Heron Resources Limited

Quarterly Report

December 2008

HIGHLIGHTS

KALGOORLIE NICKEL PROJECT

- Pre-Feasibility Study (PFS) by an independent engineer on schedule for completion end of January 2009.
- Vale Inco decision on commitment to Definitive Feasibility Study (DFS) due by end July 2009.

YERILLA NICKEL PROJECT

- Expressions of interest from potential equity partners to be sought on completion of current study.

LANGEY CROSSING PHOSPHATE PROJECT

- Drilling, bulk sampling and initial metallurgical test work completed.
- A thin nodular phosphate horizon delineated over 14 kilometres of strike extent and open to the north and south.
- Initial cost analysis indicates further exploration is required to delineate areas of thicker and higher nodule concentrations.
- Off-take and Farm- In negotiations progressing.

ROCKY GULLY NICKEL PROJECT

- Reconnaissance drill results confirm the presence of ultramafic bodies in Proterozoic gneiss terrane (Voiseys Bay Ni-Cu-PGM setting).
- Disseminated nickel sulphides and fertile litho- geochemical signatures identified in drilling.
- Expressions of interest received for Farm-In and or purchase.

MARLOO DAM BASE-METAL PROJECT

- Preliminary drilling returned significant copper and zinc results within stringer sulphide zone up-dip from a strong EM conductor. Drill testing of EM target planned.

CORPORATE AND BUSINESS DEVELOPMENT

- Acquisition or entry into near production or advanced exploration projects which can be developed as commodity markets strengthen.
- Prudent cash management.
- Rationalisation of non-core tenements.
- Withdrawal by Barrick from Kanowna South Farm-In Agreement.

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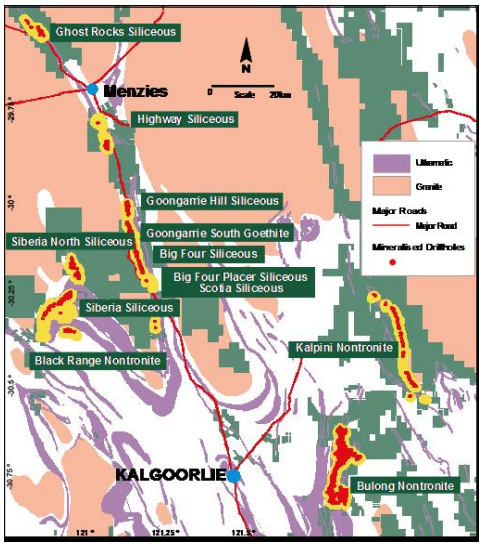
MARKET COMMENTARY / CORPORATE

The Company notes the significant drop in the nickel price during the quarter and the poor short term outlook for most commodities. We also note that the response to current poor market conditions by many of the world's major nickel miners has been to reduce production and defer capital expenditure. Heron believes this will assist in raising nickel prices to a more acceptable level in the medium term. Heron's projects are targeting production into the nickel market in 3 to 5 years time and then continuing production for several nickel price cycles. Heron is cautiously optimistic that the nickel price will be such as to allow its projects to be profitable producers when they are ready to be developed, since the project styles and resource base are robust compared to peers.

Heron has a track record of counter cyclical investment. We believe prudent investment developing our existing projects and increased business development across all commodities is the best way to grow and enhance our business. Heron will seek to utilise its strong cash position during the current period of depressed commodity prices to acquire cash flow producing assets or near production assets at attractive prices. We will utilise our relationships with existing and future partners to diversify risk and combine complimentary skill sets and resources.

KALGOORLIE NICKEL PROJECT

KALGOORLIE NICKEL PROJECT (KNP) (HERON 100%, VALE INCO, A WHOLLY OWNED SUBSIDIARY OF VALE, EARNING 60%)



The Kalgoorlie Nickel Project (KNP) is a large long term project based on resources of 908mt grading 0.74% nickel and 0.05% cobalt. The project is managed by Vale Inco a wholly owned subsidiary of Companhia Vale do Rio Doce (Vale Inco), the world's second largest nickel producer. Vale Inco is due to deliver the Pre-Feasibility Study (PFS) report on the 30th of January 2009. Vale Inco then has six months to decide whether or not to proceed to a Definitive Feasibility Study (DFS) which must have been commenced by July 30, 2009. If the KNP Farm In and Joint Venture Agreement (Agreement) is terminated, Vale Inco will have no retained interest in the project.

