



HERON RESOURCES LIMITED

JUNE 2006 QUARTER HIGHLIGHTS

Heron Total Nickel Focus

Heron has announced a **total Nickel Focus** strategy which aims to maximise Shareholder value and deliver returns to Shareholders through focused exploration and development of its extensive portfolio of nickel laterite and nickel sulphide projects. The strategy focuses on:

1. **Long-term**, transition to major nickel laterite producer through the development of the **Kalgoorlie Nickel Project (KNP)**. The Kalgoorlie Nickel Project, with our partner Inco, continues to be Heron's primary focus.
2. **Medium-term**, lower capex nickel laterite and nickel sulphide production opportunities, initially targeting 10,000tpa nickel production from 100% Heron-owned projects.
3. **Near-term**, impact of regional WA exploration success: The Company's **conceptual exploration targets** are for multi-commodity, world class targets focussing on prospective Ni-Cu-PGM settings.
4. **Immediate divestments to unlock value**: Heron announced it is spinning-off its non-core copper-gold to **Rubicon Resources Limited**, uranium to **Balladonia Uranium Limited**, and iron ore to **Polaris Metals NL**.

Kalgoorlie Nickel Project

Completion target for Step 1 was 30 July 2006. Drilling was completed with 35 PQ core holes, generating 868 screen upgrade metallurgical samples. Inco advised that final leach feed assays will not be available until the end of July. Despite the vast amount of data requiring evaluation, Inco still plans to be in a position to decide whether or not to proceed to Step 2 on the contractual date of 30 September 2006.

Corporate

Rubicon Resources Limited – Copper-Gold

A well experienced management team was announced and the IPO and its projects are being finalised. Heron intends that Rubicon vendor shares will be distributed to Heron Shareholders from trust as an in-specie distribution at a suitable time during the 12 months after listing.

Balladonia Uranium Limited – Uranium

Balladonia Uranium Limited has appointed Mr Matthew Gauci, with 10 years uranium experience as Managing Director. Preparations are underway for Balladonia's IPO and listing on the ASX later this year. Heron intends that the Balladonia vendor shares will be distributed to Heron Shareholders from trust at a suitable time during the 12 months after listing.

Iron Ore

It was announced that Heron's iron ore tenements will be vended to Polaris Metals NL who own complementary iron ore assets. Heron believes the near term cash-flow potential is good and Heron will initially retain its vendor shares, whilst development decisions are in train and iron ore project funding alternatives are being evaluated.





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HERON RESOURCES LIMITED June 2006 Quarterly Report

1. SUMMARY

Total Nickel Focus

Heron's **total Nickel Focus** aims to deliver returns to Shareholders through exploration and development of our extensive portfolio of nickel laterite and nickel sulphide projects.

Heron will continue to leverage off the portfolio of nickel assets through exploration, with the Board having approved an exploration budget inclusive of scoping studies and metallurgical test work of \$3.4 million for the first half of financial 2006-2007.

Nickel Laterite Farm-in and Joint Venture (HRR 100%, Inco earning 60% by mine commissioning)

The long term focus of the company is the **Kalgoorlie Nickel Project (KNP)** with our partner Inco Limited. The target is a project delivering 50,000 to 60,000 tonnes of nickel metal over a 20 year project life at robust cash costs. Heron through the **KNP Laterite Agreement** has a 40% interest in the final project with a funded pathway through to development.

The Inco Laterite Agreement commenced on 30 July 2005, with Inco conducting the Step 1 core drilling program aimed at testing the assumption that the KNP has the potential for a resource of 120 million tonne with a leach feed grade of 1.5% Ni.

Completion target was 30 July 2006. The initial phase of Step 1 drilling was completed on schedule in April this year with 35 PQ core holes, generating 868 screen upgrade metallurgical samples. Inco has advised that final leach feed assays will not be available until the end of July (reflecting the current Australia-wide pressure on laboratories), meaning the Step 1 completion target was not met. Despite the vast amount of data requiring evaluation, Inco still plans to be in a position to decide whether or not to proceed to Step 2 on the contractual date of 30 September 2006.

Results to date suggest a 1.5% Ni leach feed grade target is realistic. The main variable to quantify is the material mass passing following screening.

Laterite Heap Leach (HRR 100%)

Recent advances in nickel leaching technology and materials identification are being tested by the Company on a number of potential Heap Acid Leach ore sources, including those located outside the KNP.

Results to date are encouraging with two samples of siliceous saprolite yielding 80% nickel extraction after 70 days, and another sample returning just under 50% nickel recovery after 65 days.

One sample representative of limonite mineralisation (which would be most suitable for pressure acid leach processing) yielded approximately 14% nickel recoveries over the same period.

The Heap Acid Leach process route provides the possibility of a less capital intensive project than the Pressure Acid Leach process. Mineralisation suitable for heap leach processing is not an optimum mineralisation feed for Pressure Acid Leach processing. Hence the technologies are complementary and not competing.



Photo: Four sample columns containing the agglomerated laterite with the buckets containing the leachate solution.



Status of Inco and Heron Nickel Sulphide Rights

Negotiations between Inco and Heron for a regional Nickel Sulphide Joint Venture were terminated during the Quarter. Heron will continue to actively explore both the Inco KNP Sphere of Influence (SOI) and Heron 100% nickel rights projects with a view to discovery and development of nickel sulphide resources.

When Heron secured its \$12.4 million placement subscription from Inco in April 2005, one of the conditions of the Subscription Agreement was that Heron commit \$0.5 million of the funds to Nickel Sulphide project generation. This expenditure is being committed to targets on KNP Tenements, whilst Inco's focus is on the KNP Laterite

Nickel Sulphide Production

Heron has commenced a program to identify suitable sulphide nickel projects with near term production potential available for acquisition, both in Western Australia and elsewhere.

To date, Heron's existing portfolio of projects offers better value than those offered for sale.

Heron will continue to investigate opportunities but will only invest where the broad skill set that Heron has access to will add significant value to the opportunity.

Heron is targeting nickel production of 10,000 tonnes of contained metal production inside 4 years, in addition to full ramp up of the KNP in an expedient time frame.

Nickel Sulphide Exploration

Over the last year, Heron has developed **nickel sulphide targets** both within the areas of 100% Heron nickel rights in the Eastern Goldfields, and within the Inco KNP tenement Sphere of Influence.

Eastern Goldfields Sulphides (HRR 100%)

Field testing and evaluation has begun with Electro Magnetic (EM) geophysical surveys underway to evaluate a number of nickel sulphide targets at the **Cowarna Downs, Trans East** and **Merolia** projects (HRR100%). These surveys may be extended to include areas of the SOI and potential KNP nickel sulphide targets.

