

Quarterly Report

June 2008

HIGHLIGHTS

KALGOORLIE NICKEL PROJECT

- Resource drilling complete
- Resource estimation commenced
- Beneficiation test-work complete
- Metallurgical test-work concluding
- Baseline environmental studies commenced
- Government liaison and briefings commenced

YERILLA NICKEL PROJECT

- Resource estimation complete, resources grown to 135.3mt @ 0.77% Ni and 0.05% Co
- Mining engineering complete
 - Mine 57mt of ROM
 - Mine life 18 years
 - 45mt of leach feed processed at an average grade of 1.06% Ni and 0.07% Co
 - Production rate optimised at 21,500t of Ni pa
- Metallurgical test-work for PFS complete
 - Five two stage leaching tests completed at BHP Billiton's minerals testing facilities in Newcastle
 - Overall nickel recoveries approaching 80% are estimated
 - Process design and estimation commenced
 - Study on schedule for August 2008 completion
- Development partner to be sought upon completion of the scoping study at the end of August 2008

LANGEY CROSSING PHOSPHATE PROJECT

- Reconnaissance sampling returns encouraging results
- Preliminary metallurgical test-work underway
- Initial meeting held with traditional owners and local communities
- Tenement grant expected during August 2008
- Drilling and scoping studies planned for late 2008

BUSINESS DEVELOPMENT

- Business Development evaluation accelerating
- Continuing to evaluate near term production project opportunities, sixteen projects with cash flow or imminent production across six commodities reviewed in five countries

CORPORATE

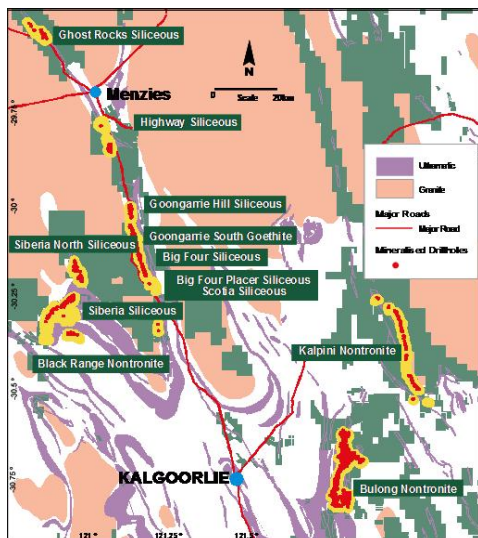
- Heron participated in the Polaris Rights issue to maintain investment
- Heron received 5,594,030 Southern Cross Goldfields shares as part of the Polaris distribution worth \$1,393,657 at the end of the Quarter
- Cash position at end of Quarter \$36.9m.

KALGOORLIE NICKEL PROJECT

KALGOORLIE NICKEL PROJECT (KNP) (HERON 100%, VALE INCO EARNING 60%)

Vale Inco, a wholly owned subsidiary of Vale, is currently undertaking Step 3 of the Farm-in and Joint Venture which includes the completion of a pre-feasibility study for the project by an independent engineering company under direction and supervision of Vale Inco.

RESOURCES



Resource drilling during the Quarter included 741 RC holes for 37,437 metres. A total of 71,464metres were completed during Step 3.

A program of detailed drilling to examine short range variability was started in the Quarter. RC drilling for the September Quarter will focus on water and calcrete exploration and regional exploration targets.

A further 37 sonic drill holes for 2,311 metres were completed for metallurgical samples.

Significant results include:

- Hole VSNRC0114 – 61m @ 0.76% Ni from 5m at Siberia North
- Hole VGSRC0227 – 35m @ 0.83% Ni from 2m at Goongarrie South
- Hole VGHRC0017 – 41m @ 0.85% Ni from 1m at Goongarrie Hill

Coordinates for the summarised results above can be found in the detailed tables following.

Resource estimation is underway for Highway and Goongarrie Hill areas. The resource model for Highway is expected to be completed in July 2008 and Goongarrie Hill after that, estimation of the other resources will be completed in the second Half of 2008.

