

3.0	CORPORATE PROFILE	26
	CORPORATE GOVERNANCE PRACTICES	27
4.0	DIRECTORS' REPORT	29
5.0	FINANCIAL STATEMENTS	33
	PROFIT AND LOSS ACCOUNT	33
	BALANCE SHEET	34
	STATEMENT OF CASH FLOWS	35
	NOTES TO AND FORMING PART OF THE ACCOUNTS	36
	DIRECTORS' STATEMENT	43
6.0	INDEPENDENT AUDIT REPORT	44
7.0	SHAREHOLDER INFORMATION	45
8.0	INTEREST IN MINING TENEMENTS	47

3.0 Corporate Profile

Heron Resources NL is a Kalgoorlie-based exploration and mining company. The corporate aim is to become a profitable mining company through the purchase or discovery and development of mineral deposits.

Heron is focused on exploration activities on nickel and gold projects in the Eastern Goldfields of Western Australia.

The Company undertakes cost-effective exploration based on literature reviews, aeromagnetic structural interpretations, regional soil geochemistry, and deep drill testing of targets so generated.

The management of the Company is based in Kalgoorlie. Accordingly, the Company has excellent access to tenement acquisition opportunities, and to specialist contractor services. Administrative overheads are also maintained at lower levels due to the Kalgoorlie base.

The Company is managed and staffed by a team of nine with extensive industry experience.

Objectives

- a) To increase the value of the Company through the acquisition, exploration and development of mineral resources;
- b) To establish mining cash flows to fund future exploration and development activity, and increase the Company's market capitalisation and value to Shareholders; and
- c) To conduct operations in a safe and environmentally responsible manner, to offer employment opportunities to those who live in the exploration province, and to respect and nurture the indigenous culture of the exploration province.

Strategy

- a) Acquire project equity through pegging, optioning or outright purchase;
- b) Focus on cost-effective regional exploration in the Eastern Goldfields of Western Australia;
- c) Location of corporate base in Kalgoorlie;
- d) Active acquisition and testing of new exploration concepts and targets;
- e) Use of best management, technical and financial control techniques; and
- f) Utilise farm outs where appropriate to spread exploration risk (see Note 20, Section 5.0, Financial Statements).

3.0 Corporate Profile (Continued)

Corporate Governance Practices

General

The Company does not have any formally constituted committees of the Board of Directors. The Company is not of a size nor are its affairs of such complexity to justify the formation of separate or special committees. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Composition of the Board

At the date of this statement the Board comprises four Directors, three of whom are non executive Directors. The names, qualifications and relative experience of each Director is included in the Directors' Report, Section 4.0.

The Company's Articles provide that the number of Directors shall not be less than three and not more than nine (Article 19.1). There is no requirement for any share holding qualification although it is preferable that Directors will become significant shareholders. An Employee Option Plan has been established to encourage Directors to take significant shareholdings.

As the Company's activities increase in their size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to supervise adequately the Company's activities determined within the limitations imposed by the Articles and as circumstances demand.

Board Membership

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities and the mining industry, intellectual ability to contribute to the Board's duties and physical ability to undertake the Board's duties and responsibilities.

Under the Company's Articles the tenure of the Directors (other than a Managing Director) is subject to re-appointment by shareholders not later than the third anniversary following their last appointment (Article 19.7). The Board does not subscribe to the principle of a retirement age and there is no maximum period of service as a Director.

Appointment to Other Boards

Directors are required to take into consideration any conflicts when accepting appointment to other boards. Accordingly, Directors wishing to accept appointment to other boards must first seek approval from the Board, approval of which will not unreasonably be withheld.

3.0 Corporate Profile (Continued)

Directors' Remuneration

At the date of this statement the maximum per annum amount payable to directors as Director's fees was set by shareholders at a general meeting on 21 June 1996 at \$100,000. Currently fees are paid at the rate of \$90,000 per annum.

No Director's fees are paid to the Managing Director, who receives a salary approved by the Board.

Independent Support

The Board has determined that individual Directors may in appropriate circumstances engage outside advisers at the Company's expense. The engagement of an outside adviser is subject to the prior approval of the Board and will not unreasonably be withheld.

Compensation Arrangements

The Board is responsible for reviewing compensation arrangements (including superannuation and other benefits) for the Managing Director and other senior executives.

Continuous Review of Corporate Governance

Directors consider on an ongoing basis how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as Directors of the Company. Such information must be sufficient to enable Directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions.

The Directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving the value of the net worth of the Company.

4.0 Directors' Report

The Directors submit their report on the operations of the Company for the year ended 30 June 1997 including the accounts for the financial period ended on that date in accordance with a resolution of the Directors of the Company.

Directors

The names and details of the Directors of the Company in office at the date of this report are:

Director Rodney Michael Evans - FCA, FCIS, FCIM, AIArbA

Appointed 26 March 1996

Position Chairman (Non-Executive)

Rod Evans is principal of a chartered accounting and consulting firm and has had wide experience in corporate administration and finance. He is a Director and Chairman of Giants Reef Mining NL and RAC Insurance Pty Ltd, Deputy Chairman of RAC Finance Pty Ltd, and past Chairman of Clark Kenneth Leventhal a world-wide association of accounting firms, the Australian Automobile Association, and a number of publicly listed companies involved in mining and exploration in Australia.

Director Ian James Buchhorn - BSc (Hons), Dip Geosci, MAusIMM

Appointed 17 February 1995

Position Managing Director

Ian Buchhorn has worked on nickel, gold, lead-zinc and diamond projects in southern Africa. In Australia, Mr Buchhorn has worked on bauxite and industrial mineral mining and exploration, gold and base metal project generation and supervision, and in gold mine operation and in corporate evaluations. He has 24 years' experience as an economic geologist, and has provided expert technical advice in benchmark mining litigation cases, systematically monitored and acquired tenements throughout the Eastern Goldfields, commissioned several open cut gold mines, and has been a Registered Mine Manager. Mr Buchhorn is responsible for the day to day technical management of the Company.

Director Robert George Colville - AssocRMIT, MAusIMM

Appointed 09 December 1996

Position Director

Bob Colville has over 25 years' exploration experience predominantly within the Eastern Goldfields of Western Australia. He has held a number of senior and executive positions with both major companies and junior explorers. He has been associated with the discovery and development of mines at Ranger Uranium (NT), and New Celebration, Goongarrie and Davyhurst (Eastern Goldfields WA). Mr Colville is an executive director of Barminto Pty Ltd, the largest private underground mining contractor in Australia.

Director Glenn James Beresford Porter - B Juris, LLB

Appointed 09 March 1996

Position Director

Glenn Porter is a solicitor practising primarily in the areas of mining, commercial and corporate law. Mr Porter has a broad range of commercial and professional experience in both Australia and overseas. His specific contribution to the Company is in mining law.

4.0 Directors' Report (Continued)

Directors' Interest in Contracts with the Company

There are no material contracts involving Directors' interests at the end of the financial year nor have any been entered into since the end of the previous financial year not otherwise disclosed in this report.

Principal Activities

The principal activities of the Company during the year were exploration for nickel and gold deposits and joint venturing with other mining companies to explore for mineral deposits. There has been no significant change in the nature of these activities during the year.