KNP Sulphides ((HRR 100%, Inco right to earn 60%)

Reconnaissance laterite drilling in the **Ghost Rocks** area identified disseminated primary nickel sulphides in the area of the previously reported Ghost Rocks gossan. While nickel assay results were low at 0.25% Ni, the presence of the sulphides demonstrates the fertility of this belt and warrants systematic EM surveying. Copper results of up to 0.2% confirm the primary nature of the Ghost Rocks nickel sulphide mineralisation.

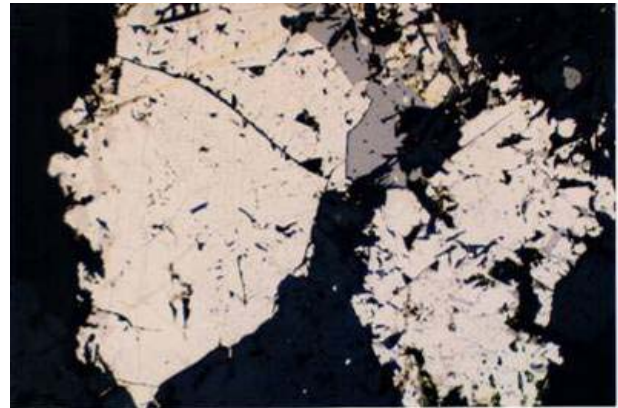


Photo: disseminated pentlandite (Nickel Sulphide) pink grey large grains, chalcopyrite (Copper Sulphide) fine yellow veins top left and magnetite dark grey grains centre top, from recent drilling at Ghost Rocks, FOV = 0.5mm.

The final Native Title clearances were secured during the Quarter for the grant of the **Wellington North** Mining Lease. Wellington North is 500m north along strike from the Jubilee Mines - Image Resources Emu Lake Gossan Zone (previous Jubilee drilling includes 2m at 6.2% Ni). Testing of this target will commence as soon as possible upon grant of the tenement.

CORPORATE

Divestments

Internationally, the major nickel producers have continued to consolidate, following the successful takeover of WMC by BHPB in 2005. The consolidation focus has moved to Canada, where corporate activity is being played out in a multi-faceted tussle for world dominance in the nickel market.

With this background, Heron announced the appointment of Citigroup Global Markets as corporate advisors to the Company, to provide strategic advice to develop and grow the Company, inclusive of defence and offence.

Heron aims to develop into a pure nickel production company, and this strategy has required the de-merger of the Company's non-nickel assets.

The divestment entities are described in the following. The Rubicon and Balladonia initiatives will require Heron Shareholder approval, with Extraordinary General Meetings expected during September and October 2006, following which Record Dates for Heron Shareholder in specie share entitlements will be set.



1. Rubicon Resources Limited – Copper-Gold

Rubicon Resources Limited, the renamed gold and base metal focused subsidiary of Heron Resources Limited, announced the appointment of a high-calibre management team as it prepares an Initial Public Offering (IPO) to list on the Australian Stock Exchange towards the end of 2006.

Formerly known as Regent Resources, Rubicon controls a large gold and base metal-focused ground-holding primarily in Western Australia, with the potential for significant discovery.

To drive the Company through the IPO process and onto exploration and development, Rubicon has appointed a board and management team with a strong portfolio of corporate, mining, exploration, project development and commissioning experience.

Former President of Barrick Gold Corporation's Australia Africa Business Unit and KCGM Superpit General Manager, **John Shipp** has been appointed as non-executive Chairman of Rubicon.

Former Aditya Birla Minerals Limited General Manager (Geology and Business Development) **Peter Eaton** has been appointed Managing Director of Rubicon. During his tenure at Birla, Mr Eaton was part of the commissioning team for the Nifty underground copper mine

Rubicon has also appointed **Sam Middlemas** as Chief Financial Officer and Company Secretary, and Heron Managing Director **Ian Buchhorn** will remain as a non executive director.

2. Balladonia Uranium Limited – Uranium

Matthew Gauci has been appointed Managing Director of Balladonia Uranium Limited to bring the portfolio of highly prospective uranium assets to the market.

Balladonia is a dedicated uranium company, with uranium rights to over 7000km² of tenements held by Heron. Projects are located across Western Australia, Northern Territory and Queensland and are prospective for calcrete, sandstone and sandstone/lignite style uranium mineralization.

Mr Gauci brings a depth of market and commercial insight into the uranium industry derived from over 10 years in the industry.

Iron Ore Assets

Heron announced it has entered into a conditional agreement for the sale of its Iron Ore Projects to **Polaris Metals NL** (ASX: POL) (Polaris).

The Iron Ore Projects cover more than 4,000km² of iron ore exploration tenements and licences. The portfolio consists of a number of targets at varying degrees of development with significant iron ore mineralisation. The focus will be to secure early production.

As consideration for the tenements, Heron will receive A\$5.5 million worth of Polaris shares at no less than \$0.185 per share being 29,729,730 shares, and 15,000,000 5 year performance options exercisable at \$0.30, all subject to approval by Polaris shareholders.

Heron Managing Director Ian Buchhorn will be invited to join the Polaris board as a non-executive director.

Polaris has an experienced iron ore team, able to fast-track the development of Heron's iron ore assets. The leading project is Poondano, located 30km SE from Port Hedland.

Polaris is undertaking a scoping study on the Heron Poondano tenements to further evaluate the project ahead of shareholder approval.

Perth Office

As previously foreshadowed, the Company has established a corporate office in West Perth at Level 1 / 37 Ord Street.

The corporate office was necessitated by the increased corporate activity by the Company, related to the KNP studies and non-nickel divestments.

Heron, Rubicon and Balladonia are all currently operating from the premises.

