

31 July 1997

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

Dear Sir / Madam

**RE: HERON RESOURCES NL**  
**QUARTERLY REPORT FOR PERIOD ENDING 30 JUNE 1997**

**1.0 SUMMARY**

- ***Scotia Kanowna Dome Province***

Joint venture operator MPI has commenced air-core drilling on the E27/145 ***Gindalbie Nickel Prospect***. The target is a komatiite succession north west of the Silver Swan nickel mine.

High exploration priority will be afforded the E24/97 ***Scotia Kanowna Granitoid Project***, which covers the northeast extension of the mineralised corridor hosting the recent AMX Golden Cities and Centaur Federal gold discoveries.

The ***Menzies East Project*** has been farmed out to Golden State Resources NL. The main target is gold mineralisation south of the Granny Venn discovery.

- ***Keith Kilkenny Province***

Compilation of an extensive drill data base at the ***Yarri Prospect*** was completed. A lode envelope has been defined with a 10 - 20m true width and 400m strike length open to the north. Within this envelope, sporadic high gold grades occur. Detailed RC drill follow up is required in order to quantify resources.

A soil geochemical anomaly with 78ppb Au peak was located at the ***Mt Catherine Prospect***.

Soil geochemical surveying of three major, complex structural targets within the ***Mulgabbie Project*** is continuing. A 1.5km strike length drilling target has been identified at the ***Brampton Prospect***, and other drilling targets at the ***Hayman*** and ***Whitsunday Prospects***.

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- ***Emu Fault Province***

RAB drilling of four separate soil gold targets is underway at the ***Garibaldi Prospect***. Soil sampling by Heron and previous shallow drilling has defined widespread gold anomalism.

Adjoining laterites at the optioned ***Smith Nickel Project*** assay up to 2.6% Ni, 1.4% Co and 48% Mn, and have been interpreted by Heron as a potential lateritic or saprolitic nickel-cobalt target. The current RAB drilling is evaluating both the gold and nickel potential.

At the ***Wellington North Prospect***, MMI soil geochemistry has indicated the possible presence of komatiite channel flow facies, which are the prospective units for Silver Swan-style nickel occurrences.

- ***Mungari Province***

The Heron ***Mungari Northwest Project*** has been farmed out in principle to a major company with a strong operating presence in the Kalgoorlie area. The farm-inee has the right to earn 50%. The project area is inferred to contain the White Foil structural and stratigraphic setting, and has the potential to host a comparable gold discovery.

- ***Leonora Laverton Province***

The Heron ***Laverton Project*** was farmed-out to Metex Resources NL. Metex may earn 70% by spending \$500,000 within four years.

The Heron ***Mt Morgans Project*** has also been farmed out to Metex Resources NL. Metex may earn 70% by spending \$200,000 within four years.

- ***Ida Fault Province***

The Heron ***Snake Hill Project*** has been farmed out to Connemara Gold Mines Pty Limited. Connemara may earn 70% by spending \$300,000 within four years.

Tenements have been pegged at the ***Bullabulling South Project*** to follow up a Nepean-style komatiite nickel exploration model.

- ***Kambalda Domain Province***

A 20km<sup>2</sup> tenement holding has been acquired immediately south west of Kalgoorlie. The project area occurs between the Janet Ivy, Binduli and Superpit gold resources.

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## 2.0 EXPLORATION REVIEW

### 2.1 *Scotia Kanowna Province*

#### 2.1.1 *Scotia Kanowna Joint Venture Project*

Heron 100%. MPI - Outokumpu right to earn 75%.  
Nickel (- gold)

Exploration during the quarter comprised geological reconnaissance over the Gindalbie Prospect (E27/145) and the East Scotia Prospect (P24/3459, 3461, 3471, 3472 and 3476-3478). Based on this work and previously flown detailed magnetics, reconnaissance air-core drilling programs were prepared for both areas.

Gridding and line clearing on E27/145 was completed ahead of drilling which commenced in mid July. Gridding at East Scotia also commenced in July.

#### 2.1.2 *Silver Swan North Project*

Heron 100%  
Nickel - gold

A geological report by the Company's consultant has concluded that the project area is primarily prospective for gold. The Consultant's structural interpretation has downgraded the nickel prospectivity on the basis of the position of aeromagnetic targets in relation to the Moriarty Shear. The aeromagnetic targets are felt to reflect dolerite intrusives, rather than ultramafic horizons.