Resource estimation is being completed by Vale and Golder Associates have been selected to complete external audits on the resource models.

Selected significant intercepts from Goongarrie Hill include:

| Hole Number | East | North | From | Intercept |
|-------------|--------|---------|------|-------------|
| VGHRC0017 | 321734 | 6677119 | 1 | 41m @ 0.84% |
| VGHRC0096 | 321308 | 6678279 | 20 | 27m @ 1.12% |
| VGHRC0114 | 321415 | 6678599 | 2 | 21m @ 1.34% |
| VGHRC0247 | 321370 | 6679399 | 6 | 22m @ 1.13% |
| VGHRC0137 | 320821 | 6679720 | 26 | 27m @ 0.86% |
| VGHRC0080 | 320983 | 6678118 | 8 | 26m @ 0.84% |
| VGHRC0283 | 320950 | 6680360 | 15 | 30m @ 0.70% |
| VGHRC0078 | 321055 | 6677952 | 8 | 27m @ 0.76% |
| VGHRC0152 | 321111 | 6680043 | 3 | 21m @ 0.97% |
| VGHRC0071 | 321619 | 6677964 | 2 | 23m @ 0.88% |
| VGHRC0106 | 321427 | 6678438 | 7 | 21m @ 0.92% |
| VGHRC0039 | 321615 | 6677441 | 6 | 18m @ 1.01% |
| VGHRC0077 | 321143 | 6677963 | 15 | 21m @ 0.88% |

Based on 0.5% Ni lower cut-off with maximum 2m internal dilution, analysis by XRF fusion method.



Selected significant intercepts from Goongarrie South included:

| Hole Number | East | North | From | Intercept |
|-------------|--------|---------|------|-------------|
| VGSRC0227 | 321658 | 6673518 | 2 | 35m @ 0.83% |
| VGSRC0126 | 321547 | 6672720 | 21 | 35m @ 0.77% |
| VGSRC0233 | 321177 | 6673522 | 25 | 23m @ 1.11% |
| VGSRC0057 | 321657 | 6673200 | 34 | 28m @ 0.87% |
| VGSRC0229 | 321494 | 6673521 | 16 | 24m @ 0.84% |
| VGSRC0038 | 321816 | 6673039 | 19 | 21m @ 0.91% |
| VGSRC0238 | 321572 | 6673683 | 14 | 15m @ 1.22% |
| VGSRC0023 | 321617 | 6671922 | 15 | 25m @ 0.71% |
| VGSRC0228 | 321578 | 6673515 | 5 | 27m @ 0.65% |
| VGSRC0138 | 321573 | 6672878 | 24 | 22m @ 0.77% |

Based on 0.5% Ni lower cut-off with maximum 2m internal dilution, analysis by XRF fusion method.

Selected significant intercepts from Siberia North included:

| HoleID | East | North | From | Intercept |
|-----------|--------|---------|------|-------------|
| VSNRC0114 | 305859 | 6658480 | 5 | 61m @ 0.76% |
| VSNRC0020 | 305817 | 6658163 | 36 | 42m @ 0.80% |
| VSNRC0016 | 305498 | 6658161 | 10 | 31m @ 0.80% |
| VSNRC0042 | 306240 | 6658921 | 18 | 29m @ 0.74% |
| VSNRC0044 | 306401 | 6658919 | 19 | 22m @ 0.72% |
| VSNRC0110 | 305536 | 6658481 | 28 | 21m @ 0.73% |
| VSNRC0120 | 306340 | 6658484 | 38 | 26m @ 0.55% |
| VSNRC0003 | 305652 | 6657757 | 4 | 15m @ 0.91% |
| VSNRC0011 | 305102 | 6658159 | 19 | 15m @ 0.88% |

Based on 0.5% Ni lower cut-off with maximum 2m internal dilution, analysis by XRF fusion method.