Under the timelines stipulated in the Agreement, the DFS is scheduled for two years followed by a decision and financing period prior to a decision to mine and construct should the study return a positive result. The construction period may well be in excess of two years followed by project ramp-up. While today's nickel market may influence investment in the DFS, the nickel market will be different when a decision to mine is required. The KNP must be sufficiently robust to continue operations through many nickel price cycles during its long life.

PRE-FEASIBILITY STUDY

Vale Inco is working toward delivering the PFS report on the 30th of January 2009. All test work and external studies are complete, the flow sheet has been selected and design and cost estimation is nearing completion.

The KNP Agreement specifically requires the study to:

- Confirm the mineral resources, select a process flow sheet and the products;
- Perform a preliminary risk analysis and the identification of the key issues, including feedstock supplies, environmental requirements, water quality and availability, and identification of mitigating factors;
- Develop capital and operating cost estimates to the +/- 25% level with a probability of 50% of achieving these costs;
- Recommend additional work required to complete the feasibility study including scope, cost and schedule for the study.

SNC Lavalin, a worldwide engineering house, with experience in nickel laterite projects are undertaking the study on behalf of Vale Inco and preparing the report.

Vale Inco has spent A$24m on the PFS to date.

METALLURGICAL TEST WORK

All metallurgical test work is complete and has been included in the PFS.

FLOW SHEET

Vale Inco has selected High Pressure Acid Leach (HPAL) flow sheet with prior ore beneficiation. Alternative flow sheets were considered, however after data analysis of metallurgical test work, the HPAL flow sheet was chosen as the preferred technology since it provided the lowest acid consumption, higher nickel recovery and the ability to treat the widest range of ore types.

Vale Inco studied the beneficiation characteristics of the ore from the Highway, Goongarrie Hill, Goongarrie South and Siberia North deposits based on Vale Inco's material type classifications. Equations to estimate upgrade ratios and mass recovery of leachable product were developed and applied to the resource model. Engineering and mining studies have looked at a range of options and schedules for the four deposits that Vale Inco selected to study in detail. There are 14 resource areas identified within the KNP and further work on the remaining resources to incorporate them into the overall project is required.

ENVIRONMENT

Environmental and infrastructure studies were completed and reported during the quarter. Golders assisted Vale Inco with the environmental study and URS completed the infrastructure study.

Further Heritage surveys were completed over the tenements and reported during the quarter. This provided an opportunity for further discussions with local indigenous stakeholders.

The drill hole rehabilitation program progressed well during the quarter as required under the program of works approved by the Department of Industry and Resources.