Accordingly, proposed RC drilling has been placed in abeyance, pending clarification of the structural setting. The current MPI E27/145 joint venture drilling may assist Heron in resolving the Silver Swan North structural interpretation.

#### 2.1.3 *Scotia Kanowna Granitoid Project*

Heron 100%  
Gold

The strike extension of the northeast trending mineralised corridor that hosts AMX's Golden Cities project and Centaur's Federal discovery is covered by Heron tenement E24/97.

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This tenement is located approximately 5km northeast of these significant gold resources, adjacent to Centaur's E24/82.

Several expressions of joint venture interest have been received, on the basis of the project's proximity to the Centaur gold discovery.

**2.1.4** *Menzies East Joint Venture Project*

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

The project area located 9km south-southeast along strike from the Granny Venn gold discovery has been farmed out to Golden State Resources NL ("Golden State"). Golden State is entitled to earn a 60% interest by incurring sole exploration expenditure of \$250,000 prior to 28 June 2001.

Golden State advise that a detailed data compilation is current.

**2.1.5** *Kanowna East Project*

Heron 100%  
Gold - nickel

Interpretation of the March 1997 RC drilling program was completed.

A significant alteration zone with up to 35m at 0.51g/t Au was intersected. It has been decided to seek a farm-in partner to further develop the property.

The March 1997 drilling intersected bedrock nickel anomalies within an ultramafic geological setting comparable to that of the Silver Swan nickel mining centre. Multi-element geochemistry on ultramafic drill chips is to be done in order to further evaluate the nickel potential.

**2.2** *Keith Kilkenny Province*

**2.2.1** *Edjudina Project*

Heron 100%  
Gold

Tenement acquisition is continuing, with several new Exploration Licences acquired along strike from existing Heron targets. Heron now has a major land holding within this most prospective area.

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Yarri Prospect

Compilation of previous drilling from the Yarri Prospect has been completed. A well defined lode envelope is present with a width of 10 - 20m at a 0.5g/t Au cut-off. Sporadic high grade intercepts of up to 17.6g/t Au occur. The zone has a 400m strike length, and is open to the north where it is coincident with old workings and a soil gold anomaly.

The target has typically been tested with sporadic 1 and 2 hole sections, and is not at a stage of resource estimation.

Pinjin Prospect

Soil geochemical surveying was completed. Anomaly thresholds were low, indicating problems with a transported regolith.

Mt Catherine Prospect

Soil geochemical surveying returned anomalies of 47 - 78ppb Au against a 2ppb Au background. In-fill sampling is required, prior to drill testing.

**2.2.2** *Mulgabbie Project*

Heron 100%  
Gold - nickel

Systematic 200m x 50m soil geochemical surveying has been completed over the Brampton, Hayman and Whitsunday Prospects, following up previous Heron reconnaissance soil gold anomalies. Significant soil geochemical anomalies have been defined by the in-fill sampling, with peaks of 51ppb Au at Brampton, and 91ppb Au at Hayman. Results from Whitsunday are awaited.

In-fill sampling has confirmed a 1.5km strike length for the Brampton soil gold anomaly.

**2.2.3** *Karonie South Project*

Heron 100%  
Gold - nickel

Compilation and interpretation of aeromagnetics, Landsat and geological open file data is continuing, using a GIS data analysis method. Several expressions of farm-in interest have been received. These will be reviewed once Heron's target definition work is completed.

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Border Gold NL have announced a resources base of 480,000 ounces of gold at their Karonie project, which is immediately north along strike of the Heron project area. Combined with previous production, the Karonie greenstone belt is now a million ounce province.

## 2.3 *Emu Fault Province*

### 2.3.1 *Gindalbie East Project*

Heron 100%  
Nickel - gold

#### Garibaldi Prospect

Four separate soil geochemical targets have been defined, with peaks of 270ppb Au, 95.8ppb Au, 134ppb Au and 377ppb Au. Anomaly strike lengths are 0.5 - 1.6km, and widths typically 200m.

RAB drilling of these targets is current. No assay results are as yet to hand.

