0.5% Ni cut-off include 18m at 0.66% Ni, 23m at 0.63% Ni, 28m at 0.70% Ni and 44m at 0.71% Ni.

Potential for a significant low grade nickel laterite resource is indicated.

2.0 EXPLORATION REVIEW

2.1 *Emu Fault Province*

2.1.1 *Gindalbie East Project*

Heron 100%
Nickel - gold

Regional

Additional Exploration Licence applications have been lodged. These cover gold targets, as well as potential Kalpini Nickel Project bore field sites associated with Lake Yindarlgooda palaeochannels.

Regional geological compilations were completed. The ultramafic rocks in the Kalpini-Jubilee area belong to a structural sequence in which the stratigraphy has been duplicated by D₁ thrust sheets. Thrusting is commonly recognised in Heron drilling. The ultramafic sequence is formed by a range of komatiite lithologies within a single thick, fractionated flow unit.

The komatiite stratigraphy in descending order is:

1. Fractionated, layered heterogeneous gabbro, capped by dolerite.
2. Thin pyroxenite.
3. Upper olivine orthocumulate with heterogeneity in both grain size and olivine packing density, usually shallow weathering profile.
4. Thick medium to coarse grained olivine meso- to adcumulates, very deeply and intensely weathered.
5. Basal olivine orthocumulate.

Identification of this stratigraphy is important in exploration drilling, and is the key to cost-effective drill exploration.

The komatiite unit is comparable to the Walter Williams Formation that extends from Siberia to Cawse, and hosts the Cawse nickel laterite deposit.

The Kalpini-Jubilee ultramafic sequence is a regionally extensive and thick komatiite unit held almost entirely under Heron tenement. This is an essential prerequisite for the generation of economic tonnages of nickel laterite. Lateritic nickel mineralisation is in fact pervasive within certain favourable units within Heron's tenements. In addition, the Kalpini-Jubilee ultramafic is prospective for disseminated nickel sulphide mineralisation that is most likely to be located in the stratigraphically lower part of the ultramafic zone. All Heron drilling evaluates the nickel sulphide target concept through systematic multi-element litho geochemistry.

Wellington Fold Prospect

Systematic 400 x 80m confirmation drilling has commenced on Zone 9. The aim of the drilling program is to:

1. elucidate geological/mineralisation trends within defined ore zones.
2. validate previous nickel laterite intersections.
3. test for mineralised saprolite below previously drilled clay-hosted mineralisation. The majority of previous drill holes failed to intersect fresh bedrock lithologies.

A total of 22 vertical Reverse Circulation holes were completed during the Quarter for a 1189m advance. Significant intersections were:

Wellington Fold Prospect RC Drilling Summary Significant Nickel Intersections, 0.5% and 0.75% Ni Lower Cut-offs									
ZONE	HOLE NUMBER	NORTHING	EASTING	FROM (M)	TO (M)	INTERVAL (M)	Ni %	Co %	Ni2Co
4m Composite Samples									
9	WDRC007	50245	0480	12	32	20	0.65	0.025	0.70
9	<i>inc at 0.75%</i>			16	20	4	0.96	0.026	1.01
9	WDRC008	50245	0560	20	24	4	0.77	0.083	0.94
9	WDRC013	49600	0280	24	40	16	0.71	0.089	0.89
9	<i>inc at 0.75%</i>			28	32	4	0.95	0.259	1.47
9	WDRC014	49600	0360	12	44	32	0.61	0.024	0.66
9	WDRC015	49600	0440	28	32	4	0.60	0.057	0.71
9	WDRC021	49200	0640	28	32	4	0.53	0.018	0.57
9	WTP03	49149	0385	24	68	44	0.71	-	-

ZONE	HOLE NUMBER	NORTHING	EASTING	FROM (M)	TO (M)	INTERVAL (M)	Ni %	Co %	Ni2Co
1m Samples									
9	WDRC007	50245	0480	13	31	18	0.66	0.025	0.71
9	<i>inc at 0.75%</i>			14	19	5	0.94	0.030	1.00
9	WDRC008	50245	0560	20	23	3	0.90	0.089	1.08
9	WDRC013	9600	0280	17	40	23	0.63	0.065	0.76
9	<i>inc at 0.75%</i>			27	30	3	0.97	0.278	1.53
9	WDRC014	49600	0360	15	43	28	0.70	0.028	0.76
9	<i>inc at 0.75%</i>			22	26	4	0.75	0.024	0.80
9	<i>inc at 0.75%</i>			31	39	8	0.79	0.037	0.86

Hole WTP03 is an old Norex drill hole which was located and resampled.