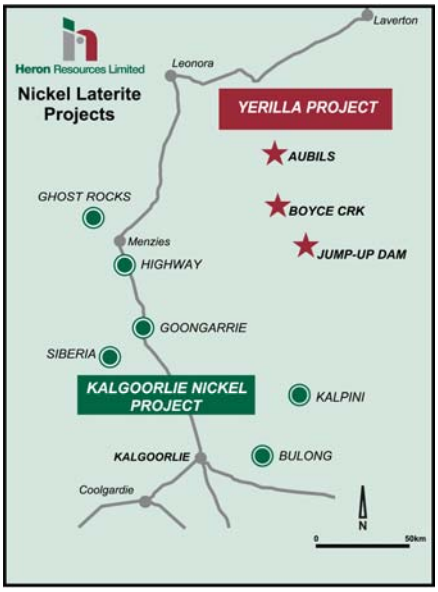
KPI BREAKDOWN AS AT 31 DECEMBER 2008

		Area						
Activity	**Units**	**Highway**	**Goon Hill**	**Goon South**	**Kalpini**	**Bulong**	**Siberia**	**Total**
RC Drilling	metres	11,691	13,265	12,219	13,696	2,195	16,030	69,096
Samples logged & dispatched for Assay	samples	11,095	13,377	10,186	14,302	2,306	14,720	65,986
Short Range Variability Drilling	metres	2,137	2,239	1,359	896	-	1,246	7,877
Samples dispatched for Short Range Variability	samples	2,220	1,168	1,424	943	-	1,322	7,077
Resistivity Tests Completed	Km	18	28	25	-	-	-	71
Sonic Drilling	metres	571	399	602	314	-	-	1,886
Twin Holes Drilling	metres	537	446	374	376	-	388	2,121
Drilling for Pilot Plant sample	metres	-	-	349	-	-	-	349
Samples selected for Metallurgical tests	samples	17	10	5	20	7	-	59
Samples selection for Beneficiation Optimisation	kg	800	-	-	800	-	-	1,600
Sonic drilling for Beneficiation Variability	metres	418	81	387	-	-	661	1,547
Samples selected for beneficiation variability test	samples	58	72	75	-	-	100	305
Beneficiation Variability completed	samples	58	72	75	-	-	100	305
Batch samples benefication at AMMTEC	samples	17	10	5	20	7	-	59
HPAL Tests Completed	samples	14	10	5	20	7	-	56
Atmospheric Leaching Completed	samples	17	10	5	20	0	-	52
No Column Leaching Completed	columns	17	10	5	20	7	-	59
Kinetic Column Completed	columns	-	4	-	4	4	-	12
HPAL Variability Completed	columns	20	20	18	-	-	21	79

		Area						
Activity	**Units**	**Ghost Rocks**	**Cane Grass**	**Comet Vale**	**Windanya**	**Goon East**	**Frances Lesley**	**Total**
Outer Area RC Drilling	metres	1,696	-	-	784	-	0	2,480
Water Exploration Drilling	metres	741	377	511	-	574	0	2,203
Samples submitted for analysis	samples	1,483	0	0	772	83	0	2,338

YERILLA NICKEL PROJECT

FURTHER WORK



Heron continued to build further understanding of the metallurgical material types in the Yerilla project areas based on multi-element geochemical data from X-ray fluorescence (XRF) analysis and detailed mineralogy data from X-ray diffraction (XRD) analysis and reflectance spectrometry. In particular, a new relationship between the geochemistry and mineralogy was identified enhancing the ability to predict material types and likely mineralogy based on multi-element geochemical data.

Previously collected core from sonic drilling at the Jump-up Dam and Boyce Creek deposits is being geologically logged and sampled in preparation for additional metallurgical test work should the project proceed to a prefeasibility study. In addition, bulk density measurements are being conducted on core samples from the Boyce Creek deposit for use in future resource estimation work.

CALCRETE RESOURCE

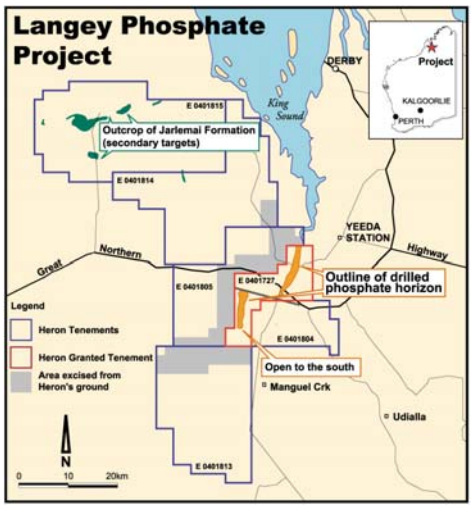
The presence of calcrete mineralisation suitable for acid neutralisation at the Jump-up Dam deposit was assessed in the scoping study. Additional sources of calcrete in six target areas within 25km of Jump-up Dam were tested with grid based reverse circulation drilling in July and August 2008, comprising 460 shallow holes (6m) for a total of 2,760m drilled. Preliminary modelling of the resultant data indicates that the new areas together with the initial tested area (Jump-up Dam) may contain sufficient calcrete suitable for acid neutralisation over approximately 15 years of the proposed 20 year mine life for the Yerilla Project. However, additional drilling and neutralisation activity testing is required to enable calculation of JORC compliant mineral resources and confirm the material from each of the source areas has neutralisation properties suitable for use in ore processing.

Resource estimation confirmed the assumption that there is locally available calcrete for neutralisation. Depending upon neutralising qualities of this calcrete, which the Company is in the process of testing, it will deliver a considerable reduction in operating costs compared to externally sourced limestone.

