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2 November 2000

RE: HERON RESOURCES NL, QUARTERLY REPORT, PERIOD ENDING 30 SEPTEMBER 2000

QUARTER HIGHLIGHTS

- *Drilling at the Goongarrie Nickel Project is consistently returning the highest Ni-Co grades documented for an Australian nickel laterite deposit. At an 80x80m drill pattern, ore continuity, grades and thickness are outstanding over an area of more than 5,000x600m.*
- *Anaconda Nickel Ltd as manager of the Heron-Centaur Strategic Alliance plans to complete four Calweld bulk sample drill holes at Goongarrie. The bulk samples of Run-of-Mine ore will be for Pressure Acid Leach testwork, screen upgrade and validating RC drill grades, as part of the Cawse Stage II Bankable Feasibility Study.*
- *Indicated and Inferred Mineral Resource above a 0.75% Ni cut-off for the Goongarrie-Ghost Rocks-Kalpini and satellite nickel projects is currently **182 million tonne at 1.07% Ni and 0.08% Co.***
- *Separately from the Strategic Alliance, a jointly-owned processing plant based on Keith Kilkenny Province Nontronite Ore is under discussion, with a potential Stage I production credit to Heron's account of 20,000tpa nickel in intermediate product.*
- *Bonanza grade cobalt (Cawse style "SiCo" ore) at Goongarrie South has been found to correlate as a supergene blanket over what will be mining widths of 160m or more. The high grade cobalt resource is contained within **8.2 million tonne at 1.3% Ni and 0.4% Co.** This exceptionally high grade material will be targeted in early mining, to maximise early project cashflow and pay-back.*
- *Non-nickel projects continue to be farmed out, with \$10.65 million in expenditure required by Heron's 18 joint venture parties to earn equity, and Heron is generally free-carried to Decision to Mine.*

Ian Buchhorn
Managing Director

For further information, please contact Ian Buchhorn on 08 90919253.





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31 October 2000

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, PERIOD ENDING 30 SEPTEMBER 2000

1. SUMMARY

Work programs completed during the Quarter have substantially increased Heron's technical confidence in the Goongarrie Nickel Project. Resource Definition drilling continues at Goongarrie South, detailed metallurgical studies are nearing completion for Goongarrie, and a rigorous drill quality control program was completed.

- As at 30 September 2000, the total undiluted **Inferred and Indicated Mineral Resource** above a 0.75% Ni cut-off for Goongarrie, Kalpini, Ghost Rocks and satellite deposits is **182 million tonne at 1.07% Ni and 0.08% Co.**
- Heron's total **Inferred and Indicated Mineral Resource** above a 0.5% Ni cut-off is **405 million tonne at 0.8% Ni and 0.06% Co.** Substantial additional resource potential exists on tenements awaiting grant.
- Genuine nickel laterite production opportunities have been negotiated by Heron:
 - The Cawse Stage II Toll Milling is Heron's focus, and has a potential production credit for Heron of 12,000tpa nickel metal. The use of an existing plant is an immensely favourable outcome for Heron.
 - A jointly-owned processing plant based on Keith Kilkenny Province Nontronite Ore is under discussion, with a potential Stage I production credit to Heron's account of 20,000tpa nickel in intermediate product. In this scenario, Heron contributes to a Keith Kilkenny "Front-End" leaching plant, with metal refining off-site at a "Brownfields" refinery expansion.
 - Subject to Cawse Stage II ore requirements as determined by the Centaur August 2001 Bankable Feasibility Study ("BFS"), critical mass has been demonstrated for a Standalone Heron leaching and refining operation based on the Goongarrie-Ghost Rocks Limonite Ore.
- Anaconda Nickel Limited has assumed Board control of Centaur, and is now solely responsible for implementing the Cawse Stage II Strategic Alliance with Heron. Peter Lee has resigned as Centaur's Nominee Director of Heron, to be replaced by Stephen Dennis. Stephen is Group General Manager for Anaconda Nickel Limited.

Anaconda plans to complete four Calweld wide diameter (900mm) bulk sample drill holes at Goongarrie, commencing early November 2000. The bulk samples of Run-of-Mine ore will be for Pressure Acid Leach testwork, screen upgrade and validating RC drill grades, as part of the Cawse Stage II BFS.



- Work by Heron continues to be focussed on advancing Heron's contribution to the Cawse Stage II BFS:
 - Reverse Circulation drilling for the Quarter amounted to 163 holes drilled at the Goongarrie, Kalpini and Acra Prospects for an advance of 6,626 metres.
 - Metallurgical testing of 14 composites of Diamond Drill core is current, with excellent results to date.
 - Detailed ore genesis studies commenced, in conjunction with the Geological Survey of WA.
 - Significant progress made towards the grant of key Mining Leases covering Nickel Laterite resources.
- The exceptional intersections which characterise Goongarrie South continue to be recorded, including:
 - GSRC562 22m at 1.23% Ni and 0.23% Co from 18m
 - GSRC571 12m at 1.53% Ni and 0.14% Co from 48m
 - GSRC577 10m at 1.45% Ni and 0.33% Co from 27m
 - GSRC590 7m at 1.88% Ni and 0.11% Co from 20m
 - GSRC594 19m at 1.47% Ni and 0.04% Co from 21m
 - GSRC606 13m at 1.60% Ni and 0.06% Co from 48m
 - GSRC626 12m at 1.75% Ni and 0.17% Co from 38m
 - GSRC667 20m at 1.37% Ni and 0.15% Co from 12m

It is most encouraging that even after a year of continuous drill appraisal, results of the above tenor continue to be generated. This mainly reflects the fact that the ore zones are still open to the north.