Low grade mineralisation has been confirmed over a strike length exceeding 1,100m. In-fill drilling is planned.

Wellington East Prospect

Reverse Circulation drilling on 400 x 80m and 80 x 40m patterns commenced at Zone 8. Advance for the Quarter was 2,650m in 54 holes. Significant intersections were:

Wellington East Prospect RC Drilling Summary Significant Nickel Intersections, Geological Composites, 0.5% and 0.75% Ni Lower Cut-offs									
ZONE	HOLE NUMBER	NORTHING	EASTING	FROM (M)	TO (M)	INTERVAL (M)	Ni %	Co %	Ni2Co %
8	WERC002	47200	3160	12	24	12	0.56	0.042	0.64
8	WERC003	47200	3240	12	24	12	0.57	0.045	0.66
8	WERC005	47200	3400	20	24	4	0.61	0.029	0.67
8	WERC009	46800	3480	28	42	14	0.85	0.057	0.96
	<i>inc at 0.75%</i>			28	42	14	0.85	0.057	0.96
8	WERC010	46800	3560	20	44	24	0.75	0.068	0.89
	<i>inc at 0.75%</i>			24	32	8	1.07	0.141	1.35
8	WERC013	46800	3520	8	40	32	0.78	0.027	0.83
	<i>inc at 0.75%</i>			24	40	16	0.98	0.045	1.07
8	WERC015	47600	2880	16	32	16	0.95	0.065	1.08
	<i>inc at 0.75%</i>			16	32	16	0.95	0.065	1.08
8	WERC016	47600	2960	8	20	12	0.53	0.033	0.60
8	WERC022	48000	2680	14	38	24	0.76	0.036	0.83
	<i>inc at 0.75%</i>			18	30	12	0.86	0.041	0.94
8	WERC023	48000	2760	14	18	4	0.63	0.02	0.67
8	WERC025	48000	2920	14	28	14	0.94	0.043	1.03
	<i>inc at 0.75%</i>			14	24	10	1.08	0.048	1.18
8	WERC026	48000	3000	19	42	23	0.62	0.042	0.70
	<i>inc at 0.75%</i>			19	25	6	0.85	0.054	0.96
	<i>inc at 0.75%</i>			34	38	4	0.98	0.043	1.07
8	WERC027	48000	3080	16	48	32	0.67	0.035	0.74
	<i>inc at 0.75%</i>			20	25	5	0.96	0.057	1.07
8	WERC30	48400	2480	18	40	22	0.61	0.002	0.61
8	WERC031	48400	2560	25	30	5	0.73	0.083	0.90
8	WERC032	48400	2640	20	28	8	0.63	0.025	0.68
8	WERC033	48400	2720	12	20	8	0.89	0.196	1.28
	<i>inc at 0.75%</i>			12	20	8	0.89	0.196	1.28
8	WERC034	48400	2800	14	28	14	0.73	0.03	0.79
	<i>inc at 0.75%</i>			16	24	8	0.79	0.03	0.85
8	WERC037	48800	2160	20	34	14	0.70	0.040	0.78
	<i>inc at 0.75%</i>			20	28	8	0.81	0.049	0.91
8	WERC40	48800	2400	32	39	7	0.67	0.064	0.80
	<i>inc at 0.75%</i>			32	36	4	0.75	0.080	0.91

Results for 1m split samples are not yet available.

At Wellington East, ore grade lateritic nickel has been identified in RC drilling by Heron over a strike length exceeding 4,000m. Significant resource potential at medium to high grades is indicated.

Betsy Bore Prospect

Settlement of the sale of the Rio Tinto Exploration Betsy Bore Prospect to Heron was completed on 11 March 1998.

Betsy Bore is located 70km NE of Kalgoorlie and is contiguous to the SSE and geologically along strike from Heron's Wellington East Prospect.

Aircore drilling carried out by Fodina Minerals during 1997 delineated broad intercepts of lateritic nickel mineralisation. Drilling intersected thick sequences of olivine orthocumulates and mesocumulates (occasionally adcumulates), intruded by multiple gabbroic and felsic porphyry dykes.

Drilling has commenced at Zone 6, with most encouraging visual ore intersected. Assay results are awaited.