Operating Results

The operating loss of the Company for the 1997 financial year after income tax was \$282,930 (1996 : \$252,898).

Dividends

The Directors recommended that no dividend be paid for the current year.

Operations Review

The review of operations of the Company for the year are discussed in Section 2.0 of this report.

Significant Changes in the State of Affairs

During the year the Company raised \$8,000,000 by issuing 32,000,000 Shares to the public pursuant to a prospectus, and successfully listed on Australian Stock Exchange Limited.

Matters Subsequent to the end of the Financial Year

At the date of this report there is no other matter or circumstance which has arisen since 30 June 1997 that has significantly affected or may significantly affect:

- a) The operations, in financial years subsequent to 30 June 1997, of the Company;
- b) The results of those operations; or
- c) The state of affairs, in financial years subsequent to 30 June 1997, of the Company.

Shares

The Company during the current year issued 32,000,000 Shares pursuant to a prospectus.

Options

As at 30 June 1997 there were on issue 10,000,000 options exercisable on or before 30 June 2000 at \$0.25. A further 285,000 options have been issued to staff subsequent to 30 June 1997 pursuant to the Company's Employee Option Plan.

4.0 Directors' Report (Continued)

Employee Option Plan

It is proposed under the Company's Employee Option Plan to issue options to the Directors; to RM Evans or nominee 200,000 options, to RG Colville or nominee 150,000 options, to GJB Porter or nominee 150,000 options and to IJ Buchhorn or nominee 100,000 options. These options are exercisable within 4 years of the date of issue at 25 cents per share. The options are to be issued free and the option exercise price is not related to the market price of the Company's shares. This resolution is to be considered at the Annual General Meeting of the Company.

Pursuant to a Resolution of Directors, 285,000 Employee Options were issued to staff subsequent to 30 June 1997.

Likely Developments

The Company will continue its core nickel and gold exploration activities through sole funded exploration and joint venture.

The Company is continually assessing commercial opportunities for corporate growth. Because of the unpredictable nature of these opportunities, developments could occur at short notice.

No information is included on likely developments in the operations of the Company and the expected results of those operations, as it is the opinion of the Directors that this could prejudice the interests of the Company if included in this report.

page 31

Directors' Benefits

During or since the financial year no Director of the Company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the accounts, by reason of a contract entered into by the Company or an entity that the Company controlled or a body corporate that was related to the Company when the contract was made or when the Director received, or became entitled to receive, the benefit with:

- a) A Director; or
- b) A firm of which a Director is a member; or
- c) An entity in which a Director has a substantial financial interest,

except for:

- a) Repayment of pre-listing loans of \$417,731 by the Company to IJ Buchhorn and related parties;
- b) Acquisition of mineral tenements from IJ Buchhorn and related entities for an amount of \$167,412, being reimbursement of acquisition expenses;
- c) Secretarial services and office rental have been provided by IJ Buchhorn and related entities on normal commercial terms and conditions;
- d) Fees paid to G Porter & Associates, of which GJB Porter is the principal, for legal advice being on normal commercial terms and conditions; and
- e) Residential accommodation was secured by the Company for an employee from a party related to IJ Buchhorn.

Full details are provided in Note 15 - Related Party Disclosures.

4.0 Directors' Report (Continued)

Directors' Shareholdings in the Company

As at the date of this report the interests of the Directors in the Shares of the Company were:

	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
RM Evans	-	800,000	-	-
IJ Buchhorn	1,199,999	19,301,998	100,000	8,900,000
RG Colville	-	50,000	-	-
GJB Porter	1	30,254	-	-

Directors' Meetings

During the year the Company held 15 meetings of Directors. The attendance of the Directors at meetings of the Board were:

Director	Meetings held while a Director	Number of meetings attended
RM Evans	15	15
IJ Buchhorn	15	15
GJB Porter	15	14
RG Colville	7	7
P Bamford	8	6

Audit Committee

At the date of this report the Company has not formed an Audit Committee. The Directors discuss the Company's activities with the auditors throughout the year. Due to the size and nature of the operations, it has not been considered necessary to form an Audit Committee of the Board of Directors.

Insurance of Officers

During the financial year the Company has paid insurance premiums in respect of a Directors' and Officers' Liability Insurance Contract. The insurance premiums relate to liabilities that may arise from an officer's position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The officers covered by the insurance policy are the Directors and the Company Secretary.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Heron Resources NL support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the Corporate Profile (Section 3.0 of this report).

Signed in accordance with a resolution of the Directors.



R M EVANS
Director



I J BUCHHORN
Director

5.0 Financial Statements

Profit and Loss Account

FOR THE YEAR ENDED 30 JUNE 1997

	Notes	1997 \$	1996 \$
OPERATING REVENUE	2(c)	<u>383,630</u>	-
OPERATING PROFIT/(LOSS) BEFORE ABNORMAL ITEMS AND INCOME TAX		113,000	(41,828)
ABNORMAL ITEMS BEFORE INCOME TAX	3	<u>(395,930)</u>	<u>(211,070)</u>
OPERATING LOSS BEFORE INCOME TAX		(282,930)	(252,898)
INCOME TAX ATTRIBUTABLE TO OPERATING LOSS	4	<u>-</u>	<u>-</u>
OPERATING LOSS AFTER INCOME TAX		(282,930)	(252,898)
ACCUMULATED LOSSES at the beginning of the financial year		<u>(264,039)</u>	<u>(11,141)</u>
ACCUMULATED LOSSES at the end of the financial year		<u>(546,969)</u>	<u>(264,039)</u>

page 33

The accompanying notes form part of these financial statements

5.0 Financial Statements (Continued)

Balance Sheet

AT 30 JUNE 1997

	Notes	1997 \$	1996 \$
CURRENT ASSETS			
Cash		5,572,782	830
Receivable	5	9,627	-
TOTAL CURRENT ASSETS		<u>5,582,409</u>	<u>830</u>
NON-CURRENT ASSETS			
Property, plant and equipment	6	130,965	-
Other	7	6,984,667	5,764,224
TOTAL NON-CURRENT ASSETS		<u>7,115,632</u>	<u>5,764,224</u>
TOTAL ASSETS		<u>12,698,041</u>	<u>5,765,054</u>
CURRENT LIABILITIES			
Accounts payable	8	32,519	411,361
Borrowings	9	-	417,731
Provisions	10	12,490	-
TOTAL CURRENT LIABILITIES		<u>45,009</u>	<u>829,092</u>
TOTAL LIABILITIES		<u>45,009</u>	<u>829,092</u>
NET ASSETS		<u>12,653,032</u>	<u>4,935,962</u>
SHAREHOLDERS' EQUITY			
Share Capital	11	13,200,001	5,200,001
Accumulated losses		(546,969)	(264,039)
TOTAL SHAREHOLDERS' EQUITY		<u>12,653,032</u>	<u>4,935,962</u>