- Bonanza grade cobalt (Cawse style "SiCo" ore) has been found to be associated with Tertiary-aged palaeochannels that overlie the Goongarrie South ore zones. From Diamond Drill core, the higher grade cobalt zones are found to correlate as a supergene blanket over what will be mining widths of 160m or more. The **high grade cobalt resource at Goongarrie South is contained within 8.2 million tonne at 1.3% Ni and 0.4% Co**, representing 13% of the total Goongarrie South resource. This material will be targeted in early mining, to maximise early project cashflow and pay-back.
- Joint venture negotiations have been particularly active during the Quarter. Heron has in operation or has offers on the table involving some 21 Joint Ventures, alliances, options and Memorandums of Understanding involving gold, base metals, iron ore and oil shale. These industry associations cover some 155 tenements that will see a minimum Department of Minerals and Energy ("DME") commitment of \$1.5 million spent by our partners annually whilst Heron is free-carried. In addition a minimum total outlay of \$10.65 million can be spent on Heron's joint ventured tenements before equity is transferred to the funding partner.

During the Quarter, Joint Venture partners have completed:

- 38 Vacuum drill holes at Hawks Nest.
 - An airborne TEMPEST EM survey at Hawks Nest.
 - A gravity survey and a 709 sample -75 micron soil sampling program targeting base metals at Karonie.
- **Corporate Strategy**

In terms of asset optimisation and shareholder returns, Heron has during the September 2000 Quarter:

- Continued to upgrade its nickel laterite resources from Inferred to Indicated Mineral Resource.
- Continued high level discussions with specialised industry participants on the future development options for Heron's nickel laterite resources which exceed those required for Cawse Stage II.
- Continued to farm out non-nickel projects, with Joint Ventures structured such that Heron is free carried to Decision to Mine, and in most cases retains the nickel rights.
- Moved towards cashflow from the Bungalbin Iron Ore Royalty, with Portman Limited currently doing feasibility for a railway to Bungalbin for ore shipment through the expanded Port of Esperance.

There is an industry-wide recognition that in Goongarrie, subject to further work confirming results received to date, Heron owns the premium Australian nickel laterite resource.

RESOURCE STATEMENT

On the basis of Heron 80x80m drilling, 400m x 40-80m reconnaissance drilling, outcrop exposures, costeans and aeromagnetic interpretation, and assuming an in situ bulk density of 1.6 for predominant Limonite Ore and 2.0 for predominant Siliceous Ore, the total Heron Inferred and Indicated Mineral Resource at a 0.75% Ni cut-off is:

Table 1								
HERON RESOURCES NL NICKEL PROJECTS								
Inferred And Indicated Mineral Resource Inventory, 0.75% Ni Cut-Off								
Project	Pit	SG	Strike km	Width km	Tonne Million	Ni %	Co %	Ni4Co %
Goongarrie Hill	GN1	2.00	5.80	0.20	17.7	1.08	0.06	1.31
Goongarrie South	GN2	1.60	7.00	0.30	63.0	1.08	0.09	1.44
Scotia Dam	GN3	1.60	2.40	0.30	9.1	1.10	0.11	1.56
Total Goongarrie					89.8	1.09	0.09	1.44
Ghost Rocks	GR1	2.00	3.00	0.08	5.7	0.91	0.12	1.39
Ghost Rocks	GR2	2.00	4.50	1.00	12.3	1.02	0.06	1.26
Total Ghost Rocks					18.0	0.98	0.08	1.30
Acra North	KA1	1.60	5.20	0.20	6.9	1.01	0.08	1.31
Acra North	KA2	1.60	3.60	0.16	5.4	1.31	0.07	1.57
Wellington East	KA3	2.00	2.00	0.16	3.8	1.04	0.08	1.36
Wellington East	KA4	2.00	3.20	0.20	8.8	1.18	0.07	1.45
Wellington East	KA5	1.60	1.70	0.24	1.6	1.21	0.10	1.60
Wellington East	KA6	1.60	5.00	0.24	9.4	1.04	0.07	1.32
Wellington East	KA8	1.60	2.50	0.48	4.9	0.97	0.09	1.31
Wellington Fold	KA9	1.60	2.50	0.20	2.1	0.88	0.07	1.14
Wellington North	KA10	1.60	1.00	0.16	1.5	1.04	0.06	1.27
Total Kalpini					44.4	1.09	0.07	1.38
STRATEGIC ALLIANCE SUB-TOTAL					152.2	1.07	0.08	1.40
Binti Binti	BB1	1.60	2.40	0.16	2.8	0.91	0.09	1.28
Acra	AC1	1.60	1.00	0.20	0.5	0.75	0.04	0.91
Wyo Well	WW1	1.60	2.40	0.16	0.8	0.83	0.04	0.99
Total Kurnalpi					4.1	0.88	0.08	1.18
Lake Rebecca	LR1	1.60	2.20	0.30	11.6	1.15	0.07	1.46
Lake Rebecca	LR2	1.60	1.10	0.15	2.1	1.03	0.03	1.16
Total Lake Rebecca					13.6	1.13	0.07	1.41
Boyce Creek	YE1	1.60	1.00	0.20	6.4	0.93	0.09	1.27
Lady Byron	YE2	1.60	0.60	0.20	2.8	1.11	0.05	1.30
Aubils	YE3	1.60	0.80	0.20	2.9	0.99	0.10	1.37
Total Yerilla					12.1	0.99	0.08	1.30
NON STRATEGIC ALLIANCE SUB-TOTAL					29.8	1.04	0.08	1.34
HERON TOTAL					182.1	1.07	0.08	1.39