BENEFICIATION



Beneficiation test-work is complete with the final test-work completed in Germany on composite samples to test new low power and water consumption equipment. Results were comparable to those from conventional scrubbing and screening test-work, but with much lower water and power requirements.

Test data indicate good potential for beneficiation upgrade at both Highway and Goongarrie Hill prospects.

Three hundred and five samples were tested for beneficiation variability. Preliminary curves to predict beneficiation performance have been completed and show a confident correlation.

LEACHING TEST-WORK

Forty-seven column leach tests were completed and a further 12 are still leaching to evaluate heap leach performance of the KNP ore.

Fifty-six samples were leached by the HPAL and atmospheric leach methodology.

A further 38 samples were leached via the HPAL method to investigate leach variability within the Highway and Goongarrie Hill resources.

Atmospheric leaching demonstrated leach recoveries for nickel of better than 65% for all but one sample.

COLUMN LEACHING

Test-work indicates technical feasibility for heap leaching of most resources within the KNP other than the very high iron content of the Goongarrie South deposit.

Nickel extraction reached over 80% on a number of selected samples. There was, however a scattering of results between 30% and 80% which indicates that the technique is not universally applicable to all ore types at each deposit.

RHEOLOGICAL AND SETTLING TEST-WORK

This test-work was completed on the beneficiated product to determine leach feed pulp densities to the atmospheric and HPAL leaching circuits. Results were encouraging with pulp densities in excess of 37% reported for all but one of the samples.

Beneficiated product was subject to atmospheric leaching and HPAL at differing acid concentrations to determine leached slurry settling properties. Settling data is dependent on ore source and further work is required to optimise flocculent use and underflow densities.

Rheological test-work indicated best performance was achieved for the Highway ore and that this was closely followed by Goongarrie Hill and Goongarrie South composites. As expected the nontronite clay rich composite from Bulong did not perform well due to its clay mineralogy.

MINING ENGINEERING

This phase of the study will commence upon completion of the current resource estimates and will be coordinated between Vale and Golder Associates.

Vale expects to soon appoint the independent engineering company to complete the pre-feasibility study for the project.

YERILLA NICKEL PROJECT

RESOURCE



The Yerilla Nickel Project has continued to grow during the quarter with resources now exceeding 135.3mt @0.77% Ni for just over 1 million tonnes of contained nickel in combined measured, indicated and inferred resources between the Jump-up Dam, Boyce Creek and Aubils deposits.

Details of the breakdown of the various resource categories and deposits are provided in table below along with details of estimation.

Yerilla Project Resources
0.5% Ni Cutoff to 10mE x 10mN x 4mRL Blocks

| Prospect | Category | Mt | Ni% | Co% |
|-----------------|------------------|--------------|-------------|-------------|
| Jump-up Dam | Measured | 3.9 | 0.94 | 0.05 |
| | Indicated | 43.2 | 0.78 | 0.04 |
| | Inferred | 20.2 | 0.63 | 0.03 |
| | Sub-total | 67.2 | 0.75 | 0.04 |
| Boyce Creek | Indicated | 24.3 | 0.81 | 0.06 |
| Aubils | Inferred | 43.8 | 0.78 | 0.07 |
| Combined | Measured | 3.9 | 0.94 | 0.05 |
| | Indicated | 67.5 | 0.79 | 0.05 |
| | Inferred | 63.9 | 0.73 | 0.06 |
| | Total | 135.3 | 0.77 | 0.05 |

For full resource statements the reader is referred to the Company's releases of 16 April 2008, 30 May 2008 and 12 June 2008.

MINING ENGINEERING

Mining engineering studies for the scoping study are complete. These studies optimised the resource block models and suggest a total of 57mt of mineralisation will be mined over an 18 year mine life to beneficiate to 45mt of leach feed averaging 2.5mt of leach feed per annum at an average grade of 1.06% Ni and 0.07% Co producing approximately 21.5kt of Ni per annum in intermediate product.