Lithological logging indicates that an intensely carbonate-altered mafic suite with zones of strong quartz veining is associated with the soil gold anomalies. Previous shallow RAB drilling of the target areas has returned intersections of 4m at 2.4g/t Au, 3m at 2.1g/t Au, 4m at 2.7g/t Au, 1m at 4.2g/t Au and 4m at 4.4g/t Au, generally from near surface. The aim of the current Heron RAB drilling is to quantify the structural control on mineralisation prior to deep RC drill testing.

#### Kalpini West Prospect

Initial reconnaissance soil geochemistry was completed across the interpreted Emu Fault position. Results are being assessed.

#### Kurnalpi South Prospect

Initial target generation work was completed. The principal exploration target is palaeochannel gold. A soil geochemical program was attempted, but was prevented by wet ground conditions proximal to Lake Yindarlgooda.

#### Wellington North Prospect

MMI soil geochemical surveying of the main komatiite succession was completed.

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Coincident MMI nickel and paladium values are consistent with those associated with channel flow facies komatiites. Peak values are 13000ppb Ni and 2.46ppb Pd.

Channel flow facies komatiites typically host Kambalda and Silver Swan-style massive Ni - Cu sulphide deposits.

In-fill MMI sampling will be carried out prior to air core drill testing.

GMQ Prospect

The prospect adjoins existing Heron tenements, and was purchased from Croesus Mining NL. The tenement has an area of 126ha, and is immediately north-west along strike of the Mayday gold mining centre. The main target is a soil gold anomaly of 77ppb Au against a 4ppb Au background. In-fill soil geochemistry is planned, prior to RAB drill testing.

**2.3.2 *Garibaldi Smith Nickel Project***

Heron option for 100%  
Nickel - cobalt - manganese - gold

An Option Agreement over the historical Garibaldi mining centre was executed between Heron and Richard Smith (\$4,000 option, \$150,000 exercise, royalty capped at \$300,000 on any nickel-cobalt-manganese ore mined and milled).

In the eastern project area, previous sampling returned up to 2.6% Ni, 1.4% Co and 48% Mn, occurring within lateritised ultramafic. This level of anomalism suggests significant lateritic or saprolitic nickel-cobalt potential. Heron reconnaissance rock chip sampling has confirmed an anomalous setting. Accordingly, MMI soil geochemistry was completed, in order to define drilling targets. Results are awaited.

The project area is a strategic lease for Heron, providing continuity between Heron's various Garibaldi tenements. Heron soil gold anomalies continue onto the western and northern Smith lease boundaries, and are currently being drill tested.

The main historical Garibaldi gold workings have only been assessed previously with four shallow RAB holes. Potential exists for a significant mineralised system at the site of the old workings.

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**2.4 *Mungari Province***

**2.4.1 *Mungari Northwest Project***

Heron 100% (farm-inee right to earn 50%)  
Gold

A joint venture proposal has been received and accepted in principle whereby a major local gold producer has the right to earn a 50% interest in the project. Formal documentation is awaited.

The project area is north-west along strike of the Mines and Resources Australia-Mineral Commodities White Foil gold discovery. A very aggressive exploration program is envisaged, involving a \$250,000 expenditure in the first six months.

**2.5 *Leonora Laverton Province***

**2.5.1 *Laverton Joint Venture Project***

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

A joint venture was executed between Heron and Metex Resources NL ("Metex") whereby Metex has the right to earn a 70% interest through spending \$500,000 within four years. \$80,000 must be spent in the first year of the joint venture.

Aeromagnetic and geological compilations have been completed, to define exploration targets.

**2.5.2 *Mount Morgans Joint Venture Project***

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

A joint venture was executed between Heron and Metex Resources NL whereby Metex has the right to earn 70% through spending \$200,000 within four years. \$35,000 must be spent in the first year of the joint venture.

Aeromagnetic and geological compilations are current.

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**2.5.3** *Malcolm Project*

Heron 100%  
Gold - nickel

Acquisition of aeromagnetics was completed, and open file compilations are current. Soil geochemical surveys have commenced on targets defined by the initial open file interpretations.

Morapoi Prospect

Previously reported soil gold anomalies at the Morapoi Prospect were in-fill sampled. The targets have been downgraded.

**2.5.4** *Victory Project*

Heron 100%  
Gold - nickel

Additional Exploration Licences have been pegged, on structural and geochemical targets south along strike from the Mt McClure gold mining centre.