page 34

The accompanying notes form part of these financial statements

5.0 Financial Statements (Continued)

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 1997

	1997 \$	1996 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	374,003	-
Interest paid	-	(809)
Payment to suppliers	(281,759)	(15,157)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<u>92,244</u>	<u>(15,966)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration expenditure	(1,389,255)	(378,142)
Acquisition of plant & equipment	(136,714)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(1,525,969)</u>	<u>(378,142)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	8,000,000	200,000
Repayment of (loan)/loan from related party	(417,731)	225,345
Payments for prospectus costs	(576,592)	(30,408)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>7,005,677</u>	<u>394,937</u>
NET INCREASE IN CASH HELD	5,571,952	829
Cash at the beginning of the financial year	830	1
CASH AT THE END OF THE FINANCIAL YEAR	<u><u>5,572,782</u></u>	<u><u>830</u></u>
RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss after income tax	(282,930)	(252,898)
Add/(less)		
Prospectus and share issue costs written off	395,930	30,408
Depreciation	5,749	-
Increase in accrued interest	(9,627)	-
Increase/(decrease) in creditors and accruals	(16,878)	206,524
	<u><u>92,244</u></u>	<u><u>(15,966)</u></u>

page 35

The accompanying notes form part of these financial statements

5.0 Financial Statements (Continued)

Notes to and Forming Part of the Accounts

FOR THE YEAR ENDED 30 JUNE 1997

Note 1. Statement of Accounting Policies

The financial statements are a general purpose financial report that has been prepared in accordance with applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Law. The financial statements have also been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements.

a) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense shown in the profit and loss account is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of the realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest.

Accumulated costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, or by its sale, or where the activities in the area have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Accumulated costs are not carried forward in respect of any area of interest unless rights to tenure of that area are current.

c) Investments

Investments are brought to account at cost or at Directors' valuation. The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments.

5.0 Financial Statements (Continued)

d) Depreciation

Depreciation is calculated on a straight line or diminishing value basis to write off the net cost of each item of property, plant and equipment over its expected useful life.

e) Interests in Joint Ventures

The Company's share of the assets, liabilities, revenue and expenses of joint ventures are included in the appropriate items of the balance sheet and the profit and loss account.

Details of joint ventures are set out in Note 20.

f) Employee Entitlements

Liabilities for wages and salaries, annual leave and sick leave are recognised and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date.

A liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

g) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

h) Earnings per Share

i) Basic Earnings per Share

Basic earnings per share is determined by dividing the operating profit/(loss) after income tax by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and options and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

5.0 Financial Statements (Continued)

	1997 \$	1996 \$
NOTE 2. OPERATING LOSS		
The operating loss before income tax is arrived at after:		
a) Charging as Expenses:		
Depreciation	5,749	-
b) Crediting as Income:		
Interest received from other persons	383,630	-
c) Operating Revenue:		
Other operating revenue		
Interest received	383,630	-
	<u>383,630</u>	<u>-</u>

NOTE 3. ABNORMAL ITEMS

Included in the operating loss after tax is the following abnormal item:

Prospectus and share issue costs written off (no income tax expense applicable)	395,930	211,070
--	---------	---------

NOTE 4. INCOME TAX

Prima facie income tax benefit on operating loss reconciles to the income tax expense as follows:

Operating loss before tax	(282,930)	(252,898)
Prima facie tax at 36%	(101,855)	(91,043)
Non deductible items	150,545	76,021
Timing differences and tax losses not brought to account	-	15,022
Prior year tax losses brought to account	(16,099)	-
Undeducted exploration expenditure brought to account	(32,591)	-
Income tax expense	<u>-</u>	<u>-</u>

The Directors estimate the potential tax losses and undeducted exploration expenditure entitlements available to be \$1,130,000.

The future income tax benefit arising from tax losses has not been recognised as an asset because recovery is not virtually certain.

The tax benefits will only be obtained if:

- i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for losses.

5.0 Financial Statements (Continued)

	1997 \$	1996 \$
NOTE 5. RECEIVABLE (CURRENT)		
Accrued interest	9,627	-
	<u>9,627</u>	<u>-</u>
NOTE 6. PROPERTY PLANT AND EQUIPMENT		
Plant and equipment at cost	34,112	-
Accumulated depreciation	(982)	-
	<u>33,130</u>	<u>-</u>
Office equipment at cost	6,285	-
Accumulated depreciation	(639)	-
	<u>5,646</u>	<u>-</u>
Motor vehicles at cost	96,317	-
Accumulated depreciation	(4,128)	-
	<u>92,189</u>	<u>-</u>
Total property, plant and equipment	<u>130,965</u>	<u>-</u>
NOTE 7. NON-CURRENT ASSETS (OTHER)		
Mining tenement acquisition, exploration and evaluation expenditure		
Balance at beginning of year	5,764,224	61,245
Acquisition costs	190,571	5,484,246
Exploration and evaluation costs incurred during the year	1,029,872	218,733
Balance at end of year	<u>6,984,667</u>	<u>5,764,224</u>
<p>The ultimate recoupment of costs carried forward is dependent upon the successful development and/or commercial exploitation or alternatively, sale of respective areas of interest.</p>		
NOTE 8. ACCOUNTS PAYABLE (CURRENT)		
Trade creditors and accruals	<u>32,519</u>	<u>411,361</u>
NOTE 9. BORROWINGS (CURRENT)		
Amount owing to related party (Note 15)	<u>-</u>	<u>417,731</u>
NOTE 10. PROVISIONS (CURRENT)		
Employee entitlements	<u>12,490</u>	<u>-</u>

5.0 Financial Statements (Continued)

	1997 \$	1996 \$
NOTE 11. SHARE CAPITAL		
Authorised Capital		
400,000,000 ordinary shares of \$0.25 each	100,000,000	100,000,000
Issued Capital		
54,000,000 (1996 22,000,000) ordinary shares of \$0.25 each	13,500,000	5,500,000
Less: Discount on shares	(299,999)	(299,999)
	<u>13,200,001</u>	<u>5,200,001</u>

Movements in issued and paid up capital during the year are as follows:

	1997	
	Number	\$
Balance at beginning of year	22,000,000	5,200,001
Issued pursuant to a prospectus	32,000,000	8,000,000
Balance at end of year	<u>54,000,000</u>	<u>13,200,001</u>

The purpose of the issue to the public was to raise working capital to fund the Company's exploration programs and operating costs.

As at 30 June 1997 there were on issue 10,000,000 options exercisable on or before 30 June 2000 at \$0.25. A further 285,000 options have been issued to staff subsequent to 30 June 1997 under the Company's Employee Option Plan.

NOTE 12. REMUNERATION OF DIRECTORS

Income received, or due and receivable, by Directors

The numbers of Directors whose income was within the specified bands are as follows:

\$0 - \$9,999	-	3
\$10,000 - \$19,999	2	1
\$20,000 - \$29,999	1	-
\$40,000 - \$49,999	1	-
\$110,000 - \$119,999	1	-

NOTE 13. RECONCILIATION OF CASH

Bank overdraft	(320,416)	830
Cash on hand	416,976	-
Commercial bills	5,476,222	-
Closing cash balance	<u>5,572,782</u>	<u>830</u>

NOTE 14. REMUNERATION OF EXECUTIVES

One executive being a Director received remuneration in the range \$110,000 to \$119,999. In the opinion of the Directors, this is considered to be fair and reasonable.