The Company notes the recent collapse in sulphur, steel and shipping costs. While these have a positive impact on the project economics we do not believe these sufficiently outweigh the current depressed nickel prices

LANGEY CROSSING PHOSPHATE PROJECT

INTRODUCTION



Langey Costean Excavation

The Company completed a reconnaissance drilling and costeaning program during the quarter at its 100% owned Langey Phosphate project located some 40km south of Derby, Western Australia.

Grid based reverse circulation drilling was completed in late October with a total of 151 holes for 2,263m being drilled. The drilling program has delineated the phosphate horizon over some 14 kilometres of strike north and south of the Great Northern Highway. Eight shallow costeans were also dug with a small excavator on the eastern side of the occurrence where the phosphate horizon comes to within one metre of the surface.

The results indicate that a thin horizon of phosphatic nodules is present at the base of the glauconitic Jarlemai Formation over the tested strike length of 14 kilometres. Phosphate grades for the nodular horizon over the 0.5 metre sample interval averaged approximately 4.2% P_2O_5. The phosphate nodules themselves have an average grade of approximately 21% P_2O_5, indicating that the target horizon contains about 20% nodules by weight. This calculated average nodule concentration is supported by mapping in the costeans, although there were indications that the nodule horizon is thicker and better developed in the northern part of the area.

The horizon comes to within a metre of the surface on the eastern side and then gently dips to the west for a distance of over one kilometre. The phosphate horizon consists of both scattered and more packed nodules within an approximately two metre thick host glauconitic unit.

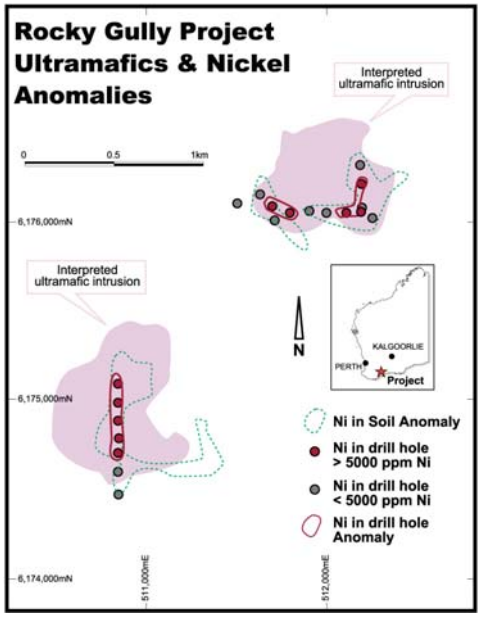
METALLURGY AND PRELIMINARY EVALUATION

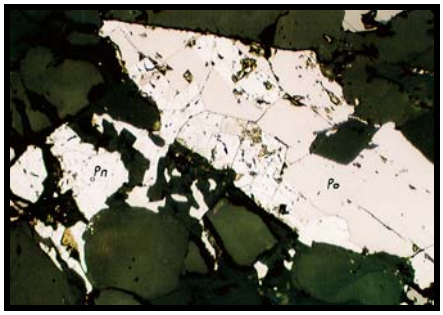
Langey Flotation Testwork

As reported last quarter preliminary flotation tests on the phosphate nodules have produced a concentrate grading 31% P2O5 with 81% recovery. Further beneficiation testwork was conducted in the current quarter on bulk samples collected from the costeans and included screening and scrubbing tests. Heavy scrubbing with a pebble charge produced the best results, however grades were still relatively low at around 11% P_2O_5 with 71% recoveries. Preliminary engineering and cost estimation studies were undertaken by the Company's Project Team looking at both a flotation circuit producing a 32% P_2O_5 product and simple screening circuit producing an 11% P_2O_5 product.

The results of these studies indicate that the drilled phosphate mineralisation is currently insufficient in overall size and thickness to be viable in its own right. Therefore, the Company is evaluating the broader region in an effort to find where the unit may become thicker and richer. To this end, the Company is in discussions with various parties who are interested in funding further exploration in the area through Farm-In arrangements.