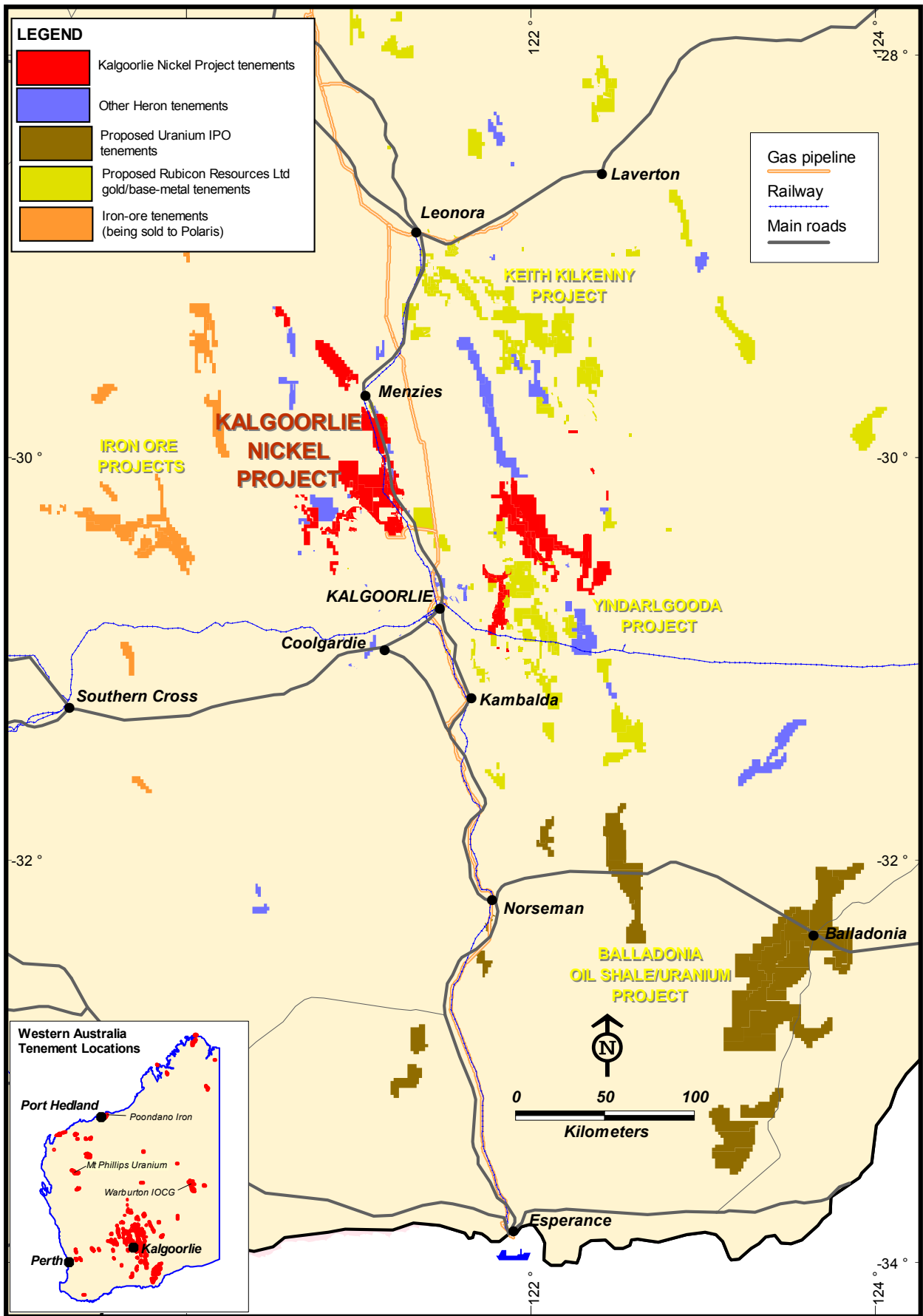
Share Investment

Heron took an opportunity to subscribe for 962,800 shares in Pioneer at \$0.125. The investment decision was predicated on the high quality of Pioneer's mineral portfolio.

The investment was funded by the sale of previously acquired non-core Scimitar vendor shares.



Figure 1 Heron Tenement Locations



2. OPERATIONS REVIEW

Nickel Laterite

3.1 Kalgoorlie Nickel Project

Heron Nickel Rights, 100% for all tenements.
Inco right to earn 60%, sole fund BFS, secure finance.

Inco reported the completion of 35 PQ size diamond core triple tube twin holes for 1,927 metres on the project to date. This drilling covers the first phase of Step 1 core drilling. An additional 8 holes for 352 metres were completed to provide further geological and metallurgical data. Drilling was completed at Siberia, Scotia Dam, Big Four, Goongarrie Hill, Highway and Kalpini.

A total of 1,357 samples were submitted for head grade analysis, from which 868 samples were selected and submitted for screen upgrade analysis. A total of 4,103 screen fraction pulps were submitted, of which results have been received for 3,214. The remaining 889 results are expected at the end of July.

This has generated in excess of 100,000 masses and analytical results which must be integrated with geological, mineralogical and physical measurements on the core. Assimilating this volume of data is a large task, drawing heavily on Inco's substantial reserves of technical expertise.

Delays with the assay results meant the 30 July 2006 completion target for Step 1 was not met. However Inco has indicated they will be in a position to make a decision on Step 2 prior to the 30 September 2006 deadline.

Analysis of the vast amount of data collected during Step 1 will continue for some time after 30 September 2006, and will feed into the design of future feasibility programs.

Inco is trialling various techniques for modelling the laterite material types to derive the three dimensional volumes and models for the KNP mineralisation.

Summary Table of Holes Drilled:

Prospect	Number of Holes	Metres of Core Drilled
Goongarrie Hill	7	388.5
Goongarrie South	2	88.7
Scotia Dam Big Four	8	463.9
Siberia North	8	446.4
Siberia South	7	350.7
Highway	7	343.9
Kalpini	3	152.1

Goongarrie Hill

At Goongarrie Hill screening results are available for holes 3010001 to 3010006 and are summarised below:

Hole Id	Intercept	From Depth	Upgrade	Ore Type
3010001	10m at 1.38% Ni	6	163%	CUS
3010001	6m at 1.71% Ni	16	144%	CLS
3010001	10m at 1.31% Ni	22	180%	CLS
3010002	14m at 1.63% Ni	14	132%	CUN
3010003	10m at 1.23% Ni	6	185%	CUS
and	12m at 2.19% Ni	16	176%	CLS
3010005	4m at 2.37% Ni	14	237%	CUS
and	12m at 1.22% Ni	18	256%	CLS

Hole 3010004 produced poor upgrades with no screened interval reporting above 1% Ni, and hole 3010006 returned significant upgrades in the order of 200% however due to low head grades, the best intercept was 4 metres at 0.94% Ni.

It should be noted Inco's drilling is to test a range of material types and upgrade performance levels, and as such it tested both good and poor upgrade areas as predicted from the previous Heron RC drill performance.

Kalpini

Inco completed three diamond core drill holes at Kalpini for 152.1 metres of drilling. Results are awaited.

Highway

Inco completed seven diamond core drill holes at the Highway project. Results are awaited.

3.2 Kalgoorlie Nickel Project Heron Funded Exploration

Projects peripheral to the main KNP mineralised area are being funded and explored by Heron, using funds raised in the April 2005 Inco Subscription Agreement.

Goongarrie Hill North

Heron completed the Goongarrie Hill North RC drill program on P29/1849. A total of 35 RC holes for 1,542m were drilled on a 320m x 80m pattern.