2 EXPLORATION REVIEW

2.1 CAWSE STAGE II STRATEGIC ALLIANCE PROVINCE

Drilling programs were completed at Goongarrie and Kalpini. Drill hole patterns were designed to continue to upgrade the Mineral Resource status from Inferred to Indicated. Within the Strategic Alliance, **23% of the resource has now been converted to Indicated Mineral Resource.**

Drilling Program and Project Development

Reverse Circulation Drilling

Resource Definition drilling has demonstrated that the original 400x80m pattern RC drill resource estimate is reasonably robust when compared to the corresponding 80x80m in-fill pattern resource estimate. The in-fill drilling has resulted in a minor loss of tonnes at lower cut-off grades, and a minor increase in Ni grade and decrease in Co grade as the drill pattern becomes denser.

The thickness and continuity of the Goongarrie South ore zones suggests that a good conversion to Reserves can be expected. At this stage, there are three laterally persistent NNW trending parallel zones over a 4km strike length with metal accumulations commonly above 20m.% NiCo. The high-grade ore is still open to the north.

PQ Triple Tube Diamond Drilling

Eight diamond drill holes have been completed and sampled, with splits and composites dispatched for metallurgical evaluation, and to two separate commercial laboratories for conventional wet assay, with duplicate samples sent for XRF analysis. Assay comparisons between laboratories were excellent.

The Diamond Drilling program has generated representative core samples of undisturbed ore which confirm:

- Consistent ore correlation between holes, particularly for upper cobalt-rich zones.
- Strong visual ore identification, with dark yellow hues and dark manganese bands in high grade ore.
- Soft and free-digging orebody, totally amenable to low cost bulk mining.

Pre-Feasibility Study

Metallurgical Testing

Four samples were taken by Centaur from Goongarrie South and submitted to Amtech Perth laboratory as part of their current PFS. Metallurgical performance is acceptable and consistent with other Walter Williams Limonite Ores.

Fourteen half core and two RC geological bulk composites are undergoing metallurgical evaluation at the LakefieldOretest, Perth metallurgical laboratory. Sample splits were returned to Kalgoorlie for check assay and qualitative screen upgrade testing. Replicate assays have demonstrated excellent precision, confirming a high level of confidence in the analytical programs. Initial test work indicates an acid consumption of 200-250kg/t and Ni and Co recoveries exceeding 93%, which is encouraging. This result reflects the very low magnesia content of the ore, typically being less than 1% MgO in high grade Limonite Ore.

Goongarrie South is expected to have amongst the best documented metallurgical performance of an Australian Nickel Laterite.

Tenements

The Department of Minerals and Energy (“DME”) has required a submission from Heron that demonstrates whether or not Heron’s Goongarrie and Kalpini Mining Lease applications are fully enclosed by pastoral lease fencing. Under the Act, and pursuant to the Federal Court Miriuwung Gajerrong decision, Native Title is extinguished by enclosure, which includes pastoral leases granted after 1933, that have been either improved or enclosed before 1994.

The DME request has required that very detailed land title searches be completed to establish Pastoral Lease details affecting Heron’s Mining Lease applications. Heron has complied, and now awaits DME decisions.

Environmental

Consultants have completed a Flora and Fauna Survey. Aerial photography was flown and orthophoto map generated for baseline environmental studies. No environmental issues have been raised.

Rock Mechanics

Consultants have been retained to perform initial assessments of excavatability and traffickability of the of the Goongarrie South ROM ore utilising the Diamond Drill core. Results are awaited.

2.1.1 Goongarrie Nickel Project

Heron 100%. Heron holds Toll Milling rights for ore processing through Centaur’s Cause Stage II. Nickel (- gold).

Goongarrie South Prospect

Reverse Circulation Drilling

RC Drilling is continuing to target the northern extension of the Goongarrie South orebody, with drill holes collared on an 80x80m grid. During the Quarter, 110 drill holes were completed for a total advance of 5,260 metres (GSRC560 to GSRC669).

Drilling continues to produce wide, thick, laterally continuous, low strip ratio, exceptionally high-grade intercepts of nickel and cobalt mineralisation at depths between 6 and 84 metres.