Selected mineralised drill holes completed by Fodina Minerals have been re-sampled and submitted at one metre intervals, as original assaying was carried out on mainly broad composite samples. Results are tabulated as follows.

Betsy Bore Prospect Aircore Drilling Summary Significant Nickel Intersections, Geological Composites, 0.5% and 0.75% Ni Lower Cut-offs									
ZONE	HOLE NUMBER	NORTHING	EASTING	FROM (M)	TO (M)	INTERVAL (M)	Ni %	Co %	Ni2Co %
6	BEAC03	43800	4250	11	16	5	0.75	0.093	0.93
6	BEAC07	43800	4200	18	24	6	0.97	0.041	1.05
	<i>inc at 0.75%</i>			18	23	5	1.02	0.044	1.11
6	BEAC16	42900	4450	15	33	18	1.04	0.161	1.36
	<i>inc at 0.75%</i>			16	33	17	1.06	0.168	1.40
6	BEAC17	42900	4500	10	19 eoh	9	0.90	0.043	0.98
	<i>inc at 0.75%</i>			10	18	8	0.94	0.046	1.03
6	BEAC18	42900	4550	18	34	16	0.69	0.031	0.75
	<i>inc at 0.75%</i>			22	28	6	0.83	0.035	0.90
5	BEAC29	41300	5100	37	41 eoh	4	1.03	0.080	1.19
	<i>inc at 0.75%</i>			37	41 eoh	4	1.03	0.080	1.19
4	BEAC50	38500	4900	20	25 eoh	5	0.60	0.08	0.76
4	BEAC57	38200	5550	17	34	17	1.01	0.050	1.11
	<i>inc at 0.75%</i>			17	32	15	1.06	0.050	1.16
4	BEAC60	38200	5700	20	27	7	1.22	0.012	1.24
	<i>inc at 0.75%</i>			22	26	4	1.64	0.012	1.66
4	BEAC61	38200	5750	20	40 eoh	20	1.01	0.044	1.10
	<i>inc at 0.75%</i>			20	40 eoh	20	1.01	0.044	1.10

Previous drilling has often stopped in ore. Excellent potential exists for locating deeper saprolite ore.

Betsy Bore Prospect RC Drilling Summary Significant Nickel Intersections, Geological Composites, 0.5% and 0.75% Ni Lower Cut-offs									
ZONE	HOLE NUMBER	NORTHING	EASTING	FROM (M)	TO (M)	INTERVAL (M)	Ni %	Co %	Ni2Co %
6	WERC048	42880	4540	21	27	6	0.87	0.027	0.92
	<i>inc at 0.75%</i>			21	27	6	0.87	0.027	0.92
6	WERC49	42880	4500	13	60	47	0.78	0.026	0.83
	<i>inc at 0.75%</i>			13	34	21	0.97	0.032	1.03
6	WERC50	42880	4460	8	46	38	0.80	0.088	0.97
	<i>inc at 0.75%</i>			12	22	10	1.06	0.195	1.45
6	WERC51	42880	4420	4	15	11	0.72	0.048	0.82
	<i>inc at 0.75%</i>			8	15	7	0.83	0.045	0.92
6	WERC52	42960	4420	13	33	20	0.84	0.118	1.08
	<i>inc at 0.75%</i>			21	33	12	0.98	0.106	1.20
6	WERC53	42960	4460	0	43	43	0.68	0.030	0.74
	<i>inc at 0.75%</i>			13	23	10	0.86	0.025	0.91
6	WERC54	42960	4500	21	24	3	0.52	0.021	0.56
6	WERC58	43040	4460	8	20	12	0.58	0.031	0.64
6	WERC59	43040	4420	4	10	6	0.66	0.055	0.77

Acra North Prospect

Settlement of the sale of the Fodina-OEV Acra North prospect to Heron was completed on 23 March 1998. The ground has been converted by Heron to four Mining Leases.

Drill collars have been marked out and lines cleared for ore reserve drilling.