Head grade results have been received and are tabulated as follows:



Goongarrie Hill North Head Grade Intercepts				
Hole_Id	Metre From	Metre Width	Ni %	Co %
GWRC0306	18	22	0.78	0.06
GWRC0307	14	8	0.66	0.02
GWRC0314	12	18	0.72	0.04
GWRC0314	34	8	0.59	0.04
GWRC0315	8	16	0.76	0.03
GWRC0317	12	20	0.56	0.04
GWRC0319	30	6	0.66	0.04
GWRC0321	10	4	0.64	0.05
GWRC0322	10	10	0.85	0.08
GWRC0324	12	10	0.65	0.02
GWRC0326	4	4	0.60	0.02
GWRC0327	10	10	0.91	0.04
GWRC0328	10	16	1.07	0.05
GWRC0329	20	4	0.60	0.11

Mineralisation at Goongarrie Hill North is similar to that at Goongarrie Hill to the immediate south, being largely of a siliceous nature developed around the magnesia discontinuity. Potential for screen beneficiation is good. Beneficiation testwork is planned.

Bulong

Samples from the 2005 RC drilling completed by Heron at Bulong have been re-submitted to Ultratrace for screen beneficiation testwork. A review of past work at Bulong indicates that the previous mine operator was conscious of the screen upgrade potential and was in the process of conducting testwork at SGS Oretest at the time of the project's receivership.

Results from Heron's screen upgrade testing have been received and are tabulated below.

Hole_Id	Metre From	Metre Width	Head Ni%	Screened Ni%
BGRC0001	6	4	0.65	1.13
BGRC0023	4	22	0.66	1.33
BGRC0024	20	6	1.08	1.38
BGRC0025	12	4	0.86	1.15
BGRC0035	14	24	0.91	1.58
BGRC0036	28	6	0.99	1.89
BGRC0037	26	8	1.16	1.84
Averages			0.90	1.47

The average upgrade is 63%. This clearly demonstrates that in certain parts of the Bulong Complex, similar beneficiation upgrade results are expected to those obtained from elsewhere in the KNP.

Ghost Rocks

Heron completed 41 holes for 2,450m at Ghost Rocks, looking to extend the laterite resource potential into the newly granted tenements. With the exception of interesting geological results in relation to Nickel Sulphides, the drilling did not materially extend the laterite potential.

Further work is required to evaluate the sulphide potential of the Ghost Rocks gossan occurrence. As discussed elsewhere, EM surveying is planned.

Big Four

Further infill RC drilling to 80m x 80m at Big Four has been completed with a further 78 holes for 3,865m.

The total drilled this year at Big Four is 168 holes for 7,544m, pursuant to the April 2005 Inco Placement.

Screen upgrade test work is underway. Head grade results of drilling at Big Four are summarised in the table on the following page.

Nickel Laterite Heap Leach Strategy

Heron has retained an industry-recognised consultant to guide its Heap Leach Strategy.

The key to successful Heap Leaching is the permeability and leachability of the ore material, with suitability controlled by subtle variations in laterite chemistry. Current testwork confirms the favourable permeability and leachability of many of the ores available to Heron.

Often, the best heap leach ores are less than optimum PAL feeds, and this is confirmed by current test work as reported elsewhere in this report. Heron will capitalise on the opportunity presented by the complementary nature of pressure acid leach and heap acid leach resources.

A significant economic control of laterite heap leaching is assembling cost-effective feedstock components. Heron is evaluating nickel laterite infrastructure opportunities to capitalise in the medium term on the resources of Heron and other Eastern Goldfields players. Regional assistance for infrastructure may be available to support power generation and acid production opportunities that may present.

With its dominant nickel laterite land holding, the opportunity exists for Heron to be at the forefront of this relatively new nickel technology.



Big Four RC Drilling Head Grade Intercepts											
Hole_Id	North	East	From	To	Width	Ni %	Co %	MgO %	Al2O3 %	FeO %	SiO2 %
GSRC1251	6662800	324620	32	46	14	0.76	0.08	3.76	2.42	26.70	51.27
GSRC1252	6662800	324560	22	34	12	0.63	0.05	1.86	2.04	19.63	64.00
GSRC1253	6662800	324480	28	42	14	0.65	0.06	14.39	3.51	27.39	30.53
GSRC1257	6662640	324700	28	42	14	0.84	0.03	1.86	6.12	41.44	29.23
GSRC1258	6662640	324620	22	28	6	0.82	0.10	1.44	8.86	37.53	31.20
GSRC1259	6662640	324640	24	42	18	0.73	0.03	2.30	4.57	30.41	47.31
GSRC1262	6662080	325020	10	24	14	0.96	0.05	6.03	3.76	26.6	50.37
GSRC1266	6662080	324700	18	30	12	0.64	0.06	12.51	2.40	24.18	46.13
GSRC1269	6661920	325020	16	24	8	0.75	0.03	13.64	1.53	13.38	60.60
GSRC1269	6661920	325020	30	36	6	0.63	0.03	13.46	1.04	15.70	57.73
GSRC1271	6661920	324860	24	32	8	0.71	0.02	1.87	5.49	24.55	49.42
GSRC1272	6661920	324780	14	30	16	1.16	0.08	3.14	6.90	45.54	21.56
GSRC1274	6661760	324780	36	42	6	0.64	0.10	2.47	6.06	53.33	16.50
GSRC1278	6661440	325260	4	12	8	0.69	0.05	3.88	1.90	21.72	59.75
GSRC1280	6661440	325180	8	14	6	0.76	0.10	0.98	2.98	29.97	51.90
GSRC1282	6661440	324940	14	18	4	0.69	0.08	15.40	5.86	11.20	36.95
GSRC1287	6661280	325180	24	36	12	0.57	0.04	14.86	1.12	18.80	53.93
GSRC1288	6661280	325100	20	38	18	0.67	0.06	9.40	4.17	26.53	43.73
GSRC1293	6661120	325260	18	28	10	0.63	0.02	3.22	3.42	30.38	49.24
GSRC1294	6661120	325180	20	32	12	0.78	0.05	4.67	5.32	47.87	19.41
GSRC1295	6661120	325100	26	34	8	0.59	0.04	5.42	7.67	38.80	13.07
GSRC1297	6660960	325170	30	38	8	0.58	0.03	16.45	3.05	11.38	30.88
GSRC1298	6660640	325820	22	46	24	0.89	0.06	9.93	6.91	27.02	36.87
GSRC1302	6660640	325580	32	40	8	0.66	0.04	1.14	4.31	37.47	39.20
GSRC1303	6660640	325500	20	26	6	0.77	0.02	10.64	5.09	22.60	66.20
GSRC1304	6660640	325420	20	30	10	0.56	0.05	2.94	2.34	17.08	64.22
GSRC1307	6660480	325820	28	70	42	0.90	0.05	5.40	3.51	41.10	31.33
GSRC1309	6660480	325660	36	54	18	0.69	0.04	3.23	1.92	29.23	51.58
GSRC1310	6660480	325580	32	48	16	0.81	0.03	3.59	7.41	39.68	26.89
GSRC1311	6660480	325500	24	46	22	1.26	0.14	3.33	6.06	35.91	27.70
GSRC1315	6660320	325900	36	48	12	0.84	0.05	0.56	11.21	50.77	14.84
GSRC1316	6660320	325820	28	48	20	1.27	0.16	0.96	4.87	49.74	20.50
GSRC1317	6660320	325740	26	40	14	0.69	0.03	1.01	6.61	30.40	46.14
GSRC1318	6660320	325660	20	32	12	0.93	0.14	1.48	4.88	36.23	37.88
GSRC1321	6659840	326140	32	40	8	0.79	0.08	11.06	6.33	44.85	17.70
GSRC1322	6659840	326060	30	40	10	0.77	0.09	2.28	5.53	29.62	46.02
GSRC1324	6659840	325900	24	30	6	0.71	0.07	0.64	10.03	36.77	33.90
GSRC1325	6659840	325820	30	40	10	0.72	0.05	0.81	2.10	25.10	61.30
GSRC1326	6659840	325740	18	38	20	0.67	0.04	0.71	3.66	52.34	22.83
GSRC1329	6662480	324780	36	48	12	0.89	0.03	11.61	3.50	21.53	42.65