5.0 Financial Statements (Continued)

NOTE 15. RELATED PARTY DISCLOSURES

a) The Directors of the Company during the financial year were:

Rodney Michael Evans	
Ian James Buchhorn	
Glenn James Beresford Porter	
Peter Bamford	<i>Resigned 9 December 1996</i>
Robert George Colville	<i>Appointed 9 December 1996</i>

b) Related party transactions during the period were:

- i) loans of \$417,731 (1996: Nil) repaid to parties related to IJ Buchhorn;
- ii) payment of \$167,412 (1996: Nil) to parties related to IJ Buchhorn for acquisition of mineral tenements, being reimbursements of exploration expenditure;
- iii) amounts paid to parties related to IJ Buchhorn for the provision of secretarial services and office accommodation on normal commercial terms and conditions;
- iv) fees paid for legal work undertaken by G Porter & Associates, of which GJB Porter is the principal, on normal commercial terms and conditions; and
- v) residential accommodation was secured by the Company for an executive employee from a party related to IJ Buchhorn on normal commercial terms and conditions.
- vi) information on remuneration of Directors and Executives of the Company is disclosed in Notes 12 and 14.

c) Transactions of Directors and Director related entities concerning Shares or Share Options were:

- i) Aggregate numbers of Shares and Share Options of the Company held directly, indirectly or beneficially by Directors or Director-related entities at balance date:

	1997	1996
	\$	\$
Ordinary Shares held	21,382,252	21,021,998
Options over Ordinary Shares held	9,000,000	9,000,000

- ii) During the year, Directors and Director related entities acquired 400,254 Shares of the Company which were on the same basis as similar transactions with other shareholders.

NOTE 16. AUDITORS' REMUNERATION

Amounts received or due and receivable by the auditors for:

- audit services	9,658	7,000
- other services	36,592	5,000

NOTE 17. COMMITMENTS FOR EXPENDITURE

Exploration Commitments

In order to maintain current rights of tenure to exploration and mining tenements, the Company has the following discretionary exploration expenditure requirements until expiry of tenements. These obligations, which are subject to renegotiation upon expiry of the tenements, are not provided for in the financial statements and are payable:

Not later than 1 year	1,450,000	1,400,000
Later than 1 year but not later than 2 years	1,450,000	1,400,000
Later than 2 years but not later than 5 years	4,350,000	4,200,000

5.0 Financial Statements (Continued)

NOTE 17. COMMITMENTS FOR EXPENDITURE (continued)

If the Company decides to relinquish certain tenements and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm out of exploration rights to third parties will reduce or extinguish these obligations. Those amounts detailed above do not include expenditure commitments which are the responsibility of joint venture partners (refer Note 20).

NOTE 18. CONTINGENT LIABILITIES

Native title claims have been made with respect to areas which include tenements in which Heron Resources NL has interests. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects.

NOTE 19. SEGMENT INFORMATION

The Company operates in the mineral exploration industry in Australia.

NOTE 20. JOINT VENTURE AGREEMENTS

The Company has entered into the following joint ventures:

Project	Operator	Right to Earn	Farm-in Expenditure
Scotia Kanowna	MPI-Outokumpu	75%	\$1.50m
Menzies East	Golden State Resources	60%	\$0.25m
Mungari Northwest	Not formally executed ¹	50%	\$3.00m
Laverton	Metex Resources	70%	\$0.50m
Mt Morgans	Metex Resources	70%	\$0.20m
Snake Hill	Connemara Gold Mines	70%	\$0.30m
Blister Dam	Not formally executed ¹	70%	\$0.25m
Binduli East	Not formally executed ¹	70%	\$0.75m
G2	Crest Resources Australia	70%	\$4.00m
			\$10.75m

¹ A Letter Agreement has been executed between Heron and the farm-inee, and formal documentation is in preparation

1997	1996
\$	\$

NOTE 21. EARNINGS PER SHARE

Basic earnings per share	(\$0.006)
Weighted average number of ordinary Shares outstanding during the year used in the calculation of basic earnings per share	50,668,493

As diluted earnings per share is not materially different from basic earnings per share it has not been disclosed.

Earnings per share has not been calculated for 1996 comparison purposes as the Company was not listed on ASX at 30 June 1996.

5.0 Financial Statements (Continued)

Directors' Statement

In accordance with a resolution of the Directors of Heron Resources NL, we state that:

In the opinion of the Directors:

1. the financial statements set out on pages 33 to 42 are drawn up in accordance with Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law and so as to give a true and fair view of:
 - a) the state of affairs as at 30 June 1997 and the result of the Company for the financial year ended on that date; and
 - b) the other matters with which they deal;
2. at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and
3. the financial statements have been made out in accordance with applicable Accounting Standards.

On behalf of the Board

page 43



R M EVANS
Director

Perth, 19 September 1997



I J BUCHHORN
Director

Perth, 19 September 1997

6.0 Independent Audit Report

To the members of Heron Resources NL

SCOPE

We have audited the financial statements of Heron Resources NL for the year ended 30 June 1997 as set out on pages 33 to 43 including the Directors' Statement. The Company's Directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial statements of Heron Resources NL are properly drawn up:

- a) so as to give a true and fair view of:
 - i) the state of affairs as at 30 June 1997 and the loss and cash flows of the Company for the financial year ended on that date; and
 - ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in financial statements;
- b) in accordance with the provisions of the Corporations Law; and
- c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.



BUTLER SETTINERI
Chartered Accountants



COLIN BUTLER
Partner

Perth, 19 September 1997

7.0 Shareholder Information

SHAREHOLDER INFORMATION AT 03 SEPTEMBER 1997

a) Distribution of Shareholders:

Size of Holding	Number of Holders	Shares Held
1 - 1000	17	11,867
1001 - 5000	156	579,472
5001 - 10000	347	3,081,734
10001 - 100000	576	19,247,628
100001 -	46	31,079,299
	<u>1142</u>	<u>54,000,000</u>

b) The twenty largest shareholders hold 50.54% of the issued fully paid capital of the Company.

c) Substantial Shareholder who has notified the Company:

Size of Holding	Number of Shares	%
Hazurn Pty Ltd	17,500,000	32.41

d) Distribution of optionholders:

Size of Holding	Number of Holders	Options Held
1 - 1000	-	-
1001 - 5000	-	-
5001 - 10000	2	20,000
10001 - 100000	8	625,000
100001 -	3	9,640,000
	<u>13</u>	<u>10,285,000</u>

e) There were 25 Shareholders who held less than a marketable parcel.

f) The following securities have been classified by ASX as restricted:

- i) 20,000,000 ordinary Shares of 25 cents each fully paid issued to the vendors of mining exploration properties.
- ii) 10,285,000 options exercisable at 25 cents each on or before 30 June 2000, issued to the vendors of mining exploration properties; and
- iii) 1,199,997 ordinary Shares of 25 cents each credited as fully paid issued to seed capital providers and promoters at 10 cents per share.

These securities cease to be restricted on 7 August 1998.

VOTING RIGHTS

In accordance with Article 18.1 of the Company's Articles of Association, voting rights are on the basis of a show of hands, one vote for every registered holder and on a poll, one vote for each share held by registered holders.

