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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 SEPTEMBER 1997**

1.0 SUMMARY

The exploration focus for the Company during the September Quarter moved to the Wellington North to Kalpini ultramafic belt:

- Significant near surface lateritic nickel mineralisation was intersected at the **Wellington North Prospect**, with 4m RAB composites returning **12m at 1.23% Ni, 8m at 1.23% Ni, 8m at 1.24% Ni, 8m at 1.13% Ni and 8m at 1.09% Ni, all with significant credits of 0.04-0.11% Co.**
- Further nickel-cobalt soil geochemical targets within a belt extending some 18km S from Wellington North have been defined for drill testing:
 - **Wellington East Prospect**, 2,800 x 600m NW trending MMI soil anomaly with **1,000-1,935ppb Ni and 100-262ppb Co.**
 - **Kalpini Hill Prospect**, open 800 x 800m NW trending MMI soil anomaly with **1,000-12,400ppb Ni and 100-442ppb Co.**

The Wellington East soil nickel target is associated with a zone of highly anomalous MMI precious metal values of 10-2,510ppb Ag and 5-23ppb Au. As well as nickel, the anomaly is being evaluated as a "Nimbus-style" silver-gold-zinc volcanogenic massive sulphide target.

Gold exploration continued at a lower key, testing the Garibaldi alteration system, and aiming to increase the heap leach ore inventory in the Yarri area:

- At the **Garibaldi Gold Prospect**, a significant gold intercept of **13m at 1.69g/t Au** was recorded at the RAB drilling. Severe coarse gold problems are indicated, with high variability in grade estimates.
- An Option to Purchase the **Banjo Mining Lease** immediately north along strike from Heron's Yarri Prospect was secured. Previous drilling at the Aerie workings has intersected **11m at 1.78g/t Au, 19m at 1.68g/t Au and 5m at 2.34g/t Au**, all from around 10m vertical depth. The tenement also has a reported resource of approximately **55,000t at 2g/t Au** at the Great Banjo workings north of Aerie.

Regional gold soil geochemical programs are active at the Edjudina, Mulgabbie and Karonie South Projects, ensuring high levels of exploration activity. Although gold developments at these projects have been encouraging, consideration may be given to farm out to concentrate the Company's technical resources on the Wellington-Kalpini nickel and silver targets.

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)

A comprehensive program of gridding, Aircore drilling and soil sampling was carried out over the Scotia Kanowna Joint Venture tenements during the Quarter.

At the **Gindalbie Prospect** (E27/145) a program of reconnaissance Aircore drilling totaling 4,775m in 129 holes was completed. All holes were drilled at -60° towards 240° magnetic (grid west). Drilling confirmed the east dip and east facing of the komatiites as originally determined by reconnaissance mapping. Compilation of the drilling has shown that most of the komatiites within the licence are thin flow facies with well preserved spinifex textures. Several thicker flows with well-developed orthocumulate textured B zones were identified in the northern parts of the grid, but no channels could be defined. There were no anomalous results except for hole GNA124 which returned an intersection of 1.39% Ni, 707ppm Co and 144ppm Cu over 4m from 48m. This hole is centrally located within a sequence of thin flow komatiites and the sample interval consisted almost entirely of goethitic clays. For these reasons, plus the high associated Co and low Cu, the intersection is interpreted to be caused by supergene enrichment.

At the **East Scotia Prospect** (E27/169, P24/3459, 3461, 3471-72, 2476-78) 45 line km of gridding was done and 1,860m of Aircore drilling in 66 holes completed. Drilling encountered thin flow komatiites except for a potential channel structure between 39800N and 40400N (local grid). This channel has previously been tested by diamond and deep percussion drill holes in the 1970s, and by Aircore drilling in 1996 with only weakly anomalous results. Nickel assays from the current drilling range up to 0.68%Ni, and are attributed to lateritic enrichment.

At the **Black Swan North Prospect** (E27/123) a short program of Aircore drilling (559m in 10 holes) was completed to test for possible extensions to weak gold anomalism encountered in the 1996 Aircore drilling. There were no anomalous results.

A program of reconnaissance BLEG gold soil sampling commenced over all Joint Venture tenements. Results have been received for only the northern half of E27/169 with a peak assay of 9.5ppb Au. In-fill soil sampling of weak anomalies outlined by a previous explorer over E27/145 returned peak values of 19.8ppb Au over a western anomaly, and 9.8ppb Au over an eastern anomaly.