Using a
0.5% Ni
cutoff grade



3.3 Heron Laterite Heap Leach (HRR 100%)

Currently Heron has five laterite samples undergoing column leach testwork at SGS Lakefield ore test. The sample mineralogy is described in the following table.

Sample	Description	Approx grades
HL01	Green to black saprolite, minor free silica	Ni 2.0% Co 0.08% MgO 6.3% FeO 21%
HL02	Brown smectitic saprolitic clays with 10-20% free silica	Ni 1.0% Co 0.03% MgO 15.5% FeO 13%
HL03	Brown CUF and CUS some black Mn staining. Does not appear smectitic.	Ni 1.0% Co 0.13% MgO 1.68% FeO 36%
HL04	Brown and green to black smectitic saprolite. Minor free silica	Ni 1.6% Co 0.09% MgO 4.9% FeO 30%
HL05	Old drill samples – smectitic clays	Ni 1.0%

All samples have performed well in the agglomeration process. The clay like laterite sample is mixed with a binder and tumbled to form solid porous balls to allow acid access to the nickel bearing clays, while still maintaining porosity and the ability for the acid to flow freely through the column.

Leaching performance of HL01 and HL02 has reached over 80% in 70 days since the commencement of testwork. This is somewhat tempered by relatively high acid consumption at 951 and 1200 kg per tonne respectively. Leaching rates for samples HL04 and HL05 are more modest with HL04 reaching in the order of 48.5% and HL05 being too early in the leaching process to confidently predict performance. Sample HL03 is a limonite dominated sample most suited to the Pressure Acid Leach processing proposed for the Kalgoorlie Nickel Project.

Figure 2 Nickel extraction against time in days

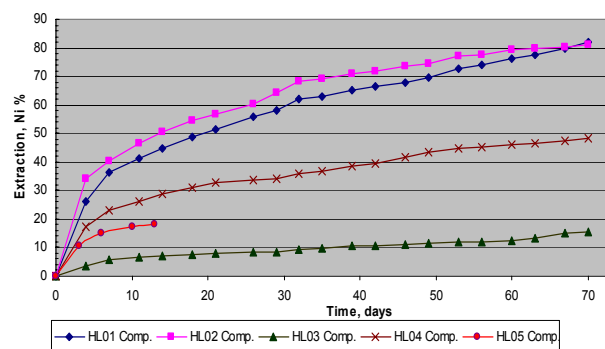


Photo: Agglomerated leach sample HL001, using concentrated sulphuric acid as the binder, note the pale green gray colour of the smectitic saprolite. The open nodular nature of the agglomerated sample allows good acid flow through the heap.

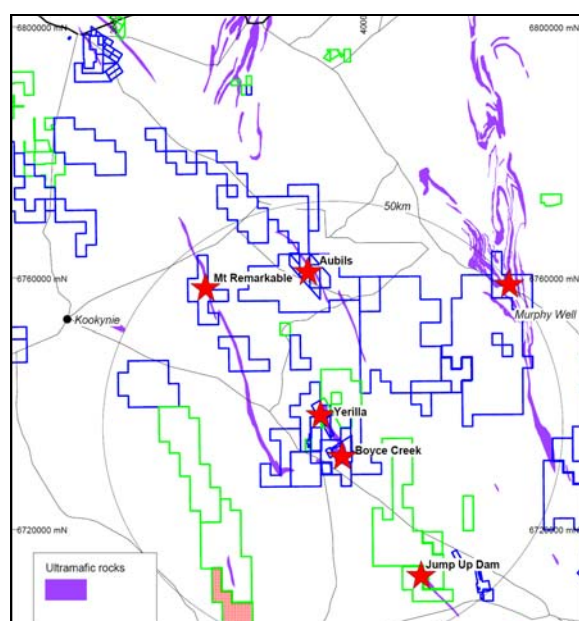
To date there has been only minor slumping in the columns and acid continues to flow unobstructed through the column providing encouragement that heap collapse may be a reduced issue for the samples tested to date. This will not be fully evaluated till leach pad trials are conducted.

RC Drilling Programs for Heap Leach Material

The Heron Heap Leach projects are focused outside the KNP laterite tenements northeast of Kalgoorlie and centred on Yerilla within the Keith Kilkenny Tectonic Zone. The project concept targets a potential leaching operation producing 10,000tpa nickel.

A program of RC drilling of 58 holes for 2,191 metres was completed at Jump Up Dam to delineate the nickel laterite resource and provide material for further heap leach testwork. Initial results include **8m at 2.8% Ni** from 2m depth. Such material also has ore sale potential to operating PAL plants.

Figure 3 Heron Heap Leach Test Work Locations



3.4 Regional Nickel Sulphide

3.4.1 KNP Tenement Area

Ghost Rocks

Reconnaissance laterite drilling in the Ghost Rocks area identified disseminated primary nickel sulphides in the area of the Ghost Rocks gossan occurrences. While assay results were low and in the order of 0.25% Ni, the presence of the sulphides demonstrates the fertility of this belt and warrants blanket EM surveying. Copper results up to 0.2% point to the primary nature of the sulphides.