The oxidised portions of old NOREX drill holes at Acra North were sampled as 4m composites. Significant results were:

Acra North Norex Reconnaissance Drilling Significant Nickel Intersections, 4 metre Composites, 0.5% and 0.75% Ni Lower Cut-offs									
ZONE	HOLE No.	NORTHING	EASTING	FROM I (M)	To I (M)	INTERVAL I (M)	Ni %	Co %	Ni2Co %
1	JNP04	25297	9814	20	28	8	0.65	0.047	0.74
1	JNP05	25469	9519	24	60	36	0.80	0.086	0.97
	<i>inc at 0.75%</i>			24	44	20	0.98	0.115	1.21
1	JNP06	25758	9245	32	44	12	0.69	0.132	0.95
	<i>inc at 0.75%</i>			40	44	4	0.77	0.079	0.93
1	JNP07	26883	8250	20	44	24	1.03	0.030	1.09
	<i>inc at 0.75%</i>			24	40	16	1.25	0.039	1.33
1	JNP08	26848	8240	16	36	20	1.00	0.055	1.11
	<i>inc at 0.75%</i>			16	36	20	1.00	0.055	1.11
1	JNP11	27628	7901	4	24	20	0.78	0.016	0.81
	<i>inc at 0.75%</i>			8	16	8	0.95	0.018	0.99
1	JNP12	27995	7534	4	16	12	0.76	0.029	0.82
	<i>inc at 0.75%</i>			4	8	4	0.92	0.040	1.00
3	KPP10	35243	5918	32	36	4	0.55	0.007	0.56

Wellington North Prospect

Inactive.

Garibaldi Prospect

Data compilation of gold exploration targets is current. The prospect is to be offered for farm-out.

2.1.2 *Transline Project*

Heron 100%
Nickel-gold

Further Exploration Licence applications have been lodged targeting Bulong-style lateritic nickel and Golden Cities style granitoid gold mineralisation.

The project area is located on the south-plunging Bulong Anticline at the southern extremity of the Yindarlgooda Dome. The flanks of the structure are defined by interbedded mafic and ultramafic rocks, with felsic volcanics in the core. The majority of the project area occurs within a small granitoid body termed the Juglah Monzogranite which intrudes the core of the Bulong Anticline.

Lateritic nickel targets have been identified from literature studies, and tenement applications lodged. The applications cover strike extensions of the Bulong Ultramafic Complex.

Significant gold mineralisation has been defined at the Titan Resources Trojan Deposit, which is located along the eastern flank of the Juglah Monzogranite. The Trojan Deposit has a combined inferred and indicated resource of 173,000 ounces (Titan Resources 1995 Annual Report).

Open file information indicates previous drilling of 194 RAB holes for 7,501m on Heron's application. Intersections include 4m at 1.21g/t Au from 31m within a broad low level (0.1-0.25g/t Au) 1,200 x 500m anomalous zone at the saprock-bedrock interface.

2.2 *Scotia Kanowna Province*

2.2.1 *Scotia Kanowna Project*

Heron 100%.
Nickel - gold

The Company has purchased back the equity previously earned by MPI-Outokumpu, to revert to a 100% Heron ownership. The Company has commenced a detailed lateritic nickel evaluation. Up to 4m at 1.39% Ni has been previously intersected in Aircore drilling within goethitic clay.

Aeromagnetic targets immediately NW of the Silver Swan nickel mine are to have detailed ground magnetics carried out, to evaluate whether scope exists for occurrences of the Silver Swan Ultramafic at depth.

Gold targets in the project area are likely to be offered for farm-out. The project adjoins the Golden Cities-Federal granitoid gold province.

Additional tenements have been acquired at Scotia North, the target being lateritic nickel.

2.2.2 Silver Swan North Project

Heron 100%
Nickel - gold

Inactive.

2.2.3 Menzies East Joint Venture Project

Heron 100%. Golden State Resources right to earn 60%
Gold - nickel

Joint Venture operator Golden State are evaluating the results of the previously reported December 1997 drilling program.

2.2.4 Kanowna East Project

Heron 100%
Gold - nickel

Farm-out of the project is being sought.

2.3 Keith Kilkenny Province

2.3.1 Edjudina Project

Heron 100%
Nickel - gold

Regional

The Company has been appraising and acquiring various tenements in order to generate contiguous holdings over its nickel laterite targets.

Several Exploration Licence applications were lodged within the Keith Kilkenny Tectonic Zone from Webb Hill in the south to Mount Kildare in the north. These applications are along strike from existing Heron nickel and gold targets.

Banjo Prospect

The Company has exercised its option and purchased a 100% equity in the Banjo property. Drilling in the previous Quarter by Heron included intercepts of 28m at 1.41g/t Au and 17m at 1.17g/t Au.