ROCKY GULLY NICKEL SULPHIDE PROJECT





Interstitial Pyrrhotite (Po) and Pentlandite (Pn) Sulphides (Field of View = 0.5mm)

The Rocky Gully project consists of three tenements (two live, one pending) covering some 1,109km^2 of the Proterozoic Albany Fraser Mobile Belt 70km north-west of Albany in south-west Western Australia. The project is prospective for intrusive hosted nickel sulphide mineralisation of the Vosiey's Bay model.

Recent drilling has confirmed nickel, copper and platinum anomalism associated with prospective ultramafic intrusions. The two drill tested bodies are roughly 1.5km^2 in area and contain soil anomalism greater than 1,000ppm nickel and copper anomalism up to 1,000ppm. A total of 27 holes were drilled for 1,341m testing these surface anomalies.

The drilling returned maximum nickel of 0.9% and copper of 0.12%. The south western ultramafic body zone was intersected in six adjacent drill holes over 500m while the north eastern ultramafic body was intersected over one kilometre with two discrete zones of nickel anomalism within it.

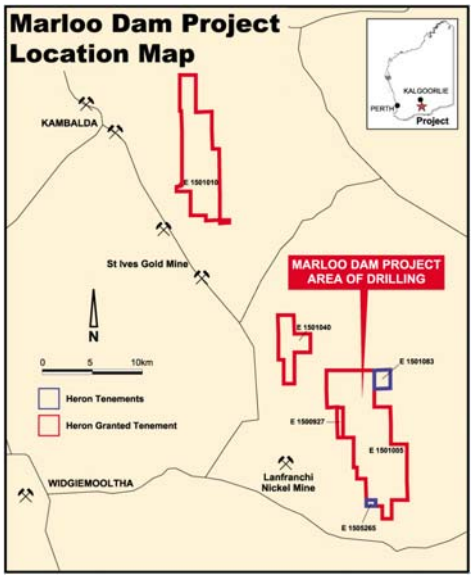
The drilling intersected relatively un-deformed, differentiated, ultramafic lithologies within the highly deformed mobile zone adding weight to the interpreted younger intrusive nature of the ultramafics.

While high grade nickel mineralisation was not intersected in the drilling, fine grained disseminated pentlandite, millerite, chalcopyrite and pyrrhotite were identified in the bedrock drill chips. This together with favourable bedrock litho-geochemistry suggests a fertile environment for nickel sulphide mineralisation.

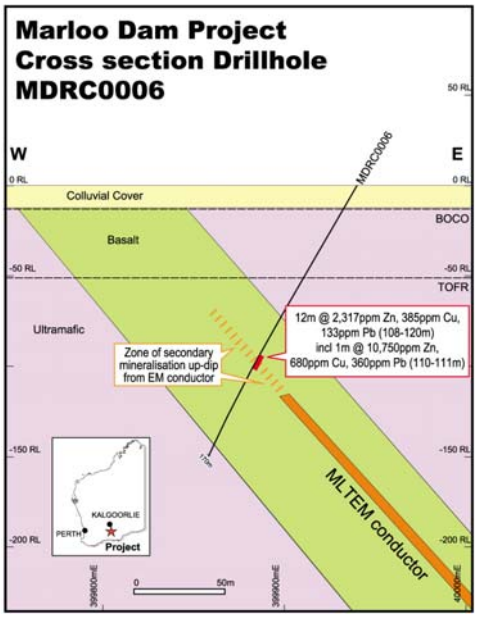
Interpretation of aeromagnetic data suggests the presence of at least a further four ultramafic bodies in the broader area enhancing the prospectivity of this project.

The Company is reviewing options to evaluate these encouraging anomalies and targets and believes there is potential for significant nickel sulphide mineralisation to be discovered in the project.

MARLOO DAM BASE-METAL PROJECT



Marloo Dam Location

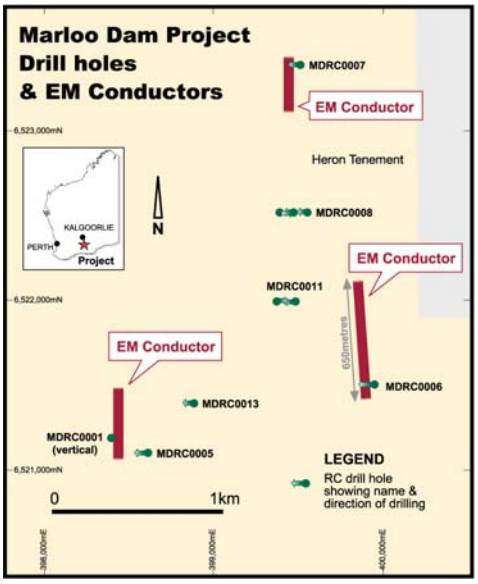


Marloo Dam Schematic X-Section
MDRC06

Drilling results have also been received from the Company's wholly owned Marloo Dam project, located 90 kilometres south of Kalgoorlie, Western Australia.