Selected intervals from the recent Aircore drilling at Gindalbie and East Scotia have been submitted for gold analysis, based on veining, alteration and location of redox fronts. Results are awaited.

2.1.2 *Silver Swan North Project*

Heron 100%
Nickel - gold

A regional aeromagnetic interpretation was completed. This indicates that the project area covers a predominantly mafic succession, which includes the Lindsay's Find and Balagundi gold mining centres.

The nickel mineralised Carr Boyd and Bulong ultramafic complexes occur within the succession, 30km N and S respectively from Silver Swan North.

2.1.3 *Scotia Kanowna Granitoid Project*

Heron 100%
Gold (- nickel)

Federal East Prospect

Grant of the tenement is awaited. Literature studies have indicated a soil gold anomaly for follow up.

King of the West Prospect

Soil geochemical surveying has been completed at King of the West, following up previous granitoid gold anomalies. Results are awaited.

Scotia North Prospect

Reconnaissance soil geochemistry was completed on a komatiite target. Results are awaited.

2.1.4 *Menzies East Joint Venture Project*

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

Golden State have recently announced very encouraging gold intersections of up to 10m at 73g/t Au at Merrey Well to the immediate north of the Menzies East Joint Venture area. The Heron joint venture project area is located 5km SSE from the Merrey Well intersection, and appears to cover parts of the mineralised structure.

Golden State have conducted data compilation and mapping of a large number of old workings on the Heron joint venture ground in preparation for drilling.

2.1.5 *Kanowna East Project*

Heron 100%
Gold - nickel

Multi-element geochemistry is being compiled in order to further evaluate the project's nickel potential. The occurrence of ultramafic lithologies in previous Heron drilling is confirmed.

Preparation of a data package for farm out is in progress.

2.2 Keith Kilkenny Province

2.2.1 Edjudina Project

Heron 100%
Gold - nickel

Regional

Tenement acquisition is continuing, with several Exploration Licence applications lodged within the Keith Kilkenny Tectonic Zone along strike from existing Heron targets. The GIS database generated by Heron has been integral to the acquisitions.

The Company strategy through pegging and optioning is to acquire a resource inventory within the Edjudina region to complement the Company's Yarri resource.

Yarri Prospect

Compilation of drilling data from previous explorers has been completed. Better results from drilling to date include:

YARRI PROSPECT							
Previous RC and RAB Intersection Summary							
Hole	North (m)	East (m)	Depth (m)	From (m)	To (m)	Intercept (m)	Grade g/t Au
WP01	4799	1085	27	17	19	2	12.32
WP07	4910	1085	20	15	18	3	7.51
WP09	4930	1081	20	7	15	8	16.37
WP15	4962	1090	24	6	9	3	13.74
WP23	4940	1095	35	24	25	1	54.00
WR01	4900	1070	25	2	22	20	2.33
WR04	4920	1075	25	11	13	2	15.33
WR05	4915	1138	25	11	16	5	5.81
WRC19	5200	1080	30	12	15	3	8.03
WRC23	5203	1120	30	20	32	12	2.16
YRC05	5698	1120	90	34	38	4	4.44

A well defined lode envelope is present with a width of 4 - 20m at a 0.4g/t Au cut-off. The mineralised zone on the basis of old workings has a total strike length of 2.5km. The above results confirm supergene enrichment in the upper 30m.

Multiple lodes are present within this zone. Host rock is intensely sheared granitoid. Workings occur on sheeted quartz veins over a horizontal width of 10 - 50m. Heron soil geochemistry indicates good potential for parallel lode systems immediately west of the known mineralisation.

Current exploration is concentrating on a 400m strike length zone in the northern part of the lode system where the lode envelope is 10 - 20m wide, and is overlain by a significant supergene blanket.

RC drill testing is being organised for the December Quarter to test both shallow supergene mineralisation associated with the main lode and potential parallel western lode systems.

Banjo Prospect

A six month option was secured on the Hoppmann Banjo Prospect located to the immediate north of Yarri. The main target is the old Aeerie line of lode. Previous RC drill intercepts at Aeerie include RCA1, 11m at 1.78g/t Au from 13m, RCA2, 19m at 1.68g/t Au from 10m, and RCA4, 5m at 2.34g/t Au from 11m. The tenement also has a reported resource of approximately 55,000t at 2g/t Au at the Great Banjo located north along strike from Aeerie.