METALLURGICAL TEST-WORK

Metallurgical test-work for the scoping study is complete. Final test-work involved five two stage primary and secondary leach tests conducted at BHP Billiton's mineral testing facilities. These tests were performed with the assistance of BHP Billiton's processing experts under the guidelines of the Technology Licencing and Product Supply Agreement entered into between Heron and BHP Billiton in January 2008. The assistance of BHP Billiton in undertaking this work is gratefully acknowledged.

The scoping study assumes an overall nickel recovery approaching 80% and cobalt recoveries are expected to be in the same order. Cobalt recoveries are significantly higher than those obtained for the heap leach study and along with improved nickel recoveries will improve project economics. Leaching residency time is forecast to be between 15 and 25 hours which compares very favourably to the several months of leaching required for heap leach.

ENVIRONMENTAL



Santalum lanceolatum (Northern Sandalwood)

Carbon dioxide emissions for the project are estimated to comprise 222ktpa for process neutralisation and approximately 37ktpa from diesel consumption by the mining fleet.

The project's environmental footprint compares very favourably to other nickel projects.

Further baseline flora and fauna studies along with heritage surveys were completed. No issues impacting mining development have been identified to date.

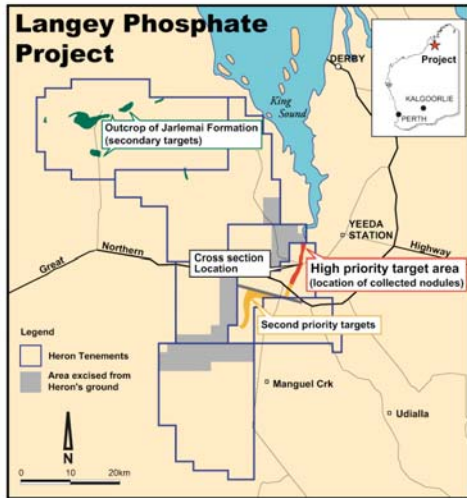
PROCESS DESIGN

Process design is progressing well based on process modelling completed jointly by BHP Billiton and Heron with contributions from the company's process engineers. Estimation of capital and operating costs has commenced and will be completed by the end of July.

SCOPING STUDY

The current study is on target for completion during August 2008. As previously stated upon completion of the study a structured process to seek a partner to assist funding the project will be undertaken.

LANGHEY PHOSPHATE PROJECT



Over the last year Heron has applied for a number of exploration licences in the Langey Crossing area 40km south of Derby in Western Australia. Heron currently has some 1,900 km² of applications pending targeting sedimentary phosphate. The prospectivity of the area was identified in previous exploration from the mid 1960's.

Phosphate is a key component of the fertilizer industry and has enjoyed considerable price appreciation over the last 12 months moving from US\$65 per tonne to current prices of some US\$350 per tonne for Moroccan rock phosphate.

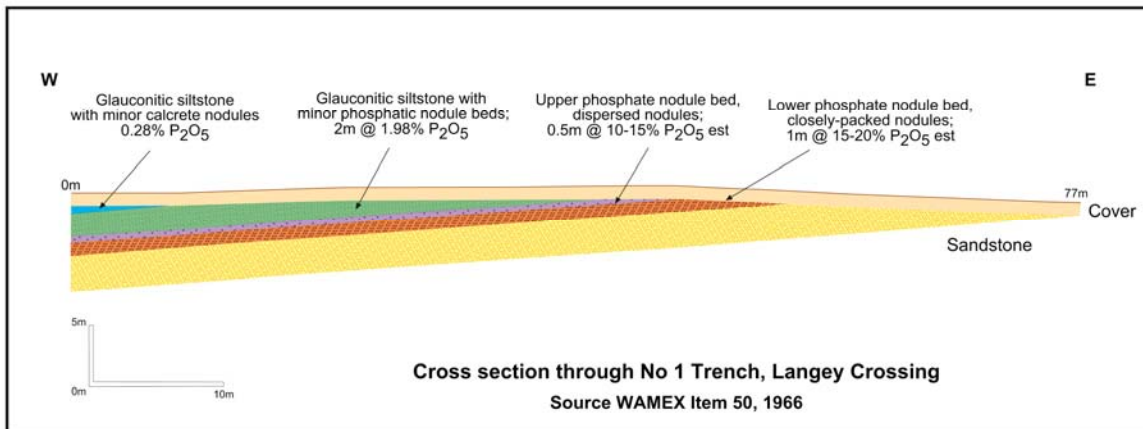
Reconnaissance sampling of the outcropping phosphate nodules returned average results of 22.5% P₂O₅ with very consistent assays recorded for all seven samples as show in the table below.