Table 2 GOONGARRIE SOUTH PROSPECT RC Drilling Significant Interceptions, 0.75% Ni Cut-Off									
Hole Number	North m	East m	From m	To M	Interval m	Ni %	Co %	Ni4Co %	Ni4Co M%
GSRC542	69,280	2,320	32	40	8	1.14	0.188	1.89	15.14
GSRC562	69,440	2,320	18	40	22	1.23	0.232	2.16	47.41
GSRC571	69,440	3,040	37	60	23	1.22	0.085	1.56	35.79
GSRC575	69,520	2,320	33	47	14	1.04	0.037	1.19	16.63
GSRC575	69,520	2,320	50	62	12	1.00	0.151	1.61	19.27
GSRC577	69,520	2,480	21	37	16	1.30	0.257	2.33	37.31
GSRC583	69,520	2,960	29	42	13	1.14	0.063	1.39	18.05
GSRC590	69,680	2,560	16	27	11	1.57	0.087	1.91	21.04
GSRC594	69,680	2,880	19	40	21	1.42	0.040	1.58	33.14

Table 2 GOONGARRIE SOUTH PROSPECT RC Drilling Significant Interceptions, 0.75% Ni Cut-Off									
Hole Number	North m	East m	From m	To M	Interval m	Ni %	Co %	Ni4Co %	Ni4Co M%
GSRC595	69,680	2,960	34	49	15	1.11	0.050	1.31	19.61
GSRC599	69,760	2,320	34	48	14	1.04	0.076	1.34	18.72
GSRC604	69,760	2,720	18	41	23	1.05	0.082	1.38	31.77
GSRC605	69,760	2,800	18	31	13	1.13	0.098	1.52	19.75
GSRC606	69,760	2,880	48	62	14	1.56	0.062	1.81	25.32
GSRC615	69,840	2,640	49	60	11	1.12	0.083	1.45	15.93
GSRC617	69,840	2,800	25	41	16	1.00	0.076	1.30	20.80
GSRC625	69,920	2,560	13	23	10	1.15	0.297	2.34	23.37
GSRC626	69,920	2,640	38	50	12	1.75	0.168	2.42	29.03
GSRC637	70,080	2,800	42	66	24	1.21	0.079	1.52	36.54
GSRC656	70,240	2,800	36	45	9	1.08	0.281	2.20	19.84
GSRC667	70,480	2,320	12	32	20	1.37	0.146	1.96	39.18

Diamond Drilling

The Confirmation Diamond Drilling has been completed. The drill core indicates the following:

- In Situ Bulk Density:
 Siliceous Ore SG is 1.8 - 2.3 2.0 used in resource estimation.
 Limonite Ore SG is 1.3 - 1.8 1.6 used in resource estimation.
- Twin Drill Hole Comparisons:
 Diamond drill holes twinned existing high grade RC drill holes, repeating intercepts in both width and grade, providing great confidence in the RC database. On an intercept by intercept basis, the assay results of each Diamond Drill hole has confirmed the results of the adjacent RC drill hole, especially within the upper mineralised interval.

Table 3 GOONGARRIE SOUTH PROSPECT Average Assay Comparison Twin Holes Diamond Drill ("DD") and Reverse Circulation ("RC")									
Ni% Cut-off	MgO% Cut-off	Drill Type	Records	Ni %	Co %	Mn %	MgO %	Al ₂ O ₃ %	FeO %
0.50	<10%MgO	DD	162	1.12	0.149	0.91	0.98	8.36	47
		RC	177	1.10	0.122	0.91	1.66	8.45	47
0.75	Upper Clay Ore	DD	127	1.26	0.177	1.1	1.05	8.27	48
		RC	139	1.25	0.147	1.11	1.61	8.05	49
1.00		DD	94	1.40	0.199	1.24	0.91	7.34	51
		RC	104	1.37	0.173	1.28	1.31	7.51	50
0.50	>10%MgO	DD	42	0.75	0.027	0.23	23	3.48	16
		RC	29	0.83	0.037	0.32	20	3.76	18
0.75	Lower Clay Ore	DD	17	0.97	0.035	0.29	20	5.26	20
		RC	15	1.05	0.042	0.49	17	5.11	24
1.00		DD	6	1.20	0.045	0.39	16	6.44	23
		RC	7	1.26	0.051	0.43	16	4.56	26

- **Assay Repeatability:**
Pairs of samples have been assayed by two separate laboratories, and against commercial standards to check repeatability. Results are excellent.
- **Clay Mineralogy:**
Samples are being analysed by XRD to determine the clay types, which will determine future autoclave pulp densities.
- **Extractive Metallurgy:**
Fourteen samples of core composites have been submitted to determine Screen Upgrade, Settling, Viscosity (pulp density), Pressure Acid Leach, Acid Consumption and Metal Recovery.

Goongarrie Hill Prospect

Results for metallurgical test samples GWMT01 and 02 from Goongarrie Hill have been received. The samples exhibited characteristic the excellent screen upgradeability, fast settling rates and low yield stress typical for the Walter Williams Limonite Ore. Nickel and cobalt leach recoveries in excess of 92% are indicated.

Table 4 GOONGARRIE HILL PROSPECT Summary of Preliminary PAL Data				
	GWMT 01 High Magnesite		GWMT 02 Medium Magnesite	
	Ni	Co	Ni	Co
Head Grade	0.94%	0.018%	1.58%	0.063%
Mass passing 212 microns	45.8%		37.5%	
Screened Grade	1.35%	0.028%	2.33%	0.091%
Grade Increase	44%	56%	47%	44%
Metal Recovered	65.5	72.5	55.3	53.8
Settling minutes, 25% Solids, Floc 30g/t	210		30	
Yield Stress, 33% Pulp Density	3.5		4.5	
PAL Recovery 90 minutes	92.1%	88.4%	95.8%	94.8%
MgO head assay	10.36		4.3	

The Goongarrie Hill siliceous mineralisation is typical of the Cawse and Walter Williams Formation ore styles in general.