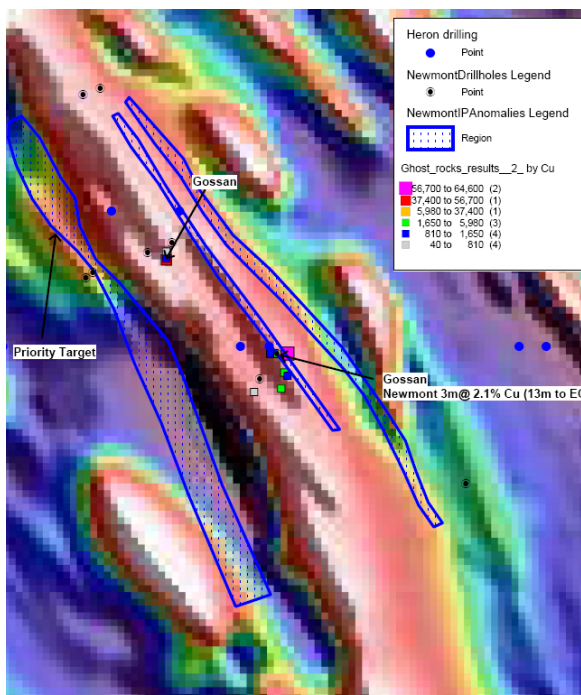


Figure 4 Aeromagnetic image showing Newmont IP anomalies and locations of gossans at Ghost Rocks

Cowarna Downs

As follow up to Heron’s encouraging soil geochemical results reported in the December 2005 Quarterly Report, consultant geophysicist Newexco have reviewed previously completed EM surveys and report a number of targets warranting drill follow up.

A review of WMC’s EM surveys by consultant Newexco and the Heron soil geochemistry has highlighted the coincident nature of a strong conductor and soils anomalous in Ni, Cu, and PGMs. This represents a high priority target for follow-up and a small fixed loop EM program is planned for August in consultation with Newexco and Heron’s consulting geologist.

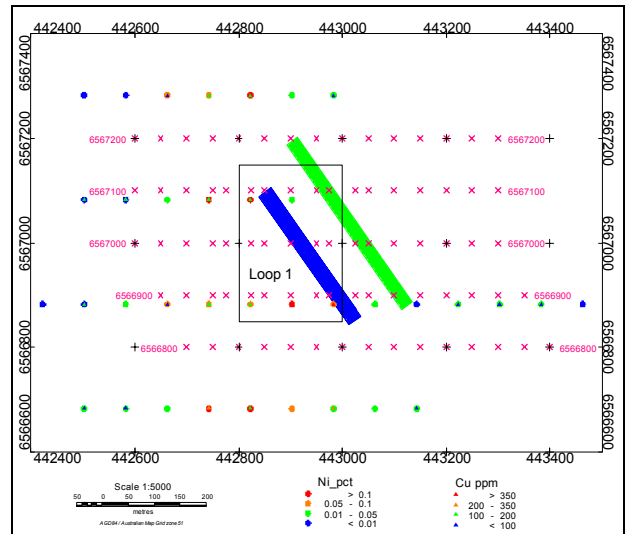


Figure 5 Cowarna Downs Springfield Prospect showing existing EM anomalies and planned loop and survey

3.4.2 Non KNP Tenement Area

Jump Up Dam

Heron rock chip sampling returned up to 6,080ppm Ni and 80ppb PGM. The anomaly is located within a distinct thickening in an otherwise thin komatiite horizon. The prospect was previously explored as a nickel laterite. The elevated PGM content is of interest for nickel sulphide, however, copper is low.

An RC drill program was designed to test the nickel sulphide potential of this prospect and provide sample material from the weathered portions of drill holes for further heap leach test work.

Merolia

A review of the Merolia Project has downgraded its potential for nickel laterite, but upgraded its potential for nickel sulphide mineralisation.

The northern part of the area was systematically explored for nickel sulphide between 1969 and 1974 by Consolidated Exploration Ltd. This work included drilling and then a number of EM surveys. The EM work outlined a coherent conductive anomaly on the western side of an ultramafic unit defined by a high magnetic response. It appears this EM anomaly was generated late in the exploration and while a hole was planned (DDH2), it was never drill tested.

A reconnaissance line of drilling is planned by Heron over the EM anomaly to test for bedrock lithologies and determine the nickel sulphide fertility of the ultramafic lithologies. This will be followed up with a detailed EM survey to define specific drill targets.



3. RUBICON IPO

Major advance was made towards the ultimate listing of Rubicon Resources Limited (formerly Regent Resources Limited) with the appointment of a Managing Director, Chairman and Company Secretary.

Former President of Barrick Gold Corporation's Australia Africa Business Unit and KCGM Superpit General Manager, John Shipp has been appointed as Chairman of Rubicon and former Aditya Birla Minerals Limited General Manager (Geology and Business Development) Peter Eaton has been appointed Managing Director. Rubicon has also appointed Sam Middlemas as Chief Financial Officer and Company Secretary and Heron Managing Director Ian Buchhorn will remain as a non executive director. This management team has extensive experience in all aspects of exploration, acquisitions, mine management and project feasibility and development.

The Board considered a name change from Regent Resources Limited to Rubicon Resources Limited appropriate due to the similarity in name to several resource companies recently listed on the ASX. The name Rubicon historically symbolises "unwavering commitment".

The new management has commenced the IPO process for Rubicon, which it will now aggressively pursue with an aim of listing in October/November later this year. The tenement and project structure has been reviewed and the key projects, covering some 10,000 km² have been established. These are described below.

1. The **Warburton Project** comprises some 3,000 km² within the western Musgrave Province. The area has demonstrated potential for Iron Oxide Copper Gold (IOCG) mineralization (eg. Olympic Dam, Ernest Henry and Prominent Hill) through previous exploration by WMC Limited (1966-71) and a limited campaign by BHP Billiton (2000-01). Approximately 200 copper occurrences were noted by WMC, which drilled 12 diamond holes. Four of the holes intersected significant copper mineralization associated with pervasive red hematite alteration, typical of the IOCG systems. The best intercept was 3.5m at 8.22% Cu. Significantly, this exploration predated the recognition of this mineralization style with the discovery of Olympic Dam.

Re-sampling of this drill core stored at the GSWA library in Kalgoorlie by Heron confirmed high grade copper mineralization, with a best result of 14m at 1.26% Cu (including 4m at 2.78% Cu).

A number of regional gravity-magnetic targets have been identified.

Two additional exploration licenses were applied for subsequent to the end of the Quarter, covering magnetic and gravity targets.

2. The **Yindarlgooda Project** comprises some 1,500 km² centred 55 km east of Kalgoorlie on a felsic volcanic centre around Lake Yindarlgooda. The project comprises both gold and VMS-style base metals occurrences, and contains two small non-JORC compliant gold resources at Queen Lepage and Taurus as well as a significant strike extent of the Yindarlgooda VMS horizon considered prospective for economic copper and zinc mineralization.
3. **The Kalgoorlie North Project** comprises a group of tenements covering 2,000 km² located between Kalgoorlie and Leonora, which can be sub-divided into two sub-groups.