| Sample | P ₂ O ₅ % | FeO% | Al ₂ O ₃ % | SiO ₂ % |
|---------|---------------------------------|------|----------------------------------|--------------------|
| R100297 | 23.0 | 3.6 | 3.5 | 31.2 |
| R100298 | 22.2 | 4.7 | 4.4 | 30.2 |
| R100299 | 21.5 | 3.8 | 3.8 | 29.8 |
| R100300 | 23.0 | 3.9 | 3.8 | 29.8 |
| R100301 | 22.1 | 4.7 | 4.5 | 30.0 |
| R100302 | 22.6 | 2.6 | 3.4 | 32.3 |
| R100303 | 23.4 | 4.8 | 4.1 | 28.4 |

Initial meetings were held with traditional owners during the Quarter and the first tenement is expected to be granted during August 2008. Drilling is scheduled to commence early in the December Quarter upon completion of required heritage surveys.

Preliminary metallurgical test-work is in progress looking at beneficiation potential of the product. Initial discussions have also been held with potential customers and those discussions are ongoing.

Should initial drilling and metallurgical test-work prove positive a scoping study could be commenced during the December Quarter.



BUSINESS DEVELOPMENT

Business development evaluations accelerated during the quarter with sixteen opportunities across six commodities in five countries undertaken during the Quarter.

The appointment of Mr David von Perger to solely focus on acquisitions is consistent with Heron's strategy to grow the Company by acquisition of production and near production assets generating quality cash flow, while the Company develops its longer term world class nickel projects in partnership with the world's major mining companies. Mr von Perger was formerly Heron's Exploration Manager.

CORPORATE

Heron participated in the Polaris Metals NL (Polaris) Rights Issue to maintain its current investment. Heron continues to be the largest shareholder in Polaris and looks forward to maximisation of the value of that shareholding for the benefit of Heron Shareholders. As at 30 June 2008 the marked to market value of Heron's investment in Polaris was \$15.6 million. In addition, Heron holds 14 million "in-the-money" Polaris options.

During the Quarter Heron received 5,594,030 shares in ASX listed Southern Cross Goldfields Limited (SGX) as a part of an in specie distribution from Polaris and 600,000 shares for the sale of tenements. The marked to market value of these SGX shares was \$1,393,657 as at 30 June 2008.

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

30 068 263 098

Quarter ended (current quarter)

30 June 2008

Consolidated statement of cash flows

| Cash flows related to operating activities | Current Qtr \$A'000 | Year to Date (12 months) \$A'000 |
|--|------------------------|--|
| 1.1 Receipts from product sales and related debtors | | |
| 1.2 Payments for: (a) exploration and evaluation | (2,383) | (18,644) |
| (b) development | | |
| (c) production | | |
| (d) administration | (1,049) | (4,127) |
| 1.3 Dividends received | | |
| 1.4 Interest and other items of similar nature received | 917 | 2,670 |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Other (provide details if material)-GST | 36 | 145 |
| | (2,479) | (19,956) |
| Net Operating Cash Flows | | |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects | (33) | (143) |
| (b) equity investment | (2,943) | (4,727) |
| (c) other fixed assets | (309) | (4,933) |
| 1.9 Proceeds from sale of: (a) prospects | | |
| (b) equity investment | | 697 |
| (c) other fixed assets | 616 | 616 |
| 1.10 Loans to other entities | | |
| 1.11 Loans repaid by other entities | | |
| | (2,669) | (8,490) |
| Net Investing Cash Flows | | |
| 1.12 Total operating and investing cash flows (carried forward) | (5,148) | (28,446) |