The Goongarrie Hill metallurgical program was carried out as a prelude to Heron Toll Milling through Cawse Stage I. In the end, Heron declined to nominate Ore on the 21 September 2000 Cawse Stage I Nomination Date. It was felt that the return from processing did not warrant the risk associated with the current high operating costs. A compromise arrangement was suggested to Centaur, but no alternative proposal has as yet been received.

Heron is keen to process ore through Cawse Stage I to assess the metallurgical performance under full-scale operating conditions.

2.1.2 Ghost Rocks Nickel Project

Heron 100%. Heron holds Toll Milling rights for ore processing through Centaur's Cawse Stage II. Nickel (-gold).

Drill hole collars for the proposed infill 400x80m RC drill program have been set out. Drilling has been delayed, due to the substantially expanded program at Goongarrie South.

All outstanding drill hole rehabilitation has been completed.

2.1.3 Kalpini Nickel Project

Heron 100%. Heron holds Toll Milling rights for ore processing through Centaur's Cawse Stage II. Nickel (-gold).

Infill drilling on an 80x40m pattern has recently been completed, with 17 holes for 442m at Wellington North (WNRC001-017), 8 holes for 236m at Wellington East (WERC359-366) and 20 holes for 523 metres at Acra North (ANRC108-127). Typical Kalpini Nickel Laterite profiles were intersected. Significant intercepts include:

Table 5 KALPINI NICKEL PROSPECT RC Drilling Significant Interceptions, 0.75% Ni Cut-Off									
Hole Number	North m	East m	From m	To m	Interval m	Ni %	Co %	Ni4Co %	Ni4Co M%
WNRC006	52,720	6,840	2	14	12	0.79	0.041	0.95	11.45
WNRC008	52,720	6,920	15	29	14	0.84	0.044	1.02	14.25
WNRC015	52,400	7,240	27	35	8	0.98	0.107	1.40	11.24
WNRC016	52,400	7,280	24	41	17	0.87	0.054	1.09	18.46
WERC362	37,760	15,720	14	23	9	1.42	0.048	1.61	14.49
WERC364	37,760	15,640	4	12	8	1.03	0.077	1.34	10.70
ANRC115	28,320	17,480	15	25	10	1.08	0.064	1.33	13.31
ANRC117	28,320	17,560	12	44	32	1.22	0.071	1.50	47.92
ANRC123	25,200	19,440	18	24	6	1.08	0.188	1.83	11.00

Receipt of 1m interval confirmation check sampling is awaited. Drilling has confirmed high grade ore zones and allowed comparisons of mineralisation styles with Goongarrie. All drill sites have been rehabilitated.

Discussions are ongoing with parties interested in the nickel sulphide and gold potential of the Kalpini tenement package. Heron has compiled a geological evaluation of specific basal komatiite nickel-copper targets generated in RC drilling. Several parties are evaluating the database.

2.2 SCOTIA KANOWNA PROVINCE

2.2.1 Scotia Kanowna Project

Heron 100%.
Nickel (- gold).

Heron has acquired additional tenements at the **Vettersberg Prospect** which cover Walter Williams Formation to the immediate south of the Scotia Dam laterite resource.

Goongarrie South Gold Prospect

Following interpretation of aeromagnetic data, it is inferred that Goongarrie South in part represents an un-roofed Comet Vale granitoid-style gold mineralising system.

Some 2,500 composite pulp samples from the Nickel Laterite RC drill program at Goongarrie South have been re-submitted for Au and As analysis. Results are awaited.

Although on Strategic Alliance tenements, this gold project is outside the Centaur Strategic Alliance.

2.2.2 Kurnalpi Nickel Project

Heron 100%.
Nickel (- gold).

Acra Prospect

During the Quarter Heron completed the purchase of the Acra Nickel Sulphide prospect. Drill testing commenced immediately to gain a better understanding of the local stratigraphy, completing 8 holes for 154m. (ACRC001 to 008).

The Acra Prospect is situated at the southern extremity of the Kalpini Nickel Project. Ultramafic belts consist of three separate steeply westerly to southerly dipping differentiated komatiite horizons, overlain by mafic and felsic volcanics. The lowermost komatiite unit hosts the Kalpini nickel laterite mineralisation. The uppermost unit is prospective for nickel sulphide mineralisation, with recorded sulphides at Binti Binti and Acra. Heron's Acra drilling encountered orthocumulate textured komatiite with anomalous nickel in laterite. Values up to 0.55% Ni were intersected, with anomalous copper, confirming the prospectivity for nickel sulphides.

Heron is involved in negotiations with a potential farm-in partner to further explore Acra and surrounding tenements for nickel sulphide and gold. The prospect area is readily amenable to a ground Electro-Magnetic survey. There is an absence of black shale horizons at Acra, which means any conductors located are more likely to have a sulphide source.

High grade supergene gold targets have been identified by Heron through review of previous exploration data. The peak previous drill intercepts are 1m at 43-85g/t Au.

Binti Binti Prospect

During the Quarter, rehabilitation of previous drill areas commenced.