Fourteen reverse circulation holes for 2,108 metres were drilled to test electromagnetic and geochemical targets within a package of mafic, ultramafic and felsic volcanic rocks. The area is being targeted for both nickel sulphide and VMS-Style copper-lead-zinc mineralisation. Previous exploration also returned several interesting gold results on the western side of the project area.

The drilling returned several anomalous base-metal results with the best result coming in hole MDRC06 which intersected 8m grading 0.33% zinc and 0.05% copper from 108m depth within basalt with some 6% iron-sulphides as stringers and disseminations. Follow-up one metre assaying with a portable Niton XRF machine returned 1m at 1.1% zinc from 110m depth. This zone was drilled directly up-dip from a strong moving-loop EM conductor and may represent distal mineralisation associated with a VMS system. Further modelling of the EM conductor is warranted prior to follow-up drill testing. The Company may perform this work itself or it may do so through a Farm-Out or other transaction, having received expressions of interest on the project.



REGIONAL TENEMENT PACKAGES

TENEMENT RATIONALISATION

Outside of the KNP and Yerilla Project areas, the Company holds several tenement packages prospective predominantly for nickel-sulphides and gold deposits. In the past quarter there has been a dedicated data review effort to rationalise these packages with several less prospective tenements being relinquished. The Company will now focus on the key remaining tenement areas with a view to either drilling immediate targets or finding a suitable farm-in partner to conduct future exploration.

KANOWNA SOUTH GOLD PROJECT

Under a Farm-In agreement, Barrick (Kalgoorlie) Limited tested the Company's Kanowna South Project area, located some 3 kilometres south-east of the Kanowna Belle gold-mine. Barrick drilled 3 diamond-core holes for approximately 1200m testing a number of deep structural positions based on their regional assessments. While the holes intersected zones of alteration, no significant gold assays were returned. As a consequence of these negative results Barrick has withdrawn from the Farm-In agreement. The Company acknowledges the good work done by Barrick in this area, and while the results were disappointing it demonstrates how valid targets can be generated and tested in a timely fashion.

JORC Compliance Statements

Mathew Longworth
Managing Director

The information in this report that relates to Mineral Resources is based on information compiled by James Ridley who is a Member of the Australasian Institute of Mining and Metallurgy. James Ridley is a full time employee of Heron Resources Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the resource estimation activities undertaken to qualify as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. James Ridley consents to the inclusion in this report of the matters based on his information in the form and context that it appears. Note that Mineral Resources that are not Ore Reserves do not have demonstrated viability.

The information in this report that related to Exploration is based on information compiled by David von Perger who is a member of Australasian Institute of Mining and Metallurgy. David von Perger is a full time employee of Heron Resources Limited. David von Perger has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the exploration activity that he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. David von Perger consents to the inclusion in this report of the matters based on his information in the form and context that it appears.

Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity	
HERON RESOURCES LIMITED	

ABN	Quarter ended (current quarter)
30 068 263 098	31 December 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current Qtr $A'000	Year to Date (6 months) $A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(2,525)	(4,162)
(b) development		
(c) production		
(d) administration	(832)	(2,002)
1.3 Dividends received		
1.4 Interest and other items of similar nature received	633	1,336
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)-GST	6	26
Net Operating Cash Flows	(2,718)	(4,802)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(25)	(90)
(b) equity investment		
(c) other fixed assets	(1)	(6)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investment		
(c) other fixed assets	114	146
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
Net Investing Cash Flows	88	50
1.12 Total operating and investing cash flows (carried forward)	(2,630)	(4,752)