7.0 Shareholder Information (Continued)

Twenty Largest Shareholders as at 03 September 1997

	Number of Shares	%
1. Hazurn Pty Ltd	17,500,000	32.41
2. GHK Mining Pty Ltd	1,580,000	2.93
3. Buchhorn PJ	1,489,998	2.76
4. Buchhorn IJ	1,199,999	2.22
5. Bronwen Pty Ltd	800,000	1.48
6. Sundowner International	600,000	1.11
7. Hawke RL	493,333	0.91
8. Leigh BJ	380,000	0.70
9. Allens Business Group Pty Ltd	350,000	0.65
10. Gianni PR	338,586	0.63
11. Falcon Star Holdings Pty Ltd	310,000	0.57
12. Everest WA	300,000	0.56
13. Lee R	295,000	0.55
14. Caliga Pty Ltd	280,000	0.52
15. Swan River Nominee Corporation	264,929	0.49
16. Rocket Investment Pty Ltd	253,000	0.47
17. Fincorp Pty Ltd	250,000	0.46
18. Flaus J and S	206,000	0.38
19. Rakshas Pty Ltd	200,503	0.37
20. Killoran NL	200,000	0.37
TOTAL ISSUED SHARES	27,291,348	50.54%

Option holders as at 03 September 1997

	Number of Options	%
1. Hazurn Pty Ltd	8,750,000	85.08
2. GHK Mining Pty Ltd	740,000	7.19
3. Arancini RJ	150,000	1.46
4. Buchhorn IJ	100,000	0.97
5. Crook JA	100,000	0.97
6. Killoran NL	100,000	0.97
7. Kerr I	86,668	0.84
8. Gianni PR	86,666	0.84
9. Hawke RL	86,666	0.84
10. Dundas Mining Pty Ltd	40,000	0.39
11. Rossetto SE	25,000	0.24
12. Buchhorn PJ	10,000	0.10
13. Graham RE	10,000	0.10
TOTAL ISSUED OPTIONS	10,285,000	100.0%

8.0 Interest In Mining Tenements

Prospect	Geographic Location	Tenement Identifier	Area blocks (EL) ha (ML,PL)	Area km ²	Status	Interest Held
SCOTIA KANOWNA DOME PROVINCE		Scotia Kanowna Joint Venture Project				
Black Swan North	45Km NE of Kalgoorlie	E27/123	7	8.40	G	100% ¹
Gindalbie	50Km NNE of Kalgoorlie	E27/145	34	95.20	G	100% ¹
Kanowna	25Km NNE of Kalgoorlie	E27/166	10	13.30	A	100% ¹
Scotia East	60Km N of Kalgoorlie	E27/169	56	156.80	G	100% ¹
Scotia East	55Km NNW of Kalgoorlie	P24/3459	117.4	1.17	G	100% ¹
Scotia East	55Km NNW of Kalgoorlie	P24/3461	107.8	1.08	G	100% ¹
Scotia East	55Km NNW of Kalgoorlie	P24/3471	167	1.67	G	100% ¹
Scotia East	55Km NNW of Kalgoorlie	P24/3472	152	1.52	G	100% ¹
Scotia East	55Km NNW of Kalgoorlie	P24/3476	195	1.95	G	100% ¹
Scotia East	55Km NNW of Kalgoorlie	P24/3477	153	1.53	G	100% ¹
Scotia East	55Km NNW of Kalgoorlie	P24/3478	166	1.66	G	100% ¹
¹ MPI-Outokumpu right to earn 75%			Subtotal	284.28		
SCOTIA KANOWNA DOME PROVINCE		Silver Swan North Project				
Silver Swan North	47Km NNE of Kalgoorlie	P27/1427	150	1.50	G	100%
Silver Swan North	47Km NNE of Kalgoorlie	P27/1428	150	1.50	G	100%
Silver Swan North	47Km NNE of Kalgoorlie	P27/1429	150	1.50	G	100%
Silver Swan North	47Km NNE of Kalgoorlie	P27/1430	150	1.50	G	100%
			Subtotal	6.00		
SCOTIA KANOWNA DOME PROVINCE		Scotia Kanowna Dome Project				
Mulgarrie North	47Km N of Kalgoorlie	E24/97	11	30.80	A	100%
King of the West	30Km NNW of Kalgoorlie	P24/3404	200	2.00	G	100%
Scotia	68Km NW of Kalgoorlie	P24/3479	28	0.28	G	100%
			Subtotal	33.08		
SCOTIA KANOWNA DOME PROVINCE		Menzies East Joint Venture Project				
Menzies East	112Km NNW of Kalgoorlie	P29/1381	128.75	1.29	G	100% ²
		M29/231			A	
Menzies East	112Km NNW of Kalgoorlie	P29/1413	10	0.10	G	100% ²
		M29/230			A	
Menzies East	112Km NNW of Kalgoorlie	P29/1496	169.8	1.70	G	100% ²
Menzies East	112Km NNW of Kalgoorlie	P29/1498	135	1.35	G	100% ²
Menzies East	112Km NNW of Kalgoorlie	P29/1499	152.39	1.52	G	100% ²
Menzies East	112Km NNW of Kalgoorlie	P29/1500	120	1.20	G	100% ²
Menzies East	112Km NNW of Kalgoorlie	P29/1520	93.96	0.94	G	100% ²
Menzies East	112Km NNW of Kalgoorlie	P29/1521	27.78	0.28	G	100% ²
² Golden State right to earn 60%			Subtotal	8.38		

8.0 Interest In Mining Tenements (Continued)

Prospect	Geographic Location	Tenement Identifier	Area blocks (EL) ha (ML,PL)	Area km ²	Status	Interest Held
SCOTIA KANOWNA DOME PROVINCE		Kanowna East Project				
Kanowna East	23Km NE of Kalgoorlie	P27/1242	201.21	2.01	G	100%
		M27/272			A	
Kanowna East	23Km NE of Kalgoorlie	P27/1440	2.55	0.03	G	100%
		Subtotal		2.04		
KEITH KILKENNY PROVINCE		Edjudina Project				
Outcamp Bore	155Km NE of Kalgoorlie	E31/190	13	34.00	G	100%
Oak Bore	155Km NE of Kalgoorlie	E31/233	1	2.80	G	100%
Oak Bore South	155Km NE of Kalgoorlie	E31/234	1	2.80	G	100%
Yarri South	135Km NE of Kalgoorlie	E31/235	3	8.40	G	100%
Yilgangi East	140Km NE of Kalgoorlie	E31/236	1	1.60	G	100%
Wallbrook Hill	125Km NE of Kalgoorlie	E31/237	7	18.00	G	100%
Patricia West	155Km ENE of Kalgoorlie	E31/244	6	16.80	A	100%
Stophanis East	155Km ENE of Kalgoorlie	E31/265	1	2.80	G	100%
Yerilla North	165Km NNE of Kalgoorlie	E31/278	10	28.00	G	100%
Mt Catherine South	145Km NNE of Kalgoorlie	E31/279	21	58.80	G	100%
Webb Find North	150Km NNE of Kalgoorlie	E31/287	17	47.60	A	100%
Webb Find North	150Km NNE of Kalgoorlie	E31/288	17	47.60	G	100%
Boyce Creek East	150Km NNE of Kalgoorlie	E31/304	4	11.20	G	100%
Outcamp Bore West	150Km NE of Kalgoorlie	E31/311	12	33.60	G	100%
Yarri East	155Km NE of Kalgoorlie	E31/312	23	64.60	A	100%
Yarri North East	160Km NE of Kalgoorlie	E31/313	1	2.80	G	100%
Yarri North East	160Km NE of Kalgoorlie	E31/315	2	5.60	G	100%
Edjudina East	160Km NE of Kalgoorlie	E31/317	13	36.40	A	100%
Pinjin	140Km ENE of Kalgoorlie	E31/263	2	5.60	G	100%
Stophanis East	150Km ENE of Kalgoorlie	E31/343	1	2.80	A	100%
Larkin Well	170Km NNE of Kalgoorlie	E39/641	2	5.60	A	100%
Gairdner West	170Km NNE of Kalgoorlie	E39/642	1	2.80	A	100%
Larkin West	170Km NNE of Kalgoorlie	E39/643	2	5.60	A	100%
Celebration Bore	170Km NNE of Kalgoorlie	E39/644	23	64.40	A,B	100%
Kilmore Hill	175Km NNE of Kalgoorlie	E39/648	9	25.20	A	100%
Mt Remarkable East	155Km NNE of Kalgoorlie	E31/346	1	2.80	A,B	100%
Claypan Dam	155Km NNE of Kalgoorlie	E31/347	1	2.80	A,B	100%
Yerilla Ck Dam	155Km NNE of Kalgoorlie	E31/348	4	11.20	A,B	100%
Deep Well South	170Km NE of Kalgoorlie	E39/661	1	2.80	A,B	100%
Deep Well North	170Km NE of Kalgoorlie	E39/662	1	2.80	A	100%
Deep Well	170Km NE of Kalgoorlie	E39/663	1	2.80	A	100%