Heron has acquired additional ground to the immediate south of Binti Binti, covering ultramafic aeromagnetic targets.

Figure 1 Heron Resources NL Project Locations

2.2.3 Menzies East Joint Venture Project

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

Golden State advises that future work will focus towards the north-west of the project, testing extensions to the King Bore prospect, where soil gold anomalism has been identified.

2.2.4 Gindalbie Terrain Joint Venture Project

Heron 100%, Delta Gold Limited option to joint venture, right to earn 70% in gold.
Heron retains 100% of all nickel rights.

Delta has secured a six month option to farm into the project. Data collation and site investigations have been completed ahead of field exploration planned for the December Quarter. The main gold target is associated with the Moriaty Shear Zone.

2.2.5 Yindarlgooda Project

Heron 100%.
Nickel (- gold).

The **Clinker Hill Prospect** is located approximately 40km east of Kalgoorlie in the Bulong District, and was acquired due to the presence of Bulong Ultramafic Complex (host to the Bulong nickel laterite mine). Previous exploration has focussed on the gold prospectivity, which has seen 195 drill holes completed for 8,008 metres.

Heron's tenement covers a folded and sheared layered ultramafic and gabbroic complex, bounded by the Hampton Fault to the west and Goddard Fault to the east. Gold mineralisation is associated with ultramafic rocks where supergene anomalism has formed over thin sub-vertical quartz veins. Intercepts to date include 4m at 0.81g/t Au, 1m at 2.02g/t Au, 4m at 0.86g/t Au, **3m at 5.49g/t Au** and 2m at 1.30g/t Au. The tenement is awaiting grant, at which time Heron will fully evaluate its nickel laterite potential.

2.3 EMU FAULT PROJECT

2.3.1 Kurnalpi Gold Joint Venture Project

Heron 100%. Farm-in partner right to earn 80% in gold.
Heron retains 1.5% NSR for Nickel Sulphide and all Nickel Laterite.
Gold (- nickel).

Heron is negotiating a farm-out to explore for nickel sulphide and gold as part of an Eastern Goldfields drive by the farm-in partner to generate new large projects. The project area covers 260km² with an excellent Emu-Avooca Fault structural association. Final documentation is being drafted. Discussions to include the Kalpini Gold Project (88km²) in the joint venture are current.

2.3.2 Transline Project

Heron 100%. Farm-in partner right to earn 80% in gold.
Heron retains 1.5% NSR for Nickel Sulphide and all Nickel Laterite.
Gold (- nickel).

Heron is negotiating the terms of a farm-out to explore Transline (730km²) for nickel sulphide and gold. The project adjoins Kurnalpi, with which exploration presumably would be contiguous.

2.3.3 Transline Joint Venture Project

Heron 100%. New Hampton Goldfields Limited right to earn 80%.
Gold - nickel.

The Transline project covers highly anomalous +50ppb gold in soil targets associated with the gold mine-hosting GMQ Shear Zone. GIS compilations were completed, identifying several +1g/t Au RAB anomalies, peaking at 6g/t Au. New Hampton operates a CIP plant at Jubilee, located 50km WSW of Transline, so potential exists for an expeditious cash flow from any gold discovery.

2.4 KEITH KILKENNY PROVINCE

2.4.1 Kookynie Joint Venture Project

Heron 100%. Barmenco Pty Ltd and Kookynie Resources NL right to earn 70%.
Heron retains all Nickel Laterite.
Gold-nickel.

The project area is on the western margin of the Keith Kilkenny Tectonic Zone, adjoining the Apollo Hill gold mining centre and targeted as prospective for gold, diamonds and base metals. The main nickel target is the **Boomerang Prospect**, a series of komatite mega-channels localised within the Emu Fault. This is an excellent setting for Silver Swan style nickel sulphide mineralisation.

Subject to the completion of final documentation, Heron has agreed to the terms of a joint venture of its Kookynie Project.

2.4.2 Edjudina Nickel Project

Heron 100%.
Nickel (- gold).

The Edjudina nickel laterite targets are an important asset in a Keith Kilkenny Nontronite Nickel Laterite resource rationalisation now under discussion, involving Heron's Lake Rebecca to Aubils laterite resources.

The main area of interest is the Aubils and Kilmore Hill exploration target, a major soil-covered ultramafic sequence covering an area of 15x2km. Further drilling on a 400m x 80m pattern is planned. Recent studies have included a pit design to help provide a focus to this more detailed drilling.

2.4.3 Edjudina-Laverton Joint Venture Project

Heron 100%. Croesus Mining NL right to earn 80% in gold projects only.
Heron retains 100% of all nickel rights
Gold.

Heron has agreed to include additional tenements into the Croesus Joint Venture.

Exploration has identified the Edjudina area to be prospective for both base metals and gold. Highly anomalous Cu, Zn, Pb and As values are associated with chert and gossanous schists. This zone is also anomalous for gold, with gold in soil to 1,900ppb, and gold in rock chips to 46.8g/t.

To date drilling completed by Croesus has totaled 280 holes for 9,957 metres at Edjudina (2,169 samples), and 27 holes for 1,108 metres at Varden (255 samples).

2.4.4 Southern Laverton Tectonic Zone Joint Venture Project

Heron 100%. Gutnick Resources NL right to earn 80% in gold projects only.

Heron retains 100% of all nickel rights.

Gold.