The **Desdemona** sub-project comprises a large group of tenements to the south of Leonora. This includes leases adjacent to the historical gold mining centres of Cosmopolitan (300,000 ounces), Butterfly (100,000 ounces), Orient Well, Niagara and Yerilla. This area is also considered prospective for VMS-hosted base metals and in part contains the same rock sequence that hosts the Teutonic Bore and Jaguar VMS deposits.

The **Bardoc Tectonic Zone** (BTZ) sub-project comprises Rubicon tenements and the gold rights to Heron tenements located along the gold-prospective Bardoc Tectonic Zone south of Menzies. Significant gold occurrences and anomalies occur within this tenement group.

4. The **Bencubbin Project** is located 70km north of Merredin and comprises tenure covering the entire Bencubbin greenstone belt. CRA generated a strong auger geochemistry anomaly that returned up to 12m at 2g/t gold from surface in drilling. Heron sampling of ferruginous quartz breccias to the north of the CRA drilling returned up to 12g/t gold from rock chip samples.
5. The **Boddington South Project**, located 200 kilometres southeast of Perth, consists of two exploration licenses covering the southern extension of prominent north north-west trending faults passing through the 25 million ounce Boddington gold camp. The licenses also coincide with geochemical targets from previous CSIRO laterite sampling.



6. At the **Canobie Project** in Queensland, Rubicon applied for five large Exploration Permits subsequent to the end of the Quarter over magnetic, gravity and structural targets in the northeastern part of the Mt Isa Inlier north of Cloncurry, targeting IOCG and Mt Isa style base metal deposits. Previous exploration data compilation will now commence.

Project data compilation and prospectus preparation has commenced and will be ongoing.



4. Balladonia Uranium Limited

Matthew Gauci has been appointed Managing Director of Heron's 100% owned subsidiary Balladonia Uranium Limited.

Mr Gauci has been involved in the Uranium industry for over 10 years, with experience in domestic and international producers and explorers and most recently as a non executive director of a listed uranium explorer.

IAN 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 (AusIMM) and has 32 years experience as an exploration geologist including 2 years specialising in calcrete-hosted uranium in Namibia, 24 years experience as a mineral economist, and 9 years experience in evaluating nickel laterite mineral resources, and has the appropriate relevant qualifications, experience and competence to be considered as a "Competent Person" as defined in the JORC Code. This document has been prepared by Heron Resources Limited; Inco Limited or its affiliates, which are contracting parties with Heron, take no responsibility for the contents of the disclosure in this document.

Uranium Market and Balladonia Uranium Overview

A comparison of the World Nuclear Association upper reference and lower U₃O₈ reactor demand estimates and primary mine supply, notes that supply will only meet demand using the upper supply scenario and the lower demand scenario up to the year 2030, suggesting a sustained period of uranium price growth.

Australia holds approximately 40% of the world's low cost uranium resources. Uranium exploration in Australia in 2005 was recorded at \$37 million, with the majority of this expenditure being re-assessment and re-evaluation, while only a small portion has been assigned to greenfields and brownfields exploration. In terms of undeveloped uranium resources, Australia is the leading country in the world.

The uranium exploration industry in Australia has not benefited from the application of advanced tools and techniques, which have emerged over the past decade and it is expected that these are critical to the discovery of new uranium resources, including MegaTEM airborne surveys and PFN (neutron activation).

The focus of Balladonia activities will be on discovering and developing three specific styles of uranium mineralization across three States and Territories, which are amendable to either low cost In Situ Leach (ISL) mining or high tonnage near surface mining, including:

1. Secondary Calcrete hosted mineralization in the Carnarvon and Yilgarn Provinces, with the analogy being the Yeelirrie deposit, one of Australia's largest resources of contained uranium, amendable to large tonnage, near surface mining.
2. Sandstone hosted roll-front mineralization in the Gunbarrel Basin amendable to low cost ISL operations such as that employed at the Beverley Mine in SA.
3. Sandstone / lignite hosted mineralization in the Gunbarrel Basin, similar to the Mulga Rocks deposit, Western Australia's third largest deposit.

Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HERON RESOURCES LIMITED

ABN

30 068 263 098

Quarter ended (current quarter)

30 June 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current Qtr	Year to Date (12 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(1,108)	(2,954)
(b) development		
(c) production		
(d) administration	(465)	(1,473)
1.3 Dividends received	93	657
1.4 Interest and other items of similar nature received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)-GST Paid	(80)	97
	(1,560)	(3,673)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(277)	(730)
(b) equity investment		
(c) other fixed assets	(1)	(18)
1.9 Proceeds from sale of: (a) prospects	0	0
(b) equity investment - options	0	0
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	(278)	(748)
Net Investing Cash Flows		
1.13 Total operating and investing cash flows (carried forward)	(1,838)	(4,421)



1.13 Total operating and investing cash flows (brought forward)	(1,838)	(4,421)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.	530	1,268
1.15 Proceeds from the sale of forfeited shares		
1.16 Proceeds from borrowings		
1.17 Repayment of borrowings		
1.18 Dividends paid		
1.19 Other (provide details if material) - Capital Raising Expenses	0	0
Net financing cash flows	530	1,268
Net increase (decrease) in cash held		
1.20 Cash at beginning of quarter/year to date	10,486	12,331
1.21 Exchange rate adjustments		
	9,178	9,178
1.22 Cash at end of quarter		

**Payments to directors of the entity and associates of the directors,
payments to related entities of the entity and associates of the related entities**

	Current Qtr \$A'000
1.23 Aggregate amount of payments to the parties included item 1.2	201
1.24 Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors fees, salaries and superannuation (A\$151,598). Provision of office accommodation by director-related entity (A\$15,000). Provision of legal advice by director-related entity (A\$35,084).

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

Nil

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

See attached schedule



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	1,100
4.2 Development	0
Total	1,100

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	355	481
5.2 Deposits at call	8,456	9,632
5.3 Bank Overdraft		
5.4 Other (provide details)		
Property Rental bond	47	0
Environmental bonds	261	257
Escrow Accounts	59	116
Total: cash at end of quarter (Item 1.22)	9,178	10,485

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at Begin of Quarter	Interest at End of Quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	See attached schedule		
6.2	Interests in mining tenements acquired or increased	See attached schedule		



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.