8.0 Interest In Mining Tenements (Continued)

Prospect	Geographic Location	Tenement Identifier	Area blocks (EL) ha (ML,PL)	Area km ²	Status	Interest Held
KEITH KILKENNY PROVINCE Continued						
Broken Hill Bore	155Km NE of Kalgoorlie	E31/352	1	2.80	A	100%
Clymies Well	155Km NE of Kalgoorlie	E31/353	13	36.40	A,B	100%
Seddon Bore	155Km NE of Kalgoorlie	E31/354	6	16.80	A,B	100%
Yarri	145Km NE of Kalgoorlie	M31/115	421	4.21	G	100%
Yarri	145Km NE of Kalgoorlie	P31/1398	20	0.20	G	100%
		M31/141			A	
Yilgangi Castle	140Km NE of Kalgoorlie	P31/1414	33.98	0.34	G	100%
		M31/173			A	
Mt Catherine	145Km NNE of Kalgoorlie	P31/1470	58	0.58	G	100%
Webb Find	145Km NE of Kalgoorlie	P31/1487	93	0.93	G	100%
Webb Find West	145Km NE of Kalgoorlie	P31/1493	27	0.27	G	100%
Porphyry North	155Km NE of Kalgoorlie	P31/1537	85.33	0.85	G	100%
Stophanis South	150Km ENE of Kalgoorlie	P31/1546	161	1.61	A	100%
Stophanis South	150Km ENE of Kalgoorlie	P31/1547	120	1.20	A	100%
Edjudina South	135Km NE of Kalgoorlie	P31/1548	40	0.40	G	100%
Gardeners Find	170Km NNE of Kalgoorlie	P39/3691	200	2.00	G	100%
Yarri	145Km NE of Kalgoorlie	P31/1483	11	0.11	G	100%
Quondong South	120Km NE of Kalgoorlie	P31/1489	177	1.77	G	100%
Quondong South	120Km NE of Kalgoorlie	P31/1490	89	0.89	G	100%
		Subtotal		631.96		
KEITH KILKENNY PROVINCE						
Mulgabbie Project						
Rough Gap	115Km ENE of Kalgoorlie	E28/567	8	16.80	G	100%
Round Hill	125Km ENE of Kalgoorlie	E28/576	4	11.20	G	100%
Round Hill	125Km ENE of Kalgoorlie	E28/577	10	28.00	G	100%
Old Pinjin	120Km ENE of Kalgoorlie	E28/591	15	42.00	G	100%
Mulgabbie	105Km NE of Kalgoorlie	E28/604	6	4.19	A	100%
Mulgabbie	105Km NE of Kalgoorlie	E28/605	1	2.80	G	100%
Mulgabbie	105Km NE of Kalgoorlie	E28/606	4	11.20	G	100%
Mulgabbie	105Km NE of Kalgoorlie	E28/607	1	2.80	A	100%
Rough Gap	110Km ENE of Kalgoorlie	E28/612	14	39.20	G	100%
Rough Gap	110Km ENE of Kalgoorlie	E28/613	8	22.40	G	100%
Rough Gap	110Km ENE of Kalgoorlie	E28/623	4	6.58	G	100%
Rough Gap	115Km ENE of Kalgoorlie	P28/883	144	1.44	G	100%
Rough Gap	115Km ENE of Kalgoorlie	P28/884	144	1.44	G	100%
Rough Gap	115Km ENE of Kalgoorlie	P28/886	147	1.47	G	100%
Rough Gap	115Km ENE of Kalgoorlie	P28/887	199.5	2.00	G	100%

8.0 Interest In Mining Tenements (Continued)

Prospect	Geographic Location	Tenement Identifier	Area blocks (EL) ha (ML,PL)	Area km ²	Status	Interest Held
KEITH KILKENNY PROVINCE Continued						
Mulgabbie West	105Km NE of Kalgoorlie	P28/930	174	1.74	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P28/931	175	1.75	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P28/932	160	1.60	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P28/933	119	1.19	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P28/934	179	1.79	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P28/935	152	1.52	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P28/936	169	1.69	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P28/937	149	1.49	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P28/938	200	2.00	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P28/939	197	1.97	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P31/1541	171	1.71	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P31/1542	147	1.47	G	100%
Mulgabbie West	105Km NE of Kalgoorlie	P31/1545	167	1.67	G	100%
Crab Hill	135Km ENE of Kalgoorlie	P28/923	138	1.38	G	100%
Crab Hill	135Km ENE of Kalgoorlie	P28/924	171	1.71	G	100%
Crab Hill	135Km ENE of Kalgoorlie	P28/925	195	1.95	G	100%
Crab Hill	135Km ENE of Kalgoorlie	P28/926	164	1.64	G	100%
Crab Hill	135Km ENE of Kalgoorlie	P28/927	114	1.14	G	100%
Rough Gap	115Km ENE of Kalgoorlie	P28/885	124	1.24	G	100%
Rough Gap	115Km ENE of Kalgoorlie	P28/888	87	0.87	G	100%
Old Plough Dam	105Km NE of Kalgoorlie	P31/1482	187	1.87	G	100%
			Subtotal	226.90		
KEITH KILKENNY PROVINCE		Karonie South Project				
Fraser Range North	180Km SE of Kalgoorlie	E28/602	59	165.20	G	100%
Karonie South	180Km SE of Kalgoorlie	E28/631	70	196.00	G	100%
Karonie South	180Km SE of Kalgoorlie	E28/638	9	25.20	G	100%
Karonie South	180Km SE of Kalgoorlie	E28/665	24	67.20	G	100%
Fraser Range West	180Km SE of Kalgoorlie	E63/455	54	151.20	A	100%
			Subtotal	604.80		