| | | |
|---|---------|----------|
| 1.12 Total operating and investing cash flows (brought forward) | (5,148) | (28,446) |
| Cash flows related to financing activities | | |
| 1.13 Proceeds from the issue of shares, options, etc. | | 35,765 |
| 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) | | |
| | - | 35,765 |
| Net financing cash flows | | |
| Net increase (decrease) in cash held | (5,148) | 7,319 |
| 1.19 Cash at beginning of quarter/year to date | 42,058 | 29,591 |
| 1.20 Exchange rate adjustments | | |
| | 36,910 | 36,910 |
| 1.21 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 |
|---|------------------------|
| 1.22 Aggregate amount of payments to the parties included in item 1.2 | 271 |
| 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\$270,654). Provision of legal advice by director-related entity (A\$130). |
|---|

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

| |
|--|
| Heron Resources Limited received 5,594,030 shares in Southern Cross Goldfields Ltd from the In specie distribution of Polaris shares and 600,000 shares in Southern Cross Goldfields Ltd from the sale of tenements. |
|--|

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 | 2,600 |
| 4.2 Development | 0 |
| Total | 2,600 |

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 | 290 | 566 |
| 5.2 Deposits at call | 36,096 | 40,997 |
| 5.3 Bank Overdraft | | |
| 5.4 Other (provide details) | | |
| Property Rental bond | 48 | 48 |
| Environmental bonds | 409 | 382 |
| Escrow Accounts | 67 | 65 |
| Total: cash at end of quarter (Item 1.22) | 36,910 | 42,058 |

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)

| | | <i>Exercise Price</i> | <i>Expiry Date</i> |
|------------------------------------|-----|-----------------------|--------------------|
| 125,000 | Nil | \$0.2364 | 31/12/2008 |
| 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 |
| 1,150,000 | 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)

| <i>Tenement</i> | <i>Nature of Interest</i> | <i>% Begin Quarter</i> | <i>% End Quarter</i> |
|-----------------|---------------------------|------------------------|----------------------|
| P24/03276 | Registered Holder | 100 | 0 |
| P24/03857 | Registered Holder | 100 | 0 |
| P24/03943 | Registered Holder | 100 | 0 |
| M24/00927 | Registered Holder | 100 | 0 |
| P24/03827 | Registered Holder | 100 | 0 |
| P24/03828 | Registered Holder | 100 | 0 |
| M24/00937 | Registered Holder | 100 | 0 |
| M25/00160 | Registered Holder | 100 | 0 |
| M27/00342 | Registered Holder | 100 | 0 |
| M27/00343 | Registered Holder | 100 | 0 |
| M27/00294 | Registered Holder | 100 | 0 |
| M27/00291 | Registered Holder | 100 | 0 |
| M28/00340 | Registered Holder | 100 | 0 |
| M31/00297 | Registered Holder | 100 | 0 |
| M31/00305 | Registered Holder | 100 | 0 |
| P27/01562 | Registered Holder | 100 | 0 |
| P25/01004 | Registered Holder | 100 | 0 |
| P25/01005 | Registered Holder | 100 | 0 |
| P25/01006 | Registered Holder | 100 | 0 |
| P27/01932 | Registered Holder | 100 | 0 |
| E38/00931 | Registered Holder | 100 | 0 |
| E38/02008 | Registered Holder | 100 | 0 |
| M38/01239 | Registered Holder | 100 | 0 |
| M38/01240 | Registered Holder | 100 | 0 |
| M39/01008 | Registered Holder | 100 | 0 |
| M39/01009 | Registered Holder | 100 | 0 |
| E38/01859 | Registered Holder | 100 | 0 |
| P39/04228 | Registered Holder | 100 | 0 |
| E28/01784 | Registered Holder | 100 | 0 |
| E28/01639 | Registered Holder | 100 | 0 |
| E28/01680 | Registered Holder | 100 | 0 |
| M27/00419 | Registered Holder | 100 | 0 |
| M63/00418 | Registered Holder | 100 | 0 |
| P31/01680 | Registered Holder | 100 | 0 |