The intercepts at Aeerie cover a 100m strike length, and are open to the south and at depth. The width and persistence of the known mineralisation is favourable for a bulk tonnage system, to complement the Heron Yarri Prospect, located 5km S along strike from Aeerie.

RC drilling is planned for the December Quarter in conjunction with the Yarri drilling.

Mount Catherine Prospect

Follow up soil geochemistry confirmed peak anomalies of up to 94ppb Au against a 2ppb Au background. Anomaly trend is NW, within a zone of N-S trending old workings. Drill testing will be done once other targets in the area, notably Outcamp Bore, are advanced to a drilling stage.

Outcamp Bore Prospect

Open file compilations were completed and targets generated.

The main target area is the Hadrian Prospect where up to 5,700ppb Au is recorded in previous soil sampling and 46.8g/t Au in rock chips. Previous RAB drilling has been inconclusive due to the deep weathering of the highly altered country rock. Alteration style and magnetic signature allows comparison with the Old Plough Dam gold discoveries.

Wallbrook Hill Prospect

Ultramafic targets have been interpreted from Heron's GIS aeromagnetics, Landsat and open file compilations. These targets require assessment for lateritic nickel. The Wallbrook Hill target occurs 20km N of the Lake Rebecca Nickel resource, within the same structural setting.

Of interest, alteration styles at Wallbrook Hill are analogous to the host rocks at Old Plough Dam, located 25km S of Wallbrook Hill.

2.2.2 *Mulgabbie Project*

Heron 100%
Gold - nickel

Regional

Additional Exploration Licences have been lodged at Mulgabbie, Yindi and Mount Eric (all in ballots). The expansion of the Heron Mulgabbie ground position has been on the basis of the Old Plough Dam-Khartoum gold discoveries which adjoin the Heron project area.

Brampton Prospect

Twenty two angled RAB holes (total 511m, MGR1 - 22) were drilled to test soil gold anomalies.

Anomalous gold results (>100ppb) from the Brampton Prospect are as follows:

BRAMPTON PROSPECT							
RAB Intersection Summary							
Hole	North (m)	East (m)	Depth (m)	From (m)	To (m)	Width (m)	Grade g/t Au
MGR9	3900	7050	34	24	28	4	0.12
MG11	4100	6950	27	12	27	15	0.13
MG16	4600	6925	12	4	8	4	0.15
MG21	4800	7000	29	24	27	3	0.14

All holes were drilled -60^o towards 270^o.

A sequence of mafic and volcanoclastic units striking N-S and dipping 75^o E were intersected. Results are being assessed.

Hayman Prospect

In-fill MMI soil geochemistry was completed in the main proposed drill area to evaluate whether the target alteration zone is discordant to the regional N-S strike (to account for the lack of N-S anomaly continuity). Drilling is planned, pending receipt of favourable follow up soil results.

Mulgabbie West Prospect

MMI soil geochemistry on a 400 x 100m grid is current, testing aeromagnetic targets adjoining the mineralised trend between the Goldfields Exploration Old Plough Dam resource and Aberfoyle Resources Khartoum resource. Some 228 samples of a 600 sample program have been collected and submitted to the laboratory. Results are awaited.

2.2.3 Karonie South Project

Heron 100%
Gold - nickel

An additional contiguous Exploration Licence application was lodged adjoining the western project boundary, in an area of aeromagnetic activity.

The project area covers the total greenstone belt immediately south and along strike from the Border Gold NL Karonie, French Kiss and Italia gold resource discoveries. Aeromagnetic images of the Heron project area confirm the presence of prospective Karonie-style structures (northeast splay faults and tight isoclinal folds) within mafic stratigraphy. Importantly the Aldiss Fault, which controls the distribution of mineralisation within the Border tenements, has been interpreted to extend into the Heron project area.

A field program was undertaken incorporating a first pass -2mm fraction BLEG soil sampling. A program of 277 samples on a DGPS controlled 800 x 200m grid was completed. Initial results to hand indicate anomalous soil gold values are present, confirming follow up programs are required.