The Southern Laverton Tectonic Zone Project is located approximately 150km NE of Kalgoorlie, extending from south of the Anglo-Saxon and Saxon Extended gold mines (170,000oz) to just west of Red October (340,000oz). The Laverton Tectonic Zone Gold Province, which also hosts the Granny Smith, Sunrise and Wallaby mines, has a total resource base that is in excess of 22 million ounces of gold.

A very detailed study of all available open file and company data has been completed, involving the synthesis of aeromagnetic data, geological mapping and satellite imagery. This study has highlighted mineralised trends and conceptual targets not previously drill tested.

At present, Auger drilling of Heron tenements is in train, with pedogenic calcrete samples being taken for analysis. On completion of this program, follow up RC drilling will be carried out.

2.4.5 Edjudina Gold Project

Heron 100%.

Gold.

Heron has commenced negotiations to form a joint venture to further explore this project, following up gold resources previously identified and drilled by Heron at Banjo, Webb Find, Yarri and Yilgangi.

2.4.6 Mulgabbie Nickel Project

Heron 100%.

Nickel (- gold).

Rehabilitation of historical exploration areas has been completed. Drill hole collars have been surveyed ahead of drilling at the Lake Rebecca lateritic nickel deposit. The drill program has been postponed due to ongoing wet ground conditions marginal to Lake Rebecca.

2.4.7 Karonie South Joint Venture Project

Heron 100%. WMC right to earn 80%.

Gold (- nickel - base metals).

WMC has completed an ethnographic survey ahead of field exploration. Subsequently a 474 station 1x1km grid gravity survey was completed providing excellent definition of mafic and sedimentary packages of the Roe Hills and Karonie Greenstone Belts.

In addition, a 709 sample 800x200m, -75micron soil sampling program has been completed targeting the **Connelly Gold Prospect**. This program has identified seven spot gold anomalies including values to 99ppb. Follow up sampling is planned.

A multiple fraction soil orientation survey was completed to optimise sampling procedures for nickel sulphide exploration. Results are awaited.

An ultra detailed aeromagnetic survey has been designed, with flight lines at 50m spacings.

2.5 MUNGARI PROVINCE

2.5.1 Mungari Northwest Joint Venture Project

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

Grant of the main tenement is awaited.

2.5.2 Mungari Northwest Platinum Project

Heron 100%.
Platinum (- gold)

Literature reviews and regional studies by Heron have generated a PGM target associated with fractionated basal layers of the Powder Sill gabbro. Additional tenements were pegged at Dryden's Find, covering old gold workings on the Kunanalling Shear Zone.

2.6 LEONORA LAVERTON PROVINCE

2.6.1 Laverton Nickel Project

Heron 100%. Another entity has rights to gold.
Nickel.

Merolia Prospect

Nickel rights were acquired at Mineral Patch Hill to the immediate south of Merolia. Mineral Patch Hill has in excess of 10km of prospective ultramafic stratigraphy, and is immediately north along strike of the Cogleia Well Nickel Laterite deposit. Heron's Merolia-Mineral Patch Hill tenements are in their first year of grant.

Detailed aeromagnetic coverage has been acquired, and interpretation completed to define zones with probable olivine adcumulate units. A 640x80m RC drilling program has been designed at Merolia-Mineral Hill, which will commence once the current Goongarrie drilling has been completed. Field checking of proposed drill targets has been completed.

Based on the aeromagnetic interpretation, the Merolia-Mineral Patch Hill Project has the potential to host a significant nickel laterite resource, covering an aggregate 18km strike aeromagnetic anomaly.

2.6.2 Laverton Joint Venture Project

Heron 100%. Metex Resources NL right to earn 70%.
Gold (-nickel).

Metex intends assigning these tenements to another joint venture entity.

2.6.3 Mount Morgans Joint Venture Project

Heron 100%. Metex Resources NL right to earn 70%.
Gold (-nickel).

Metex has tested two magnetic features with 786 metres of RAB drilling. The main anomaly comprises a weakly magnetic package of oxidised siliceous felsic volcanics, with disseminated pyrite throughout. Preliminary assays for Au have been received, with no significant results returned. Cu, Pb, Zn and Ag results are pending.

Metex has now earned a 70% interest through expenditure in the Mount Morgans Project.

2.6.4 Victory Joint Venture Project

Heron 100%. Farm-in partner right to earn 80%.
Gold - nickel.

A farm-in approach has been made on these and adjoining tenements. The exploration target is nickel sulphide, and gold along strike from the developing Thunderbox gold discovery.

2.7 ILLAARA PROVINCE

2.7.1 Lawrence Find Project

Heron 100%.
Copper - zinc - gold - nickel - sulphur - platinum.

Heron's research has identified several high priority target areas, including a 30km strike "epithermal gold" soil anomaly and a 50m thick massive "VMS" gossan. Inspection of rock samples from Maninga Soak in the southern project area has indicated chromitite bands in association with a banded anorthositic suite. A PGE setting is indicated. MMI soil geochemistry is planned on tenement grant.

Heron is negotiating with a potential joint venture partner who may earn a 70% interest in the tenements. Heron will retain all Nickel Laterite rights.

2.8 IDA FAULT PROVINCE

2.8.1 Snake Hill Joint Venture Project

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

Mining leases have been pegged to retain ground ahead of its inclusion into the proposed Barra Resources NL Initial Public Offer.