8.0 Interest In Mining Tenements (Continued)

Prospect	Geographic Location	Tenement Identifier	Area blocks (EL) ha (ML,PL)	Area km ²	Status	Interest Held
EMU FAULT PROVINCE		Gindalbie East Project				
Kalpini	60Km NE of Kalgoorlie	E27/129	31	86.80	G	100%
Gindalbie South	50Km NE of Kalgoorlie	E27/164	1	2.80	G	100%
Kalpini Northwest	60Km NE of Kalgoorlie	E27/170	16	44.80	G	100%
Kurnalpi South	75Km ENE of Kalgoorlie	E28/647	4	11.20	G	100%
Mayday North	50Km NE of Kalgoorlie	E27/182	1	2.80	A	100%
Gindalbie South	50Km NE of Kalgoorlie	E27/183	7	19.60	A	100%
Garibaldi	45Km NE of Kalgoorlie	M27/69	75	0.75	G	opt for 100%
Lindsay Find	55Km NNE of Kalgoorlie	P27/1265	120	1.20	G	100%
		M27/305			A	
Garibaldi	45Km NE of Kalgoorlie	P27/1400	29	0.29	G	100%
Garibaldi	45Km NE of Kalgoorlie	P27/1401	195	1.95	G	100%
Garibaldi	45Km NE of Kalgoorlie	P27/1402	65	0.65	G	100%
Gindalbie South	50Km NE of Kalgoorlie	P27/1407	200	2.00	G	100%
Gindalbie South	50Km NE of Kalgoorlie	P27/1408	200	2.00	G	100%
Gindalbie South	50Km NE of Kalgoorlie	P27/1409	193	1.93	G	100%
Gindalbie South	50Km NE of Kalgoorlie	P27/1412	132	1.32	G	100%
Gindalbie South	50Km NE of Kalgoorlie	P27/1414	107	1.07	G	100%
Lindsays North	55Km NNE of Kalgoorlie	P27/1420	115.3	1.15	G	100%
Garibaldi	45Km NE of Kalgoorlie	P27/1424	87	0.87	G	100%
Gindalbie South	50Km NE of Kalgoorlie	P27/1446	163	1.63	G	100%
Gindalbie South	50Km NE of Kalgoorlie	P27/1447	45	0.45	G	100%
Wellington North	70Km NE of Kalgoorlie	P27/1448	160	1.60	G	100%
Wellington North	70Km NE of Kalgoorlie	P27/1449	108	1.08	G	100%
Wellington North	70Km NE of Kalgoorlie	P27/1450	159	1.59	G	100%
Wellington North	70Km NE of Kalgoorlie	P27/1451	190	1.90	G	100%
Wellington North	70Km NE of Kalgoorlie	P27/1452	186	1.86	G	100%
Wellington North	70Km NE of Kalgoorlie	P27/1453	156	1.56	G	100%
Kalpini West	50Km NE of Kalgoorlie	P27/1353	47	0.47	G	100%
Kalpini West	50Km NE of Kalgoorlie	P27/1354	128	1.28	G	100%
Kalpini West	50Km NE of Kalgoorlie	P27/1355	176	1.76	G	100%
Kalpini West	50Km NE of Kalgoorlie	P27/1358	159	1.59	G	100%
Kalpini West	50Km NE of Kalgoorlie	P27/1359	58	0.58	G	100%
		Subtotal		199.33		

8.0 Interest In Mining Tenements (Continued)

Prospect	Geographic Location	Tenement Identifier	Area blocks (EL) ha (ML,PL)	Area km ²	Status	Interest Held
MUNGARI PROVINCE		Mungari Northwest Joint Venture Project				
Mungari Northwest	35Km WNW of Kalgoorlie	E15/411	1	2.80	A	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	E16/121	17	47.60	G	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	E16/146	2	0.50	A	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	P16/1682	200	2.00	G	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	P16/1683	130	1.30	G	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	P16/1684	144	1.44	G	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	P16/1685	140	1.40	G	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	P16/1686	191	1.91	G	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	P16/1696	199	1.99	G	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	P16/1697	200	2.00	G	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	P16/1811	153	1.53	G	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	P16/1812	104	1.04	G	100% ³
Mungari Northwest	35Km WNW of Kalgoorlie	P16/1813	158	1.58	G	100% ³
			Subtotal	67.09		
³ Farm-inee right to earn 50%						
LEONORA LAVERTON PROVINCE		Laverton Joint Venture Project				
Hawkes Nest	17Km WSW of Laverton	E38/831	6	16.80	G	100% ⁴
Hawkes Nest South	17Km WSW of Laverton	E38/832	5	14.00	G	100% ⁴
Mt Varden West	54Km N of Laverton	E38/944	4	11.20	A	100%
Mt Varden East	45Km N of Laverton	E38/946	27	75.60	A	100%
			Subtotal	117.60		
⁴ Metex right to earn 70%						
LEONORA LAVERTON PROVINCE		Mount Morgans Joint Venture Project				
Mt Morgans Northwest	40Km WSW of Laverton	P39/3454	155.6	1.56	G	100% ⁵
Mt Morgans Northwest	40Km WSW of Laverton	P39/3455	195.3	1.95	G	100% ⁵
Mt Morgans Northwest	40Km WSW of Laverton	P39/3456	195.3	1.95	G	100% ⁵
Mt Morgans Northwest	40Km WSW of Laverton	P39/3457	186	1.86	G	100% ⁵
Mt Morgans West	40Km WSW of Laverton	P39/3466	170.63	1.71	G	100% ⁵
Mt Morgans West	40Km WSW of Laverton	P39/3467	170.63	1.71	G	100% ⁵
Mt Morgans West	40Km WSW of Laverton	P39/3468	170.63	1.71	G	100% ⁵
Mt Morgans West	40Km WSW of Laverton	P39/3469	170.63	1.71	G	100% ⁵
			Subtotal	14.15		
⁵ Metex right to earn 70%						