Soil sampling targeted an aeromagnetic feature with a structurally disrupted and multiply folded mafic-ultramafic sequence. Lithologies encountered on traverses were dominantly lateritised Archaean metasediments. This geological setting is analogous to that of the Randalls-Maxwells gold mining centre, located 50km NW.

2.3 **Emu Fault Province**

2.3.1 *Gindalbie East Project*

Heron 100%
Nickel - gold

Regional

A GIS compilation is current. An extensive regional database covering the Kalpini ultramafic belt was obtained from previous explorers, and is being incorporated into the GIS. Potential volcanogenic massive sulphide (VMS) settings have been identified for follow up.

An aeromagnetic interpretation of the Gindalbie East Project was completed. The prospectivity of Heron's ground has been upgraded, particularly with:

- The incidence of ultramafics at Kalpini, which are more extensive than interpreted from previous geological studies.
- Discrete magnetic alteration signature associated with the Garibaldi gold mining centre, confirming a large scale alteration system.

The initial Heron nickel exploration concept at Gindalbie East was Silver Swan style nickel sulphide mineralisation. Previous explorers working on competitor tenements within 2km of the Heron Wellington North Prospect had identified sulphidised komatiites. Drill testing of associated gossan targets returned up to 28.9m at 0.82% Ni.

With the Wellington North drilling results (see below), the Gindalbie East project emphasis is now concentrating on lateritic nickel targets. Good scope nonetheless still exists for nickel sulphide mineralisation.

Wellington North Prospect

Field mapping and compilation of previous data was completed, in preparation for drilling.

Twenty five vertical RAB holes (total 1,324m, WRB1 - 25) and three vertical Aircore holes (total 93m, WAC1 - 3) were drilled, targeting Ni and Pd anomalies defined by Heron MMI soil sampling. Significant results are as follows:

WELLINGTON NORTH PROSPECT								
RAB Intersection Summary								
Hole	North (m)	East (m)	Depth (m)	From (m)	To (m)	Width (m)	% Ni	% Co
WRB1	2665	6977	70	4	12	8	0.52	0.024
WRB2	2632	6959	86 incl	0 4	24 16	24 12	0.97 1.23	0.065 0.107
WRB3	2599	6932	104 incl	4 12	24 20	20 8	0.97 1.23	0.036 0.036
WRB4	2567	6910	71 incl	0 12	24 20	24 8	0.88 1.24	0.041 0.067
WRB5	2533	6884	71	0	20	20	0.57	0.023
WRB8	2568	7111	59	0	12	12	0.71	0.033
WRB9	2535	7087	65	4	16	12	0.62	0.037
WRB10	2503	7064	43 incl	4 8 40	20 16 43	16 8 3	0.93 1.13 0.54	0.058 0.085 0.026
WRB11	2472	7040	62	8	24	16	0.87	0.041
WRB12	2430	7018	63 incl	4 12	16 20	12 8	0.60 1.09	0.028 0.061
WRB18	2328	6815	51	4	12	8	0.55	0.034

The results pertain to 4m RAB drill composites. Results for 1m check sampling are awaited.

Significant Ni and Co mineralisation (4m composites >0.5% Ni) were returned from 11 of 25 drill holes, with the peak intercept in WRB2, 12m at 1.23% Ni and 0.11% Co from 4m.

The lateritic nickel mineralisation is coincident with a ridge of serpentinised komatiite. An excellent correlation occurs between ore grades in drilling and an upper saprolite zone characterised by ferruginous nodules in brown, yellow and green nontronitic clays with chalcedony and minor chrysophase.

Within bedrock, the Heron drilling has intersected uniform olivine mesocumulate komatiites. Peak bedrock intercept is WRB10, 3m at 0.54% Ni and 0.03% Co from 40m (open at depth). As Heron's knowledge of the stratigraphic succession improves through drilling, channel flow basal contacts will be explored for massive Ni-Cu sulphide mineralisation.

Kalpini Prospect

A program of 400 x 100m MMI soil geochemistry has been completed over the Wellington North to Kalpini Hill komatiite belt. Coverage is 607 samples over an 18km strike length.