Gold mineralisation at Banjo has been mined from a north south striking shear zone with quartz (-tourmaline) veining and stockworks. Three high priority soil geochemical targets generated by Heron await drill testing.

Boyce Creek Prospect

The Boyce Creek prospect area covers part of the mafic-ultramafic sequence marginal to the Keith Kilkenny Rift. These margins to the rift are considered highly prospective for ultramafic-hosted lateritic and sulphide nickel deposits, and Archaean gold deposits.

A detailed geological study was completed. Using multi-element litho geochemistry, a geological cross section through the Boyce Creek ultramafic sequence was interpreted. The ultramafic is composed of a thick fractionated komatiite flow and is highly prospective for nickel laterite mineralisation. There may also be potential for disseminated nickel sulphides towards the base of the flow.

RC drill collars on a 400 x 80m pattern have been laid out. This proposed drilling is in abeyance pending completion of the more advanced Kalpini lateritic nickel resource drilling.

McAuliffe West - Lady Byron

RC drill collars on a 400 x 80m pattern have been laid out. It is probable there is some structural complexity in this area that has disrupted the ultramafic sequence.

Significant previous drilling nickel intercepts are detailed as follows:

McAuliffe West - Lady Byron Prospect Drilling Summary Significant Nickel Intersections, 0.5% and 0.75% Ni Cut-off									
ZONE	HOLE NUMBER	NORTHING	EASTING	FROM (M)	TO (M)	INTERVAL (M)	Ni %	Co %	Ni2Co INDEX
	PMC6	36040	4600	0	20	20	0.84	n/a	n/a
	<i>inc at 0.75%</i>			12	16	4	1.53	n/a	n/a
	PMC9A	36120	4520	12	18	6	0.85	n/a	n/a
	<i>inc at 0.75%</i>			14	16	2	1.05	n/a	n/a

2.3.2 *Mulgabbie Project*

Heron 100%
Nickel - gold

Regional

Additional Exploration Licences have been acquired at Mulgabbie.

Lake Rebecca Lateritic Nickel Project

The purchase of the Lake Rebecca Lateritic Nickel Project was finalised.

The project area covers mafic to ultramafic units of the Mulgabbie Formation striking NNW along the southern shores of Lake Rebecca. This sequence represents the eastern margin of the Keith Kilkenny Rift.

Literature reviews were completed. The ultramafic sequence at Lake Rebecca is prospective for both lateritic and sulphide nickel mineralisation. The ultramafic rocks have formed in a regional-scale lava flow channel. Marginal rocks to the channel are spinifex-textured komatiite flow rocks.

Such channels may host nickel sulphide mineralisation either as massive sulphide along the basal contact of the channel or as disseminated sulphide within the olivine-rich cumulates. The Silver Swan and related sulphide deposits are hosted in a ultramafic sequences geologically similar to the Lake Rebecca komatiite channel.

An assessment of the channel for nickel sulphide requires a determination of the younging direction of the komatiite sequence. This will be determined by completing multi-element litho geochemistry on drill samples on site.

Bass Strait Oil and Gas NL in the early 1980s defined a global resource of 27 million tonnes at 0.75% Ni with Co credits. Heron intends to drill out this resource to locate high grade pods as a potential satellite ore feed for a future Kalpini processing operation.

Mulgabbie West Prospect

Heron's tenements adjoin and are along strike of the Old Plough Dam - Khartoum mineralised trend (recent one million ounce gold discovery).

Soil geochemical sampling of aeromagnetic anomalies has generated high priority targets. Ground checking of these targets has confirmed drill testing is required. This will be done once the Kalpini drilling is completed.

Old Pinjin Prospect

Regional BLEG soil gold sampling defined low order gold anomalies, with a peak anomaly of 46ppb Au.

2.3.3 Karonie South Project

Heron 100%
Gold - nickel

Zones of alteration marginal to the Jimberlana Dyke were soil and rock chip sampled as lateritic nickel targets. Anomalies of up to 1,000ppm Ni in soils and 1,700ppm Ni in bedrock were returned. An additional Exploration Licence application has been lodged to further evaluate the lateritic nickel potential.

2.4 Mungari Province

2.4.1 Mungari Northwest Joint Venture Project

Heron 100%, Kundana Gold right to earn 50%
Gold

The project area is NW along strike from the Mines and Resources Australia-Mineral Commodities White Foil one million ounce gold discovery.

Soil auger geochemistry is current. No interpretation of results is yet available.