| <i>Tenement</i> | <i>Nature of Interest</i> | <i>% Begin Quarter</i> | <i>% End Quarter</i> |
|-----------------|---------------------------|------------------------|----------------------|
| E37/00842 | Registered Holder | 100 | 0 |
| E36/00483 | Registered Holder | 100 | 0 |
| M27/00295 | Registered Holder | 100 | 0 |
| M25/00300 | Registered Holder | 100 | 0 |
| M25/00184 | Registered Holder | 100 | 0 |
| M25/00245 | Registered Holder | 100 | 0 |
| P27/01578 | Registered Holder | 100 | 0 |
| P27/01579 | Registered Holder | 100 | 0 |
| P27/01491 | Registered Holder | 100 | 0 |
| P27/01517 | Registered Holder | 100 | 0 |
| P28/01004 | Registered Holder | 100 | 0 |
| P28/01005 | Registered Holder | 100 | 0 |
| M26/00667 | Registered Holder | 100 | 0 |
| M26/00736 | Registered Holder | 100 | 0 |
| M26/00780 | Registered Holder | 100 | 0 |
| P26/03112 | Registered Holder | 100 | 0 |
| P26/03113 | Registered Holder | 100 | 0 |
| P26/03115 | Registered Holder | 100 | 0 |
| E63/01115 | Registered Holder | 100 | 0 |
| E63/01116 | Registered Holder | 100 | 0 |
| E70/03001 | Registered Holder | 100 | 0 |
| P28/00972 | Registered Holder | 100 | 0 |
| P28/00991 | Registered Holder | 100 | 0 |
| M27/00388 | Registered Holder | 100 | 0 |
| E28/01199 | Registered Holder | 100 | 0 |
| M27/00275 | Registered Holder | 100 | 0 |
| M27/00276 | Registered Holder | 100 | 0 |
| E28/01341 | Registered Holder | 100 | 0 |
| E28/01427 | Registered Holder | 100 | 0 |
| P24/03792 | Registered Holder | 100 | 0 |
| E29/00139 | Registered Holder | 100 | 0 |
| E29/00646 | Registered Holder | 100 | 0 |
| E16/00174 | Registered Holder | 100 | 0 |
| M16/00516 | Registered Holder | 100 | 0 |
| P25/01071 | Registered Holder | 100 | 0 |
| P25/01193 | Registered Holder | 100 | 0 |
| P25/01194 | Registered Holder | 100 | 0 |
| P26/03090 | Registered Holder | 100 | 0 |
| P26/03091 | Registered Holder | 100 | 0 |
| E27/00168 | Registered Holder | 100 | 0 |
| M27/00408 | Registered Holder | 100 | 0 |
| E27/00359 | Registered Holder | 100 | 0 |
| P27/01848 | Registered Holder | 100 | 0 |
| M27/00409 | Registered Holder | 100 | 0 |
| M27/00410 | Registered Holder | 100 | 0 |
| E28/01775 | Registered Holder | 100 | 0 |
| E40/00228 | Registered Holder | 100 | 0 |
| M29/00215 | Registered Holder | 100 | 0 |
| M29/00216 | Registered Holder | 100 | 0 |
| M29/00217 | Registered Holder | 100 | 0 |
| M29/00218 | Registered Holder | 100 | 0 |
| M29/00219 | Registered Holder | 100 | 0 |
| M29/00220 | Registered Holder | 100 | 0 |
| P29/01870 | Registered Holder | 100 | 0 |
| P29/01871 | Registered Holder | 100 | 0 |