Two main soil anomalies have been generated:

- **Wellington East** is a 2,800 x 800m NW trending nickel-cobalt soil anomaly with 1,000-1,935ppb Ni and 100-262ppb Co. The zone has a precious metal association, being marked by elevated Ag values of 4-13ppb with a spike to 2,510ppb, against a background of 0.75ppb. Better silver values usually occur peripheral and parallel to higher nickel and cobalt values. Gold in soils is anomalous at 5-23ppb Au. In-fill soil sampling at 200x100m will be undertaken prior to drill testing. The exploration target will include “Nimbus-style” silver-gold-zinc VMS mineralisation.
- **Kalpini Hill** is a coincident 800 x 800m NW trending nickel-cobalt-palladium anomaly with nickel values of 5,000-12,400ppb, cobalt values to 442ppb and palladium to 2.9ppb. This soil anomaly is of a similar nature and tenor to Wellington North, overlying a discrete magnetic komatiite unit. To date only two lines of assays at Kalpini Hill have been returned, confirming an 800m strike length anomaly. Additional sample results are awaited.

The Wellington East anomaly with its associated precious metal values is intriguing as a VMS target. However, it should be noted that Ni-Co-Ag is a well-documented metallogenic association in the Sudbury-Cobalt mining camp of Canada. Accordingly, the anomalous Ag need not indicate a “Nimbus-style” VMS environment. A highly promising soil geochemical target is nonetheless present.

Garibaldi Gold Prospect

Mapping and lithological logging of RAB holes indicates that mineralisation is associated with an intensely carbonate-altered mafic suite with zones of strong quartz veining.

Heron completed an initial 124 hole 6,573m bedrock RAB program (average depth 53.0m) to test the main alteration zones within bedrock. Anomalous intersections at a 0.4g/t Au cut off were:

GARIBALDI PROSPECT							
RAB Intersection Summary							
Hole	North (m)	East (m)	Depth (m)	From (m)	To (m)	Width (m)	Grade g/t Au
GBR14	4,970	2,140	63	44	52	8	0.41
GBR20	4,800	1,600	12	0	4	4	1.26
GBR54	5,010	1,320	50	36	48	12	0.42
GBR57	4,980	1,200	43	28	43	15	1.11
GBR86	4,360	2,120	60	24	48	24	0.78
GBR109	4,770	1,715	33	16	32	16	6.40
GBR110	4,770	1,735	65	52	60	8	0.80
GBR116	4,470	1,865	38	24	28	4	0.71
GBR124	4,360	2,085	60	32	44	12	0.48

All holes in the second pass drilling were drilled at -60° towards 270°.

Pervasive arsenic anomalism and intense carbonate alteration confirm a large scale alteration system.

Check sampling of the GBR109 intercept did not replicate well, and a significant coarse gold problem has become apparent. Check samples varied between 0.3g/t Au and 25g/t Au in one instance, and 1.6g/t Au and 14.1g/t Au in another. Averaging all 1m interval data yielded 13m at 1.69g/t Au for the GBR109 intercept. Quantitative grade estimates will be generated by RC drilling, planned for the December Quarter. Bulk assay techniques such as screen fire assay and bottle roll will be required.

Garibaldi Smith Nickel Prospect

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

In the eastern Garibaldi prospect area, previous costean sampling has 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, as well as scope for sulphide nickel mineralisation.

Accordingly, MMI soil geochemistry was completed, defining a 600 x 100 - 200m soil Ni anomaly at a 1,000ppb threshold. Ground magnetics confirm an ultramafic association for the soil anomaly. Lateritisation is so intense that primary outcrop lithologies are not discernible.

The main anomaly has difficult access so a single four hole RAB traverse was completed across the northern anomaly extension. Results are awaited.

2.4 Mungari Province

2.4.1 Mungari Northwest Joint Venture Project

Heron 100%, Kundana Gold right to earn 50%.
Gold

The project area is NW along strike from the Mines and Resources Australia-Mineral Commodities White Foil gold discovery.

A Joint Venture between Kundana Gold Pty Ltd and Heron has been agreed to, and documentation is being finalised. Kundana may earn a 50% interest in the tenements by sole funding the initial \$3.0 million of exploration.

In the meantime, a high resolution aeromagnetic survey has been commissioned, and 400 x 50m DGPS soil auger geochemistry is due to commence.

Additional contiguous ground has been acquired and incorporated in the Joint Venture.