	Total number	Number quoted	Issue price per security (see note 3) (\$)	Amount paid up per security (see note 3) (\$)
7.1 Preference securities (description)				
7.2 Changes during Quarter				
(a) Increases through share issues				
(b) Decreases through returns of capital, buybacks, redemptions				
7.3 Ordinary securities	167,315,600	167,315,600		
7.4 Changes during Quarter *				
(a) Increases through share issues	1,100,000 667,000	1,100,000 667,000	\$0.33 \$0.25	\$0.33 \$0.25
(b) Decreases through returns of capital, buybacks				
7.5 Convertible debt securities (description)				
7.6 Changes during Quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)			<i>Exercise Price</i>	<i>Expiry Date</i>
	200,000	Nil	\$0.33	31/07/2006
	3,626,172	Nil	\$0.25	30/06/2007
	2,901,000	Nil	\$0.25	16/12/2007
	3,000,000	Nil	\$0.25	31/12/2007
	125,000	Nil	\$0.25	31/12/2008
	450,000	Nil	\$0.60	30/06/2009
7.8 Issued during Quarter				
7.9 Exercised during Quarter	1,100,000 617,000 50,000	Nil Nil Nil	\$0.33 \$0.25 \$0.25	31/07/2006 30/06/2007 31/12/2008
7.10 Expired during Quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				



Compliance 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. Inco Limited, as general partner of Inco Australia Limited Partnership and Inco Resources (Australia) Pty Limited may earn a 60% interest in the Kalgoorlie Nickel Project tenements through completing a Feasibility Study and procuring finance to build a nickel laterite mining and processing operation, with the cost of feasibility estimated to be \$90,000,000 (US\$68,000,000 assuming an exchange rate of 0.75).
2. Bronzewing Gold NL (Bronzewing) may earn a 70% interest in precious metals from Heron's King of Creation Project through expending \$250,000 within four years.
3. Jackson Gold Limited (Jackson) may earn a 70% interest in gold and silver minerals through expending \$300,000 within four years. Once Jackson earns its equity, Heron may at its sole discretion contribute on a pro-rata basis, or convert to a 20% free-carried equity to the completion of a Bankable Feasibility Study that recommends commencement of mining, or convert to a 2.5% royalty for recovered metal.
4. Dampier Mining Pty Ltd (Dampier) may earn an initial 60% interest in the mineral rights of the Bandicoot Range Project by the expenditure of \$200,000 within three years of the grant of the Project tenement. Dampier will pay Regent \$25,000 when the Project tenement is granted. Heron or its nominee may then elect to contribute to expenditure on a pro-rata basis or Dampier can spend a further \$200,000 to earn a further 20% interest. Upon earning an 80% interest, Dampier will pay Heron or its nominee a further \$100,000 and free-carry Heron's interest through to a Bankable Feasibility Study (should Dampier so proceed).
5. Yilgarn Mining Limited (YML) may earn a 70% interest in the Kanowna South Project by expenditure of \$700,000 within three years of the grant of the Kanowna South Project tenements. YML will reimburse Heron for certain expenses (\$30,000). Upon earning the 70% interest, YML will free carry Heron's 30% interest through to a Decision to Mine (should YML proceed to that position).
6. By an Agreement between Portman Mining Limited and Heron dated 31 May 1999, Heron sold to Portman the rights to explore and mine for iron ore at Bungalbin, and also agreed to sell the Bungalbin tenements as mining leases to Portman. Heron has a royalty based on tonnes of iron ore sold by Portman. The Agreement allowed five years to Portman to commence mining operations (which it has not done), but also provided for a two year extension of that period.



6.1 Interests in Mining Tenements transferred, relinquished, reduced or lapsed

Tenement	Nature of Interest	% Begin Quarter	% End Quarter
E30/00228	Registered Holder	100	0
P39/04341	Registered Holder	100	0
P39/04342	Registered Holder	100	0
E27/00290	Registered Applicant	100	0
E27/00309	Registered Applicant	100	0
E16/00315	Registered Holder	100	0
P16/02123	Registered Holder	100	0
P16/02124	Registered Holder	100	0
E16/00192	Registered Holder	100	0
E27/00296	Registered Applicant	100	0
E16/00306	Registered Applicant	100	0
E39/01106	Registered Applicant	100	0
E24/00126	Registered Applicant	100	0
E25/00272	Registered Applicant	100	0
E31/00415	Registered Applicant	100	0
E31/00678	Registered Applicant	100	0
E31/00580	Registered Applicant	100	0
E39/00980	Registered Applicant	100	0
M39/00656	Registered Applicant	100	0
M39/00657	Registered Applicant	100	0
M39/00658	Registered Applicant	100	0
M39/00659	Registered Applicant	100	0
M39/00660	Registered Applicant	100	0
M39/00662	Registered Applicant	100	0
E09/01292	Registered Applicant	100	0
E27/00294	Registered Applicant	100	0
E27/00299	Registered Applicant	100	0
E28/01647	Registered Applicant	100	0

6.2 Interests in Mining Tenements acquired or increased

Tenement	Nature of Interest	% Begin Quarter	% End Quarter
P25/01853	Registered Applicant	0	100
E28/01639	Registered Applicant	0	100
E15/00918	Registered Applicant	0	100
E27/00337	Registered Applicant	0	100
E25/00335	Registered Applicant	0	100
E38/01894	Registered Applicant	0	100
E15/00920	Registered Applicant	0	100
P24/04016	Registered Applicant	0	100
E39/01228	Registered Applicant	0	100
E39/01233	Registered Applicant	0	100
E70/03000	Registered Applicant	0	100
E70/03001	Registered Applicant	0	100
E70/03004	Registered Applicant	0	100
E63/01040	Registered Applicant	0	100
P31/01752	Registered Applicant	0	100
P31/01753	Registered Applicant	0	100
P31/01754	Registered Applicant	0	100
P31/01755	Registered Applicant	0	100
P31/01756	Registered Applicant	0	100
P31/01757	Registered Applicant	0	100
P31/01758	Registered Applicant	0	100
P31/01759	Registered Applicant	0	100



Tenement	Nature of Interest	% Begin Quarter	% End Quarter
E70/03008	Registered Applicant	0	100
E70/03009	Registered Applicant	0	100
E26/00121	Registered Applicant	0	100
E15/00926	Registered Applicant	0	100
E15/00927	Registered Applicant	0	100
E15/00928	Registered Applicant	0	100
E15/00929	Registered Applicant	0	100
E77/01353	Registered Applicant	0	100
E28/01650	Registered Applicant	0	100
E70/03010	Registered Applicant	0	100
E28/01651	Registered Applicant	0	100
P16/02329	Registered Applicant	0	100
P16/02330	Registered Applicant	0	100
P16/02331	Registered Applicant	0	100
P16/02332	Registered Applicant	0	100
P16/02333	Registered Applicant	0	100
P16/02334	Registered Applicant	0	100
E28/01654	Registered Applicant	0	100
E29/00610	Registered Applicant	0	100

Compliance Statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.

Sarah Helen Calvert

Sign here: _____
Company Secretary

Date: 31/07/06

Print name: Sarah Helen Calvert

Notes

1. The Quarterly Report is to provide a basis for informing the market how the entity's activities have been financed for the past Quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. 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.
3. **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