8.0 Interest In Mining Tenements (Continued)

Prospect	Geographic Location	Tenement Identifier	Area blocks (EL) ha (ML,PL)	Area km ²	Status	Interest Held
LEONORA LAVERTON PROVINCE		Malcolm Project				
Horan Lake	15Km SE of Leonora	E37/350	5	14.00	G	100%
Mt Melita	22Km SE of Leonora	E40/72	8	8.00	G	100%
Morapoi	53Km S of Leonora	E40/88	4	11.20	G	100%
Malcolm North	12Km ENE of Leonora	P37/5513	120	1.20	G	100%
Malcolm North	12Km ENE of Leonora	P37/5514	120	1.20	G	100%
Malcolm North	12Km ENE of Leonora	P37/5515	120	1.20	G	100%
Malcolm North	12Km ENE of Leonora	P37/5516	120	1.20	G	100%
Malcolm North	12Km ENE of Leonora	P37/5517	153	1.53	G	100%
Malcolm North	12Km ENE of Leonora	P37/5518	175	1.75	G	100%
Malcolm North	12Km ENE of Leonora	P37/5519	185	1.85	G	100%
Malcolm North	12Km ENE of Leonora	P37/5520	190	1.90	G	100%
Malcolm North	12Km ENE of Leonora	P37/5521	175	1.75	G	100%
Malcolm North	12Km ENE of Leonora	P37/5522	150	1.50	G	100%
Malcolm North	12Km ENE of Leonora	P37/5523	185	1.85	G	100%
Malcolm North	12Km ENE of Leonora	P37/5524	185	1.85	G	100%
Malcolm North	12Km ENE of Leonora	P37/5525	183	1.83	G	100%
Malcolm North	12Km ENE of Leonora	P37/5526	195	1.95	G	100%
Malcolm North	12Km ENE of Leonora	P37/5527	150	1.50	G	100%
Malcolm North	12Km ENE of Leonora	P37/5528	157	1.57	G	100%
Malcolm North	12Km ENE of Leonora	P37/5529	130	1.30	G	100%
Alice Gold Mine	17Km ESE of Leonora	P37/5122	9.71	0.10	G	100%
		Subtotal		60.23		
LEONORA LAVERTON PROVINCE		Victory Project				
Doyle Well	60Km NW of Leonora	E37/406	12	10.00	G	100%
Mount McClure	120Km NNW of Leonora	E36/387	6	16.80	A	100%
Mount McClure	120Km NNW of Leonora	E36/388	2	5.60	A	100%
Victory Gold Mine	55Km NW of Leonora	P37/5097	17.825	0.18	G	100%
		Subtotal		32.58		
LEONORA LAVERTON PROVINCE		Celia Project				
Ottery Well	180Km NE of Kalgoorlie	E39/581	42	117.60	A,B	100%
Safari Bore West	180Km NE of Kalgoorlie	E39/656	16	43.91	A,B	100%
		Subtotal		161.51		
MENZIES LEONORA PROVINCE		Menzies Leonora Project				
Union Jack Well	55Km WNW of Leonora	E37/498	13	39.11	A	100%
Lawrence Find	80Km W of Menzies	E30/203	70	196.00	A	100%
		Subtotal		235.11		

8.0 Interest In Mining Tenements (Continued)

Prospect	Geographic Location	Tenement Identifier	Area blocks (EL) ha (ML,PL)	Area km ²	Status	Interest Held
IDA FAULT PROVINCE		Snake Hill Joint Venture Project				
Snake Hill North	140Km NW of Kalgoorlie	E29/290	5	5.00	G	100% ⁶
Snake Hill	140Km NW of Kalgoorlie	E30/166	6	16.80	G	100% ⁶
⁶ Connemara right to earn 70%			Subtotal	21.80		
IDA FAULT PROVINCE		Blister Dam Joint Venture Project				
Blister Dam	100Km NW of Kalgoorlie	E24/88	10	28.00	G	100% ⁷
⁷ Farm-inee right to earn 70%			Subtotal	28.00		
IDA FAULT PROVINCE		Bullabulling Project				
Bullabulling South	60Km WSW of Kalgoorlie	E15/541	7	19.60	A	100%
Bullabulling South	60Km WSW of Kalgoorlie	E15/542	2	5.60	A	100%
			Subtotal	25.20		
NORSEMAN PROVINCE		Dundas Lake Project				
Dundas Lake	20Km SSE of Norseman	P63/990	200	2.00	G	100%
Dundas Lake	20Km SSE of Norseman	P63/991	172	1.72	G	100%
Dundas Lake	20Km SSE of Norseman	P63/992	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/993	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/994	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/995	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/996	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/997	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/998	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/999	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/1000	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/1001	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/1002	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/1003	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/1004	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/1005	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/1006	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/1007	120	1.20	G	100%
Dundas Lake	20Km SSE of Norseman	P63/1008	120	1.20	G	100%
			Subtotal	24.12		

8.0 Interest In Mining Tenements (Continued)

Prospect	Geographic Location	Tenement Identifier	Area blocks (EL) ha (ML,PL)	Area km ²	Status	Interest Held
KAMBALDA DOMAIN PROVINCE		Binduli East Project				
Binduli East	5Km SW of Kalgoorlie	P26/2791	198	1.98	G	100% ⁸
Binduli East	5Km SW of Kalgoorlie	P26/2792	182	1.82	G	100% ⁸
Binduli East	5Km SW of Kalgoorlie	P26/2794	160	1.60	G	100% ⁸
Binduli East	5Km SW of Kalgoorlie	P26/2800	168	1.68	G	100% ⁸
Binduli East	5Km SW of Kalgoorlie	P26/2801	150	1.50	G	100% ⁸
Binduli East	5Km SW of Kalgoorlie	P26/2802	173	1.73	G	100% ⁸
Binduli East	5Km SW of Kalgoorlie	P26/2803	196	1.96	G	100% ⁸
Binduli East	5Km SW of Kalgoorlie	P26/2814	71	0.71	G	100% ⁸
Binduli East	5Km SW of Kalgoorlie	P26/2815	196	1.96	G	100% ⁸
Binduli East	5Km SW of Kalgoorlie	P26/2818	104.38	1.04	G	100% ⁸
			Subtotal	15.98		
SOUTHERN CROSS PROVINCE		Bungalbin Project				
Bungalbin	100 Km NNE of Southern Cross	E77/842	38	106.40	A	100%
			Subtotal	106.40		
EASTERN GOLDFIELDS SUBTOTAL				2,839.94		
GAWLER CRATON PROVINCE		G2 Joint Venture Project				
Crystal Brook	Crystal Brook	EL 2159	1835	1835.00	G	100% ⁹
Port Pirie	Port Pirie	EL 2160	833	833.00	G	100% ⁹
GAWLER CRATON SUBTOTAL				2,668.00		
TOTAL TENEMENT AREA km²				5507.94		

- A = Application
G = Granted
B = Exploration Licence in Ballot

Glossary of Terms

"Aeromagnetic Survey" means a survey made from the air, recording variations in the earth's magnetic field.

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

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

"Aircore drilling" means a rotary drilling technique which uses compressed air to cut a core sample and return core fragments to surface inside the drill rods.

"Au" means gold.

"Cu" means copper.

"Fe" means iron.

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

"g/t" means grams per tonne.

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

"Helimag" means an aeromagnetic survey flown by a helicopter.

"km" means kilometres.

"km²" means square kilometres.

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

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

"Adcumulate" means a rock with little or no intercumulus material and characterised dominantly by anhedral crystals.

"Mesocumulate" means a rock with cumulus crystals exhibiting extensive mutual boundary contact, but retaining some recognisable interstitial material.

"m" means metres.

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

"MMI" means the Mobile Metal Ion™ process, which is a partial extraction soil geochemical technique very effective for nickel and gold exploration.

"Ni" means nickel.

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

"Option" means a share option to subscribe for fully paid ordinary 25 cents Shares in Heron exercisable by payment of 25 cents prior to the expiration of the 30th day of June 2000.

"P" means phosphorus

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

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

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

"ppb" means parts per billion.

"ppm" means parts per million.

"RAB drilling" means the drilling technique in which a sample is returned to surface outside the rod string by compressed air.

"RC drilling" means the drilling method employing a rotating or hammering action on a drill bit which returns a sample to the surface inside the rod string by compressed air.

"Shear Zone" means a zone in which crushed rock has been produced by the action of a shearing stress as on a fault.

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

"Ultramafic" means rocks composed almost entirely of mafic minerals.