2.5 Leonora Laverton Province

2.5.1 Laverton Joint Venture Project

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

Aeromagnetic and geological compilations have been completed, to define exploration targets. The gold hosting Beasley Creek ultramafic sequence is inferred to be present at the prospect. Vacuum drill testing of targets has commenced. Compilation of results is awaited.

2.5.2 *Mount Morgans Joint Venture Project*

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

Aeromagnetic and geological compilations were completed. Vacuum drill testing of targets has commenced. Compilation of results is awaited.

2.5.3 *Malcolm Project*

Heron 100%
Gold - nickel

Regional

Additional Exploration Licences were lodged at Desdemona, and are in ballots.

Malcolm North Prospect

Open file compilations were completed. The 26.9km² project area occurs within the Keith Kilkenny Tectonic Zone. Several soil geochemical target areas have been defined for follow up.

The Alice Prospect

The lease contains extensive old workings and deep costeans. Open file research has generated three target styles within the prospect area:

- Several mineralised shear zones occur, such that a bulk mining target exists (multiple shears with sheeted and stockwork quartz veins).
- High grade pitching shoots, with potential for underground mining.
- Pyritic shears without quartz veining.

There are widespread quartz reefs occurring along a NE line emplaced in mafic country rock. Blanket soil geochemistry was completed. Results are awaited.

Morapoi Prospect

Nickel targets were generated by open file compilation and remain to be evaluated by gossan search and soil geochemistry.

Horan Lake Prospect

Two traverses of reconnaissance soil geochemistry were completed over the tenement. The regolith is largely transported so low order anomalies will require follow up.

Exploration targets are:

- Shear zone gold, associated with an area of late stage NW fractures that intersect an earlier set of NE structures, including thrust sheets.
- Palaeochannel settings are indicated by previous RAB drilling, where thick sequences of Tertiary sediments occur in palaeodrainages of the Raeside system. These may be prospective for palaeochannel gold, and also "roll-front" uranium-vanadium mineralisation.

Conceptually, the project area is prospective for base metal occurrences associated with bimodal volcanics. There is regional anomalism in respect of copper and other chalcophile elements, forming a trend from the Teutonic Bore VMS mine south towards the Horan Lake project area. Exhalites are present as float at Horan Lake.

Mount Melita Prospect

Soil geochemistry was completed to follow up targets generated by literature compilations. No significant results were recorded.

2.5.4 *Victory Project*

Heron 100%
Gold - nickel

Pending grant of the tenements, literature studies will commence.

2.5.5 *Celia Project*

Heron 100%
Gold

Inactive, awaiting ballot.

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.

2.7 *Ida Fault Province*

2.7.1 *Snake Hill Joint Venture Project*

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

Reconnaissance soil geochemistry was completed on a 500 x 500m pattern, outlining a 400-700ppm Ni anomaly, and low order gold anomalies. Connemara propose to drill test the targets during the December Quarter.

2.7.2 *Blister Dam Joint Venture Project*

Heron 100%. Normandy Exploration right to earn 70%.
Gold

The 28km² project area is located 100km NW of Kalgoorlie, on the Zuleika Shear Zone. The area consists of pervasive sand cover between the Hawkins Find and Chadwin gold mining centres.

Soil geochemical sampling was completed, defining an anomalous zone with up to 21ppb Au. Detailed follow up work has commenced.

2.7.3 *Bullabulling Project*

Heron 100%
Nickel - gold

Further tenement applications were lodged over an interpreted greenstone succession at Bullabulling. The area consists of pervasive soil cover, and has previously been inferred as granite subcrop. Tenement grant is awaited.

2.7.4 *Frances Lesley Project*

Heron 100%
Gold - nickel

The project area is located 100km NW of Kalgoorlie, within an area of active gold mining operations at Carbine and Davyhurst.

Soil geochemistry by Heron returned a significant anomaly, with peaks of 56ppb Au, 72ppm As and 277ppm Ni. Sampling of old gold workings within lateritised ultramafic returned consistent 1-6g/t Au assays.

Previous drilling away from the Heron soil anomaly identified a quartz stockworks system hosted by black pyritic shale. Intersections included 8m at 4.85g/t Au in RAB drilling, and 5m at 3.4g/t Au in RC drilling. Follow up drilling is planned.