2.8.2 Frances Lesley Project

Heron 100%. Another entity has rights to gold.

The Frances Lesley project area covers komatiites that occur within the Coolgardie Domain, a graben bounded by the Ida Fault and Kunanalling Shear Zone to the west and the Zuleika Shear Zone to the east. Pyritic black shales are associated with the komatiite horizons.

Heron is negotiating with a nickel sulphide explorer and producer to form a Joint Venture to explore for nickel sulphide at Frances Lesley and other Ida Fault Province tenements.

2.8.3 Blister Dam Project

Heron 100%.
Gold - nickel.

The tenements cover part of the Walter Williams and Siberia Formations where truncated by the Zuleika Shear Zone. Heron has completed a nickel laterite data review outlining drill targets, including 5m at 0.92% Ni. The project is within a 30km haul distance of the Cawse nickel operation.

Heron is negotiating a farm-out to further explore previously defined gold targets.

2.8.4 Bullabulling Project

Heron 100%.
Nickel - gold.

High priority nickel laterite targets are present, located within hauling distance of the Cawse nickel laterite plant. Previous explorers report broad zones of gold anomalism in costeans on Heron's leases.

2.8.5 Widgiemooltha Joint Venture Project

Heron 100%. WMC Resources Ltd right to earn 80%.
Nickel - gold.

Heron has accepted a farm-in offer from WMC covering the **Pioneer** and **Yilmia Hill Prospects**. WMC will explore the tenements for gold and nickel sulphide mineralisation. An advanced stage target is available at Pioneer, which will be drill tested on grant of the tenement.

2.8.6 Mount Thirsty

Heron 100%
Nickel (-gold).

Heron has identified significant nickel-copper anomalism. Lateritic nickel values from drilling at the **Nike Prospect** returned up to 1.2% nickel and 0.2% cobalt from a prospective strike of 3.5km.

2.9 KAMBALDA DOMAIN PROVINCE

2.9.1 Binduli East Project

Heron 100%. AngloGold Australasia Limited has the right to earn 75%.
Gold (-nickel).

AngloGold has resolved issues involving possible ethnographic sites of significance, and has completed an Auger soil geochemical program. Results are awaited.

2.9.2 Kurramia and Mount Martin Projects

Heron 100%
Gold (-nickel).

The 165km² project areas are located 10-30km N and S of Kalgoorlie associated with felsic volcanoclastic and lateritised ultramafic within the Boorara Shear Zone. An extensive lacustrine cover associated with Gidgi Lake is present in the northern project area.

Importantly, the Shamrock Ultramafic Sequence trends N-S through the project area, and is prospective for nickel sulphide mineralisation. Intrusive porphyry, being a prime gold target, occurs throughout the tenements. An extension of the Kanowna Shear Zone is also interpreted as transecting the eastern project area.

The similarity of the Kurramia geological setting to the Kanowna Belle and Paddington gold mines requires that very detailed drill exploration be carried out. The main targets are the **Kanowna South, Phoenix and Roaster Prospects**. Peak historical intercept is **4m at 2.35g/t Au** from Phoenix.

2.10 SOUTHERN CROSS PROVINCE

2.10.1 Bungalbin Project

Heron 100%
Gold - nickel (- iron ore).

Tenement grant is awaited.

2.10.2 Bungalbin Iron Ore Royalty Project

Heron 100%. Portman Limited right to acquire Iron Ore rights through providing Heron an Iron Ore Production Royalty.

Heron retains all other mineral rights, notably gold-nickel.

All tenements have been granted with endorsements for Iron Ore rights. The target ore type at Bungalbin is low-phosphorous ore. Initial appraisal of the Mount Jackson tenements has been completed. Following geological reinterpretation, there is scope to greatly increase the Iron Ore resources. Portman has approached Heron to have further Iron Ore tenements within the Bungalbin area included in the Royalty Project.

Portman is completing a Bankable Feasibility Study which is expected to be ready within one year. The Study includes a railway spur-line to the Bungalbin iron ore deposit to supplement the Koolyanobbing iron ore operation. Portman is also evaluating the dredging of Esperance harbour, to expand Iron Ore exports through Koolyanobbing and Bungalbin.

2.10.3 Maggie Hayes Hill Project

Heron 100%
Nickel, (-gold)

The tenement is south along strike from the Emily Ann nickel sulphide deposit. A RAB nickel anomaly has been identified in the southern tenement area, which is coincident with a shallow, possibly northerly plunging Electro-Magnetic anomaly. Tenement grant is awaited.

2.11 BREMER-EUCLA PALAEO-DRAINAGE PROVINCE

2.11.1 Balladonia and Ravensthorpe-Norseman Oil Shale Projects

The 5,505km² Balladonia and Ravensthorpe-Norseman project areas are located 200km S of Kalgoorlie. There are indications of substantial oil shale and lignite resources, exceeding 1.5 billion tonne at an indicative oil yield of 95 l/t. Based on Heron's GIS compilation, the Company controls in excess of 600km² of prospective oil shale basins.

Heron is considering a draft Memorandum of Understanding that proposes a range of development options, involving the joint production of syncrudes, electricity, sulphuric acid, and provides consideration for nickel offtake and possible stainless and tool steel production.



Ian 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.