| Tenement | Nature of Interest | % Begin Quarter | % End Quarter |
|-----------------|---------------------------|------------------------|----------------------|
| P29/01872 | Registered Holder | 100 | 0 |
| P29/01873 | Registered Holder | 100 | 0 |
| P29/01874 | Registered Holder | 100 | 0 |
| P25/01736 | Registered Holder | 100 | 0 |
| M39/00928 | Registered Holder | 100 | 0 |
| E39/01282 | Registered Holder | 100 | 0 |
| E31/00801 | Registered Holder | 100 | 0 |
| E31/00802 | Registered Holder | 100 | 0 |
| E39/01322 | Registered Holder | 100 | 0 |
| E31/00784 | Registered Holder | 100 | 0 |
| E31/00803 | Registered Holder | 100 | 0 |
| E31/00804 | Registered Holder | 100 | 0 |
| E31/00805 | Registered Holder | 100 | 0 |
| L31/00051 | Registered Holder | 100 | 0 |
| L29/00073 | Registered Holder | 100 | 0 |
| E28/01776 | Registered Holder | 100 | 0 |
| P25/01986 | Registered Holder | 100 | 0 |
| P25/01987 | Registered Holder | 100 | 0 |
| P25/01988 | Registered Holder | 100 | 0 |
| P25/01989 | Registered Holder | 100 | 0 |
| E31/00372 | Registered Holder | 100 | 0 |
| E31/00730 | Registered Holder | 100 | 0 |

6.2 Interests in Mining Tenements acquired or increased

| Tenement | Nature of Interest | % Begin Quarter | % End Quarter |
|-----------------|---------------------------|------------------------|----------------------|
| E24/00159 | Registered Applicant | 0 | 100 |
| E04/01805 | Registered Applicant | 0 | 100 |
| E31/00830 | Registered Applicant | 0 | 100 |
| E31/00831 | Registered Applicant | 0 | 100 |
| E31/00832 | Registered Applicant | 0 | 100 |
| E31/00833 | Registered Applicant | 0 | 100 |
| E15/01083 | Registered Applicant | 0 | 100 |
| E31/00836 | Registered Applicant | 0 | 100 |
| E31/00837 | Registered Applicant | 0 | 100 |
| E09/01523 | Registered Applicant | 0 | 100 |
| E24/00160 | Registered Applicant | 0 | 100 |
| E28/01854 | Registered Applicant | 0 | 100 |
| E30/00368 | Registered Applicant | 0 | 100 |
| L24/00195 | Registered Applicant | 0 | 100 |
| L29/00075 | Registered Applicant | 0 | 100 |
| L29/00076 | Registered Applicant | 0 | 100 |
| L31/00058 | Registered Applicant | 0 | 100 |
| L16/00080 | Registered Applicant | 0 | 100 |
| L16/00081 | Registered Applicant | 0 | 100 |
| L16/00082 | Registered Applicant | 0 | 100 |
| E27/00396 | Registered Applicant | 0 | 100 |
| E31/00838 | Registered Applicant | 0 | 100 |
| E31/00839 | Registered Applicant | 0 | 100 |
| E31/00840 | Registered Applicant | 0 | 100 |
| P15/05265 | Registered Applicant | 0 | 100 |
| P27/01958 | Registered Applicant | 0 | 100 |
| E04/01813 | Registered Applicant | 0 | 100 |

| | | | |
|-----------|----------------------|---|-----|
| E04/01814 | Registered Applicant | 0 | 100 |
| E04/01815 | Registered Applicant | 0 | 100 |
| E31/00841 | Registered Applicant | 0 | 100 |
| E04/01820 | Registered Applicant | 0 | 100 |
| E04/01821 | Registered Applicant | 0 | 100 |
| E28/01860 | Registered Applicant | 0 | 100 |
| E31/00842 | Registered Applicant | 0 | 100 |
| E45/03258 | Registered Applicant | 0 | 100 |
| E47/01973 | Registered Applicant | 0 | 100 |
| E39/01383 | Registered Applicant | 0 | 100 |
| E47/01975 | 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.



Sign here: _____
Company Secretary

Date: 30/07/08

Print name: _____
Robert George Klug

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.