2.7.5 *Yilmia Hill Project*

Heron 100%
Nickel - gold

This new project area represents a presence for Heron in the Spargoville-Widgiemooltha nickel mining area. Tenement acquisition has been on the basis of komatiite occurrences.

Exploration Licence applications were lodged at Spargoville covering a komatiite sequence immediately north of the historical Spargoville gold mine. Potential also exists for komatiite nickel occurrences. Ballots are awaited.

An Exploration Licence at Larkinville was lodged to cover the western synformal repetition of the nickel mine-hosting Spargoville ultramafic sequence. Laterites are extensive in the area, providing potential for lateritic nickel occurrences. The application surrounds several historical gold mining areas, and is along strike from the Chalice gold mine.

An Exploration Licence was lodged at Wannaway West to cover the inferred NW extension of the Chalice Shear Zone. The application area is mapped as granite.

2.8 *Dundas Province*

2.8.1 *Dundas Lake Project*

Heron 100%
Gold - uranium - vanadium

Open file compilations are current, aimed at identifying palaeochannel gold settings, and "roll front" style uranium-vanadium settings.

2.9 Kambalda Domain Province

2.9.1 Binduli East Joint Venture Project

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

This 16km² contiguous tenement holding straddling the Abattoir Shear is located 5km SW of Kalgoorlie.

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.

The main target concept is dolerite - hosted gold mineralisation associated with fault splays from the Abattoir Shear. Reconnaissance rock chip sampling of dolerite workings has returned 1.1-6.9g/t Au. The Abattoir Shear Zone has a 140-2,650ppm As rock chip anomaly. Scope may also exist for lateritic nickel, since the Abattoir Shear is characterised by an ultramafic association.

MPI has the right to earn a 70% interest in the project through spending \$0.75 million.

2.10 Southern Cross Province

2.10.1 Bungalbin Project

Heron 100%
Iron ore - gold

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.

An additional contiguous Exploration Licence has been applied for at Bungalbin South.

Previous exploration databases have been obtained, but compilation work will await grant of the applications.

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 high-resolution low level aeromagnetic surveys have been completed at Wandearah and Koolunga. Data imaging and interpretation indicates structural controls for Olympic Dam style mineralisation have been identified at Wandearah, and 11 promising kimberlitic aeromagnetic targets have been identified at Koolunga.

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.

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. The drill sample quality is generally good.

“Au” means gold.

“Cu” means copper.

“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 prospective for nickel sulphide mineralisation (e.g. Kambalda nickel mine).

“Mesocumulate” means a rock with cumulus crystals exhibiting extensive mutual boundary contact, but retaining some recognisable interstitial material. This rock type is prospective for lateritic nickel.

“Adcumulate” means a rock with little or no intercumulus material and characterised dominantly by anhedral crystals. This rock type is regarded as prospective for nickel laterite mineralisation.

“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 considered to be very effective for nickel and gold exploration.

“Ni” means nickel.

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

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

“project” means a grouping of prospects within a 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 (1g/t equals 1ppm, and 1000ppb equals 1ppm).

“RAB drilling” means the drilling technique in which a sample is returned to surface outside the rod string by compressed air. The drill sample may be subject to some degree of contamination.

“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. The drill sample quality is generally superior to RAB.

“Shear Zone” means a zone in which crushed rock has been produced by the action of a shearing stress as on a fault. This setting is often favourable for the occurrence of gold mineralisation.

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

“Ultramafic” means rocks composed almost entirely of mafic minerals, which are prospective for nickel.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Heron Resources NL

ACN or ARBN
("current quarter")

068 263 098

Quarter ended

30 September 1997

Consolidated statement of cash flows

	Current Qtr \$A'000	Year to Date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(378)	(378)
(b) development		
(c) production	(43)	(43)
(d) administration		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	57	57
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(364)	(364)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(27)	(27)
(b) equity investments		
(c) other fixed assets	(82)	(82)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities	(4)	(4)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net Investing Cash Flows	(113)	(113)
1.13 Total operating and investing cash flows (carried forward)	(477)	(477)

1.13 Total operating and investing cash flows (brought forward)	(477)	(477)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.		
1.15 Proceeds from the sale of forfeited shares		
1.16 Proceeds from borrowings		
1.17 Repayment of borrowings		
1.18 Dividends paid		
1.19 Other (provide details if material) - Share Issue Expenses		
Net financing cash flows	Nil	Nil
Net increase (decrease) in cash held		
1.20 Cash at beginning of quarter/year to date	5,572	5,572
1.21 Exchange rate adjustments to 19		
1.22 Cash at end of quarter	5,095	5,095

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	
1.24 Aggregate amount of loans to the parties included in item 1.10	57

1.25 Explanation necessary for an understanding of the transactions

Directors fees, salaries and superannuation (34).
Provision of secretarial services and accommodation by director related entities (23).