**2.5.5** *Celia Project*

Exploration Licence applications have been lodged in the Mt Celia-Safari Bore area, south of the Red October gold discovery. Due to the very high prospectivity of the area, multiple competing applications were lodged, necessitating ballots.

**2.6** *Menzies Leonora Province*

**2.6.1** *Menzies Leonora Project*

Heron 100%  
Nickel - gold - diamonds

Exploration Licence applications at Union Jack Well and Lawrence Find are awaiting grant.

The region is currently subject to very active diamond exploration, with various kimberlite intrusives undergoing evaluation.

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**2.7** *Ida Fault Province*

**2.7.1** *Snake Hill Joint Venture Project*

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

A Letter of Agreement was signed with Connemara Gold Mines Pty Limited, a 100% owned subsidiary of Barminco Pty Limited ("Connemara"), whereby Connemara may earn a 70% equity in the Snake Hill Project through expenditure of \$300,000 within four years. The Snake Hill tenements are currently held by Killoran NL, but are subject to transfer to Heron.

The tenements are located on the Ida Fault 60km north of the Davyhurst gold mining centre. There is both gold and nickel potential, with the Elsie May gold mine to the immediate north, and Riverina gold mine to the immediate south. The project area is immediately south along strike of the recently announced Mt Kersey Mining NL Four Corners and Cullens lateritic and sulphide nickel prospects.

Aeromagnetics have been acquired, as a means of generating target areas.

**2.7.2** *Bullabulling South Project*

Heron 100%  
Nickel - gold

Applications were lodged over a greenstone succession 5km south of Bullabulling. The area consists of pervasive soil cover, and has previously been inferred to be granite subcrop. Aeromagnetic interpretations however indicate the presence of ultramafics, with probable thrust repetitions.

The proximity to a major crustal structure (Ida Fault), inferred ultramafic and known nickel occurrences in the area (Nepean and Miriam) suggests good nickel prospectivity.

**2.8** *Dundas Province*

**2.8.1** *Dundas Lake Project*

Heron 100%  
Gold

Open file compilations are current, aimed at identifying palaeochannel gold settings.

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**2.9 Kambalda Domain Province**

**2.9.1 Binduli East Project**

Heron 100%  
Gold - nickel

A 20km<sup>2</sup> contiguous tenement holding straddling the Abattoir Shear immediately west of Kalgoorlie has been purchased.

The project area is south along strike from the Janet Ivy gold resource, with the Binduli mining centre at the western project boundary, and KCGM Superpit to the east.

**2.10 Southern Cross Province**

**2.10.1 Bungalbin Project**

Heron 100%  
Iron ore - gold

Heron was successful in winning a ballot over the project area.

The area is east along strike of the Marda gold mining centre, within an area of pervasive laterite cover. The application area includes an iron ore resource.

**2.11 Gawler Craton Province**

**2.11.1 G2 Joint Venture Project**

Heron 100%. Crest right to earn 70%.  
Gold - copper - uranium - diamonds

Joint venture operator Crest advises that a high resolution low level aeromagnetic survey has commenced.

**I J BUCHHORN  
MANAGING DIRECTOR**

*The information is based on, and accurately reflects, information compiled by Ian James Buchhorn, who is a Member of the Australasian Institute of Mining and Metallurgy.*

## Appendix 5B

### Mining exploration entity quarterly report

Name of entity

Heron Resources NL

ACN or ARBN  
ended ("current quarter")

068 263 098

Quarter

30 June 1997

#### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	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	(298)	(874)
(b) development		
(c) production		
(d) administration	(55)	(317)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	150	374
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(203)</b>	<b>(817)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	(105)	(545)
(b) equity investments		
(c) other fixed assets	(66)	(136)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net Investing Cash Flows</b>	<b>(171)</b>	<b>(681)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(374)</b>	<b>(1,498)</b>

*Heron Resources NL - Quarterly Report  
Period Ending 30 June 1997*

1.13 Total operating and investing cash flows (brought forward)	(374)	(1,498)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from the issue of shares, options, etc.		8,000
1.15 Proceeds from the sale of forfeited shares		
1.16 Proceeds from borrowings	58	58
1.17 Repayment of borrowings	(176)	(350)
1.18 Dividends paid		
1.19 Other (provide details if material) - Share Issue Expenses	(7)	(639)
<b>Net financing cash flows</b>	<b>(125)</b>	<b>7,069</b>
<b>Net increase (decrease) in cash held</b>		
	(499)	5,571
1.20 Cash at beginning of quarter/year to date	6,071	1
1.21 Exchange rate adjustments to 19		
<b>1.22 Cash at end of quarter</b>	<b>5,572</b>	<b>5,572</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

	Current Qtr \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	26
1.24 Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors fees, salaries and superannuation (26).