2.5 Leonora Laverton Province

2.5.1 Laverton Joint Venture Project

Heron 100%. Metex right to earn 70%.
Gold - nickel

Vacuum drilling was carried out, with two anomalies of 800m and 200m width generated. Peak values were 11ppb Au with supporting As, Sb and Pb.

Other lower order geochemical anomalies were returned from the vacuum drilling, with highest values reaching a peak of 7ppb Au, with no anomalous As, Sb or Pb support.

Airborne magnetics on 50m line spacing was completed. All data is currently being compiled for TMI contours, profiles and images.

2.5.2 *Mount Morgans Joint Venture Project*

Heron 100%. Metex right to earn 70%
Gold - nickel

Airborne magnetics on 50m line spacing was completed. All data is currently being compiled for TMI contours, profiles and images.

Open file research of all available historical exploration information was commenced.

Vacuum drill holes were logged and geomorphological interpretations prepared.

2.5.3 *Malcolm Project*

Heron 100%
Gold - nickel

Regional

Additional Exploration Licences were lodged and are in ballots. The ground applied for is immediately south along strike of the Murrin Murrin lateritic nickel project.

2.5.4 *Victory Project*

Heron 100%
Nickel - gold

Mount McClure South Prospect

Regional compilations are current.

2.5.5 *Merolia Project*

Heron 100%
Nickel - gold

Four Exploration Licence applications were lodged at Merolia NW along strike of the Coglia Well - Irwin Hills lateritic nickel prospects. Geological interpretations at Merolia indicate the potential for ultramafic occurrences associated with strong aeromagnetic anomalies.

2.6 Menzies Leonora Province

2.6.1 Menzies Leonora Project

Heron 100%
Nickel - gold - diamonds

Additional Exploration Licence applications were lodged at Lawrence Find, to consolidated the ground holding.

2.7 Ida Fault Province

2.7.1 Snake Hill Joint Venture Project

Heron 100%. Connemara right to earn 70%
Gold - nickel

Drilling was again delayed, due to rig commitments elsewhere.

2.7.2 Blister Dam Joint Venture Project

Heron 100%. Normandy Exploration right to earn 70%
Gold

The project area is located 100km NW of Kalgoorlie, on the Zuleika Shear Zone.

A 4,000m Aircore drilling program is current. The aim of this drilling is to test a Norex BLEG soil anomaly on the western portion of the tenement, and follow up previous drilling along the Zuleika Shear, to test an ultramafic-felsic contact.

Data evaluation is current.

2.7.3 Bullabulling Project

Heron 100%
Nickel - gold

Soil geochemical traversing commenced on granted Prospecting Licences. No targets were defined.

Grant of Exploration Licences is awaited.

2.7.4 Frances Lesley Project

Heron 100%
Gold - nickel

The project area is located 100km NW of Kalgoorlie, within an area of active gold mining operations at Carbine and Davyhurst.

Additional Exploration Licences have been lodged, to consolidate the Company's tenement holding. Mining Lease conversion was completed over areas of historic gold workings.

2.7.5 *Yilmia Hill Project*

Heron 100%
Nickel - gold

Exploration Licence applications are awaiting grant.

2.7.6 *Cowan Project*

Heron 100%
Nickel - gold

Exploration Licence applications are awaiting grant.

2.8 ***Dundas Province***

2.8.1 *Dundas Lake Project*

Heron 100%
Gold - uranium - vanadium

The project has been relinquished, due to the difficulty in exploring on a salt lake environment. In addition, the project was gold only, with no nickel potential. This does not accord with the Company's exploration philosophy of only exploring gold provinces where nickel potential is also present.

2.9 ***Kambalda Domain Province***

2.9.1 *Binduli East Joint Venture Project*

Heron 100%. MPI right to earn 70%
Gold - nickel

This 16km² contiguous tenement holding straddling the Abattoir Shear is located 5km SW of Kalgoorlie. Finalisation of the joint venture agreement is still current.

2.9.2 *Mount Martin Project*

Heron 100%
Nickel - gold

Tenement applications have been lodged on favourable structural and ultramafic targets in the area of the Blair nickel, Mount Martin gold-nickel and New Celebration gold mines. Tenement grant is awaited.

2.10 ***Southern Cross Province***

2.10.1 *Bungalbin Project*

Heron 100%
Nickel - iron ore - gold

The area is east along strike of the Marda gold mining centre, within an area of pervasive laterite cover. Bulk tonnage iron resources are present, and lateritic nickel potential is indicated from open file searches.