1.12 Total operating and investing cash flows (brought forward)	(2,630)	(4,752)
Cash flows related to financing activities		
1.13 Proceeds from the issue of shares, options, etc.		
1.14 Proceeds from the sale of forfeited shares		
1.15 Proceeds from borrowings		
1.16 Repayment of borrowings		
1.17 Dividends paid		
1.18 Other (provide details if material)		
Net financing cash flows	-	-
Net increase (decrease) in cash held	(2,630)	(4,752)
1.19 Cash at beginning of quarter/year to date	34,788	36,910
1.20 Exchange rate adjustments		
1.21 Cash at end of quarter	32,158	32,158

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
1.22 Aggregate amount of payments to the parties included in item 1.2	300
1.23 Aggregate amount of loans to the parties included in item 1.10	

1.24 Explanation necessary for an understanding of the transactions

Directors fees, salaries and superannuation (A$252,568).
Provision of office accommodation by director-related entity (A$46,500).
Provision of legal advice by director-related entity (A$1,248).

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

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	1,250
4.2 Development	0
Total	1,250

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	94	123
5.2 Deposits at call	31,415	34,020
5.3 Bank Overdraft		
5.4 Other (provide details)		
Property Rental bond	48	48
Environmental bonds	531	530
Escrow Accounts	70	67
Total: cash at end of quarter (Item 1.22)	32,158	34,788

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				
Ordinary securities	240,938,847	240,938,847		
7.3 Changes during Quarter * (a) Increases through share issues (b) Decreases through returns of capital, buybacks				
7.4 Convertible debt securities (*description*)				
7.5 Changes during Quarter (a) Increases through issues (b) Decreases through securities matured, converted				

7.6 Options (*description and conversion factor*)			*Exercise Price*	*Expiry Date*
	250,000	Nil	$0.5864	30/06/2009
	1,450,000	Nil	$0.6864	1/06/2010
	5,000,000	Nil	$0.6864	7/09/2010
	1,050,000	Nil	$0.6864	1/11/2010
	5,000,000	Nil	$0.6864	7/09/2016
	2,750,000	Nil	$1.4864	31/12/2015
	500,000	Nil	$0.8864	2/01/2011
	250,000	Nil	$0.8864	9/01/2011
	1,000,000	Nil	$0.9864	2/01/2013
	1,250,000	Nil	$0.9864	9/01/2013
	1,000,000	Nil	$1.4864	2/01/2013
	1,000,000	Nil	$1.4864	9/01/2013
	500,000	Nil	$1.4864	19/03/2013
	750,000	Nil	$1.9864	19/03/2013
	750,000	Nil	$2.4864	19/03/2013
	100,000	Nil	$1.38	30/06/2011
	100,000	Nil	$1.48	30/06/2011
	100,000	Nil	$1.54	30/06/2011
	1,500,000	Nil	$2.00	16/03/2013
	1,500,000	Nil	$2.50	16/03/2013
	1,500,000	Nil	$1.00	05/06/2012
	3,500,000	Nil	$1.50	05/06/2013
	7,500,000	Nil	$2.00	05/06/2013
	12,250,000	Nil	$2.50	05/06/2014
	100,000	Nil	$1.48	02/01/2012
	100,000	Nil	$1.50	02/01/2012
	1,000,000	Nil	$2.00	02/01/2012
	1,000,000	Nil	$2.50	02/01/2012
7.7 Issued during Quarter				
7.8 Exercised during Quarter				
7.9 Expired during Quarter				
7.10 Debentures (totals only)				
7.11 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. Vale Inco a subsidiary of Vale 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.

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. This agreement has been assigned to A1 Minerals Limited.

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. Epsilon Energy Limited may earn an initial 51% interest in Mineral Sands Rights for tenements in the Balladonia area through expenditure of $150,000 including a minimum of 2,500 metres of drilling in the first year. Thereafter, Heron has the right to contribute or Epsilon can earn up to a 70% interest in the Mineral Sands Rights by expending a further $250,000 in the following year.