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

See attached schedule
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**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	500
4.2 Development	
<b>Total</b>	500

**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		
5.2 Deposits at call	417	207
5.3 Bank Overdraft	(321)	(27)
5.4 Other (provide details) Bank Bills	5,476	5,891
<b>Total: cash at end of quarter (Item 1.22)</b>	5,572	6,071

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at End of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		None		
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.*

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	Number Issued	Number quoted	Par value (cents)	Paid-up value (cents)
<b>7.1 Preference securities</b> (description)				
7.2 Issued during quarter				
<b>7.3 Ordinary securities</b>	54,000,000	32,800,003	25	25
7.4 Issued during quarter				
<b>7.5 Convertible debt securities</b> (description)				
7.6 Issued during quarter				

*Heron Resources NL - Quarterly Report  
Period Ending 30 June 1997*

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<b>7.7 Options</b> (description)	10,000,000	Nil	Exercise Price 25	Expiry Date 30/06/20 00
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
<b>7.11 Debentures</b> (totals only)				
<b>7.12 Unsecured notes</b> (totals only)				



**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. MPI-Outokumpu has the right to earn a 75% equity interest in the Scotia Kanowna Joint Venture Project tenements through sole funding the initial \$1,500,000 of exploration.
2. Crest Resources Australia NL has the right to earn a 70% equity interest in the G2 Joint Venture Project tenements through sole funding the initial \$4,000,000 of exploration.
3. Golden State Resources NL has the right to earn a 60% equity interest in the Menzies East Joint Venture Project tenements through sole funding the initial \$250,000 of exploration.
4. Metex Resources NL has the right to earn a 70% equity interest in the Laverton Joint Venture Project tenements through sole funding the initial \$500,000 of exploration.
5. Metex Resources NL has the right to earn a 70% equity interest in the Mt Morgans Joint Venture Project tenements through sole funding the initial \$200,000 of exploration.
6. Connemara Gold Mines Pty Limited has the right to earn a 70% equity interest in the Snake Hill Joint Venture Project tenements through sole funding the initial \$300,000 of exploration.

## 6.2 Changes in Interests in Mining Tenements, June 1997

<i>Tenement Reference</i>	<i>Nature of Interest</i>	<i>Interest Beginning of Quarter</i>	<i>Interest End of Quarter</i>
E15/541	Registered Applicant	0	100
E15/542	Registered Applicant	0	100
P16/146	Registered Applicant	0	100
E24/88	Registered Holder	0	100
E25/157	Registered Applicant (Ballot)	0	100
P26/2791	Registered Holder	0	100
P26/2792	Registered Holder	0	100
P26/2794	Registered Holder	0	100
P26/2800	Registered Holder	0	100
P26/2801	Registered Holder	0	100
P26/2802	Registered Holder	0	100
P26/2803	Registered Holder	0	100
P26/2814	Registered Holder	0	100
P26/2815	Registered Holder	0	100
P26/2818	Registered Holder	0	100
M27/69	Option to Purchase	0	100
E29/290	Agreement to Purchase	0	100
E30/166	Registered Holder	0	100
E30/203	Registered Applicant	0	100
E31/346	Registered Applicant (Ballot)	0	100
E31/347	Registered Applicant (Ballot)	0	100
E31/348	Registered Applicant (Ballot)	0	100
E31/352	Registered Applicant	0	100
E31/353	Registered Applicant (Ballot)	0	100
E31/354	Registered Applicant (Ballot)	0	100
E36/385	Registered Applicant	0	100
E36/387	Registered Applicant	0	100
E36/388	Registered Applicant	0	100
E38/1018	Registered Applicant (Ballot)	0	100
E39/648	Registered Applicant	0	100
E39/656	Registered Applicant (Ballot)	0	100
E39/661	Registered Applicant (Ballot)	0	100
E39/662	Registered Applicant	0	100
E39/663	Registered Applicant	0	100
E77/842	Registered Applicant	0	100