Tenement grant is awaited.

2.10.2 Maggie Hays Hill Project

Heron 100%
Nickel - gold

Tenement grant is awaited.

2.11 Gawler Craton Province

2.11.1 G2 Project

Heron 100%
Gold - copper - uranium - diamonds

Field work is in abeyance pending renewal of the tenement.

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 Australasian Institute of Mining and Metallurgy.

Glossary of Terms

“Aeromagnetic Survey” means a survey made from the air, recording variations in the earth’s magnetic field.

“Alteration” means rock-forming minerals which have been chemically changed.

“Anomaly” means a value higher or lower than expected, which outlines a zone of potential exploration interest but not necessarily of commercial significance.

“Aircore drilling” means a rotary drilling technique which uses compressed air to cut a core sample and return core fragments to surface inside the drill rods. The drill sample quality is generally good.

“Au” means gold.

“Co” means cobalt

“Cu” means copper.

“Geochemical Survey” means the systematic study of the variation of chemical elements in rocks or soils.

“g/t” means grams per tonne.

“Granitoid” means a family of coarse-grained igneous rocks that contain abundant quartz and feldspar.

“Helimag” means an aeromagnetic survey flown by a helicopter.

“km” means kilometres.

“km²” means square kilometres.

“Komatiite” means an ultramafic rock with high magnesium content extruded from a volcano. Textural variations include:

“Orthocumulate” means a rock which exhibits a high proportion of crystallised trapped interstitial (“intercumulus”) liquid. The surrounded (“cumulus”) olivine crystals are subhedral to euhedral in form. This komatiite type is regarded as prospective for nickel sulphide mineralisation (e.g. Kambalda nickel mine).

“Mesocumulate” means a rock with cumulus crystals exhibiting extensive mutual boundary contact, but retaining some recognisable interstitial material. This rock type is prospective for lateritic nickel.

“Adcumulate” means a rock with little or no intercumulus material and characterised dominantly by anhedral crystals. This rock type is regarded as prospective for nickel laterite mineralisation.

“m” means metres.

“Mineralisation” means, in economic geology, the introduction of valuable elements into a rock body.

“MMI” means the Mobile Metal Ion Process™, which is a partial extraction soil geochemical technique considered to be very effective for nickel and gold exploration.

“Ni” means nickel.

“Olivine” means a magnesium-iron silicate mineral, often occurring in rocks prospective for nickel.

“prospect” means a target upon which exploration programs are planned or have commenced.

“project” means a grouping of prospects within a geographic location, often with a common geological setting.

“province” means a grouping of projects within a geological district defined by a major mineralised crustal structure.

“ppb” means parts per billion.

“ppm” means parts per million (1g/t equals 1ppm, and 1000ppb equals 1ppm).

“RAB drilling” means the drilling technique in which a sample is returned to surface outside the rod string by compressed air. The drill sample may be subject to some degree of contamination.

“RC drilling” means the drilling method employing a rotating or hammering action on a drill bit which returns a sample to the surface inside the rod string by compressed air. The drill sample quality is generally superior to RAB.

“Shear Zone” means a zone in which crushed rock has been produced by the action of a shearing stress as on a fault. This setting is often favourable for the occurrence of gold mineralisation.

“Tectonic Zone” means a major structural feature characterised by deformation of several kilometres in width.

“Ultramafic” means rocks composed almost entirely of mafic minerals, which are prospective for nickel.

Appendix 5B

Mining exploration entity quarterly report

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.

1. Golden State Resources NL has the right to earn a 60% equity interest in the Menzies East Joint Venture Project tenements through sole funding the initial \$250,000 of exploration.
2. Metex Resources NL has the right to earn a 70% equity interest in the Laverton Joint Venture Project tenements through sole funding the initial \$500,000 of exploration.
3. Metex Resources NL has the right to earn a 70% equity interest in the Mt Morgans Joint Venture Project tenements through sole funding the initial \$200,000 of exploration.
4. Connemara Gold Mines Pty Limited has the right to earn a 70% equity interest in the Snake Hill Joint Venture Project tenements through sole funding the initial \$300,000 of exploration.
5. Kundana Gold Pty Limited has the right to earn a 50% equity interest in the Mungari Northwest Joint Venture Project tenements through sole funding the initial \$3,000,000 of exploration.
6. Normandy Gold Pty Limited has the right to earn a 70% equity interest in the Blister Dam Joint Venture Project tenements through sole funding the initial \$250,000 of exploration.
7. Mining Project Investors Pty Limited has the right to earn a 70% equity interest in the Binduli East Joint Venture Project tenements through sole funding the initial \$750,000 of exploration.