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

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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	450
4.2 Development	
Total	450

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	21	Nil
5.2 Deposits at call	117	417
5.3 Bank Overdraft		(321)
5.4 Other (provide details) Bank Bills	4,957	5,476
Total: cash at end of quarter (Item 1.22)	5,095	5,572

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	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.

	Number Issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 Preference securities (description)				
7.2 Issued during quarter				
7.3 Ordinary securities	54,000,000	32,800,003	25	25
7.4 Issued during quarter				
7.5 Convertible debt securities (description)				
7.6 Issued during quarter				
7.7 Options (description)	10,000,000	Nil	Exercise Price 25	Expiry Date 30/06/2000
7.8 Issued during quarter	135,000 150,000	Nil Nil	25 25	28/8/2001 1/9/2001
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (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.
7. Kundana Gold Pty Limited has the right to earn a 50% equity interest in the Mungari Northwest Joint Venture Project tenements through sole funding the initial \$3,000,000 of exploration.
8. Normandy Gold Pty Limited has the right to earn a 70% equity interest in the Blister Dam Joint Venture Project tenements through sole funding the initial \$250,000 of exploration.
9. Mining Project Investors Pty Limited has the right to earn a 70% equity interest in the Binduli East Joint Venture Project tenements through sole funding the initial \$750,000 of exploration.

6.1 Interests in Mining Tenements relinquished, reduced or lapsed

<i>Tenement Reference</i>	<i>Nature of Interest</i>	<i>Interest Beginning of Quarter</i>	<i>Interest End of Quarter</i>
E25/143	Withdrawn (ballot loss)	100	0
P31/1543	Refused	100	0
P31/1544	Refused	100	0
E36/385	Withdrawn	100	0
E38/945	Withdrawn (ballot loss)	100	0
E38/947	Withdrawn (ballot loss)	100	0
E38/948	Withdrawn (ballot loss)	100	0
E38/1018	Withdrawn (ballot loss)	100	0

6.2 Interests in Mining Tenements acquired or increased

Tenement Reference	Nature of Interest	Interest Beginning of Quarter	Interest End of Quarter
E15/549	Registered Applicant (ballot)	0	100
E15/550	Registered Applicant (ballot)	0	100
E15/556	Registered Applicant	0	100
E15/557	Registered Applicant	0	100
E15/561	Registered Applicant	0	100
P15/4049	Registered Applicant	0	100
P15/4050	Registered Applicant	0	100
P15/4051	Registered Applicant	0	100
P15/4052	Registered Applicant	0	100
P15/4053	Registered Applicant	0	100
P16/1963	Registered Applicant	0	100
P16/1727	Registered Holder	0	100
P16/1728	Registered Holder	0	100
P16/1729	Registered Holder	0	100
E25/157	Registered Applicant (ballot)	0	100
E27/185	Registered Applicant	0	100
E27/188	Registered Applicant (ballot)	0	100
P27/1328	Registered Holder	0	100
E28/819	Registered Applicant	0	100
E28/822	Registered Applicant	0	100
E28/823	Registered Applicant (ballot)	0	100
E28/824	Registered Applicant (ballot)	0	100
E28/825	Registered Applicant (ballot)	0	100
E28/826	Registered Applicant (ballot)	0	100
E28/827	Registered Applicant (ballot)	0	100
E28/828	Registered Applicant (ballot)	0	100
E28/829	Registered Applicant (ballot)	0	100
E28/852	Registered Applicant (ballot)	0	100
E31/364	Registered Applicant (ballot)	0	100
E31/367	Registered Applicant (ballot)	0	100
M31/47	Option to Purchase	0	100
E39/669	Registered Applicant (ballot)	0	100
E40/122	Registered Applicant (ballot)	0	100
E40/123	Registered Applicant (ballot)	0	100
E77/860	Registered Applicant	0	100