6.1 Interests in Mining Tenements transferred, relinquished, reduced or lapsed. (includes tenements that have lapsed and/or expired that may have subsequent Heron tenement in place)

Tenement	*Nature of Interest*	*% Begin Quarter*	*% End Quarter*
E77/01462	Registered Holder	100	0
E77/01380	Registered Holder	100	0
E77/01381	Registered Holder	100	0
E15/00656	Registered Holder	100	0
E63/00720	Registered Holder	100	0
E63/00736	Registered Holder	100	0
E74/00278	Registered Holder	100	0
E29/00490	Registered Holder	100	0
E30/00353	Registered Holder	100	0
L39/00176	Registered Holder	100	0
L37/00185	Registered Holder	100	0
L37/00186	Registered Holder	100	0
L37/00187	Registered Holder	100	0
L37/00188	Registered Holder	100	0
L39/00180	Registered Holder	100	0
L40/00026	Registered Holder	100	0
L31/00055	Registered Holder	100	0
L38/00125	Registered Holder	100	0
E36/00596	Registered Holder	100	0
24638	Registered Holder	100	0
P28/01006	Registered Holder	100	0
P29/01827	Registered Holder	100	0
P29/01828	Registered Holder	100	0
P29/01829	Registered Holder	100	0
P29/01830	Registered Holder	100	0
P30/00990	Registered Holder	100	0
P30/00991	Registered Holder	100	0
E28/01522	Registered Holder	100	0
E26/00115	Registered Holder	100	0
E31/00579	Registered Holder	100	0
P15/04479	Registered Holder	100	0
E28/01117	Registered Holder	100	0
E28/01225	Registered Holder	100	0
E28/01835	Registered Holder	100	0

Tenement	*Nature of Interest*	*% Begin Quarter*	*% End Quarter*
P31/01947	Registered Holder	100	0
P31/01948	Registered Holder	100	0
P15/04739	Registered Holder	100	0
E28/01650	Registered Holder	100	0
E28/01804	Registered Holder	100	0
E38/02141	Registered Holder	100	0
E39/01124	Registered Holder	100	0
E39/01233	Registered Holder	100	0
P39/04557	Registered Holder	100	0
P39/04558	Registered Holder	100	0
P39/04559	Registered Holder	100	0
L31/00048	Registered Holder	100	0
L31/00049	Registered Holder	100	0
L31/00050	Registered Holder	100	0
L39/00182	Registered Holder	100	0
E28/01815	Registered Holder	100	0
E28/01816	Registered Holder	100	0
E69/02381	Registered Holder	100	0
E28/01822	Registered Holder	100	0
P63/01430	Registered Holder	100	0
P63/01431	Registered Holder	100	0
P63/01438	Registered Holder	100	0
P63/01439	Registered Holder	100	0
E31/00670	Registered Holder	100	0
E31/00675	Registered Holder	100	0
E31/00694	Registered Holder	100	0
E47/01973	Registered Holder	100	0
E26/00110	Registered Holder	100	0
E31/00519	Registered Holder	100	0

6.2 Interests in Mining Tenements acquired or increased

Tenement	*Nature of Interest*	*% Begin Quarter*	*% End Quarter*
P24/04415	Registered Applicant	0	100
P24/04416	Registered Applicant	0	100
P24/04417	Registered Applicant	0	100
P28/01171	Registered Applicant	0	100
E30/01373	Registered Applicant	0	100
E15/01118	Registered Applicant	0	100
E15/01119	Registered Applicant	0	100
P15/05360	Registered Applicant	0	100
P15/05361	Registered Applicant	0	100
P15/05362	Registered Applicant	0	100
P15/05363	Registered Applicant	0	100
P15/05364	Registered Applicant	0	100
P15/05365	Registered Applicant	0	100
E28/01905	Registered Applicant	0	100
E28/01906	Registered Applicant	0	100
E28/01909	Registered Applicant	0	100
E31/00846	Registered Applicant	0	100
E36/00694	Registered Applicant	0	100
P63/01715	Registered Applicant	0	100

P63/01716	Registered Applicant	0	100
P63/01717	Registered Applicant	0	100
P63/01718	Registered Applicant	0	100
P63/01719	Registered Applicant	0	100
P63/01720	Registered Applicant	0	100
P63/01721	Registered Applicant	0	100
P63/01722	Registered Applicant	0	100
E15/01116	Registered Applicant	0	100
E16/00369	Registered Applicant	0	100
E77/01621	Registered Applicant	0	100
E52/02309	Registered Applicant	0	100
E52/02310	Registered Applicant	0	100