6.1 Interests in Mining Tenements relinquished, reduced or lapsed

Tenement Reference	Nature of Interest	Interest Beginning of Quarter	Interest End of Quarter
E31/397	Registered Applicant	100	0
P63/990	Registered Holder	100	0
P63/991	Registered Holder	100	0
P63/992	Registered Holder	100	0
P63/993	Registered Holder	100	0
P63/994	Registered Holder	100	0
P63/995	Registered Holder	100	0
P63/996	Registered Holder	100	0
P63/997	Registered Holder	100	0
P63/998	Registered Holder	100	0
P63/999	Registered Holder	100	0
P63/1000	Registered Holder	100	0
P63/1001	Registered Holder	100	0
P63/1002	Registered Holder	100	0
P63/1003	Registered Holder	100	0
P63/1004	Registered Holder	100	0
P63/1005	Registered Holder	100	0
P63/1006	Registered Holder	100	0
P63/1007	Registered Holder	100	0
P63/1008	Registered Holder	100	0
P63/1036	Registered Applicant	100	0
P63/1038	Registered Applicant	100	0
P63/1039	Registered Applicant	100	0
P63/1040	Registered Applicant	100	0
P63/1041	Registered Applicant	100	0
P63/1042	Registered Applicant	100	0
P63/1043	Registered Applicant	100	0
P63/1044	Registered Applicant	100	0
P63/1045	Registered Applicant	100	0
P63/1046	Registered Applicant	100	0

6.2 Interests in Mining Tenements acquired or increased

Tenement Reference	Nature of Interest	Interest Beginning of Quarter	Interest End of Quarter
E15/577	Registered Applicant	0	100
E16/179	Registered Applicant	0	100
E16/180	Registered Applicant	0	100
E16/181	Registered Applicant	0	100
E16/182	Registered Applicant	0	100
E25/80	Registered Applicant	0	100
E25/179	Registered Applicant	0	100
E25/184	Registered Applicant	0	100
E25/185	Registered Applicant	0	100
E25/186	Registered Applicant	0	100
E25/188	Registered Applicant	0	100
E25/189	Registered Applicant	0	100
E25/191	Registered Applicant	0	100
E28/897	Registered Applicant	0	100
E28/891	Registered Applicant	0	100
E28/892	Registered Applicant	0	100
E28/893	Registered Applicant	0	100
E28/894	Registered Applicant	0	100
E28/895	Registered Applicant	0	100
E28/910	Registered Applicant	0	100
E28/911	Registered Applicant	0	100
E28/916	Registered Applicant	0	100
E28/918	Registered Applicant	0	100
E30/217	Registered Applicant	0	100
E30/218	Registered Applicant	0	100
E31/398	Registered Applicant	0	100
E31/399	Registered Applicant	0	100
E31/400	Registered Applicant	0	100
E31/402	Registered Applicant	0	100
E31/410	Registered Applicant	0	100
E38/1079	Registered Applicant	0	100
E38/1080	Registered Applicant	0	100
E38/1081	Registered Applicant	0	100
E38/1082	Registered Applicant	0	100
E39/692	Registered Applicant	0	100
E39/694	Registered Applicant	0	100
E39/695	Registered Applicant	0	100
E39/699	Registered Applicant	0	100

E39/700	Registered Applicant	0	100
E40/140	Registered Applicant	0	100
E40/141	Registered Applicant	0	100
E40/142	Registered Applicant	0	100
E63/631	Registered Applicant	0	100
M27/348	Registered Applicant	0	100
M28/199	Pursuant to Sale Agreement	0	100
M28/200	Pursuant to Sale Agreement	0	100
M28/201	Pursuant to Sale Agreement	0	100
M28/202	Pursuant to Sale Agreement	0	100
M63/417	Registered Applicant	0	100
M63/418	Registered Applicant	0	100
P26/2904	Registered Applicant	0	100
P26/2905	Registered Applicant	0	100
P26/2907	Registered Applicant	0	100
P26/2908	Registered Applicant	0	100
P26/2909	Registered Applicant	0	100