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31 January 2002

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

Dear Sir / Madam

**HERON RESOURCES LIMITED, QUARTERLY REPORT, PERIOD ENDING 31 DECEMBER 2001**

**QUARTER HIGHLIGHTS**

- *At a General Meeting on 29 January 2002, Shareholders approved the de-merger of the precious metal assets from Heron Resources Limited ("Heron"). The de-merger will be facilitated by making a pro rata in specie distribution of 21,031,745 fully paid ordinary shares in Avoca Resources Limited ("Avoca") to all Heron Shareholders. Avoca is now wholly owned by Heron Shareholders, and is working towards a public share issue and listing on ASX in the Second Quarter 2002. Heron Shareholders will have a priority right to subscribe for Avoca shares, such that they are entitled to subscribe for sufficient Avoca to maintain their pro-rata Avoca shareholding at the same percentage level as their Heron Shareholding.*
- *The Company completed a private placement to Resource Capital Fund II L.P. ("RCF"). Under the terms of the placement, RCF subscribed for 4 million ordinary Shares in the capital of Heron to raise A\$1.04 million, together with 2 million three year options (exercise by 20 December 2004) to subscribe for Heron shares at 35 cents per share. RCF is a Denver-based institutional resource investor, and is now the Company's third largest Shareholder (3.8%).*
- *OMG Cawse Pty Limited ("OMG") has purchased 15,890,310 Shares in Heron and the Cawse Nickel Operation from the Receiver and Manager of Centaur Mining & Exploration Limited. OMG is a Cleveland-based international nickel and cobalt refiner and marketer, and is now the Company's second largest Shareholder (15.1%).*
- *Having completed pit designs at the Goongarrie Nickel Project, the Company has now prepared bulk metallurgical samples which are being evaluated for nickel laterite ore supply opportunities in the Eastern Goldfields.*
- *A large work commitment has been directed towards the Avoca Prospectus, which is at its final draft stage, with lodging anticipated in February 2002. Statutory exploration commitments have continued on the Avoca project areas, with outstanding results including:*
  - ***Stuart Shelf Project, South Australia: Initial target generation has been completed. Six high priority coincident gravity-magnetic targets have been identified.***
  - ***Jimberlana Dyke: Avoca has completed reconnaissance soil geochemistry at the Cowan and Mount Norcott Projects, with anomaly peaks 157ppb Pt, 1,989ppb Pd and 95ppb Au. Anomaly widths are up to 700m, being outstanding drill targets, and fully validating Avoca's conceptual Jimberlana PGM model.***

## 1. SUMMARY

### 1.1 Corporate

#### Avoca Resources Limited Precious Metal Spin-off

Heron has assigned its non-nickel assets to Avoca Resources Limited ("Avoca") in exchange for the issue to Heron of 21,031,745 fully paid shares in Avoca and 6,000,000 vendor options. On 5 February 2002 ("Record Date"), Heron will make a 1 for 5 *in specie* distribution to Heron shareholders of the 21,031,745 fully paid shares in Avoca. Heron will retain the vendor options. Heron Shareholders as at 28 February 2002 will in addition have a priority right to subscribe for Avoca shares in the IPO capital raising.

Avoca is most pleased to announce the following management appointments:

- **Rob Reynolds** is **Chairman** designate of Avoca, to assume responsibilities on lodgment of the Avoca prospectus. Rob was previously a director of Delta Gold NL, having jointly overseen the growth of Delta from junior explorer to 600,000 ozs pa gold producer.
- **Geoff Collis** is **Exploration Manager**. Geoff has an extensive Eastern Goldfields exploration and discovery record, and previously was involved in a major Zimbabwe PGM project feasibility.

Managing Director Rohan Williams is finalising the Avoca Prospectus. Broker presentations have commenced, with positive comment on the quality of the Avoca project portfolio, personnel and strategic plan. Heron shareholders can view their new Avoca investment with optimism.

Heron acknowledges the contribution of former Avoca directors Rod Evans and Bob Colville to the formation of the company, and formalising the de-merger of the Heron precious metal assets.

Avoca and Heron will operate as separate entities, with Heron committed to commissioning a mining operation at the world-class Goongarrie nickel laterite discovery, and Avoca committed to the systematic exploration of its outstanding precious metal exploration portfolio.

#### Heron Resources Limited

An era ended for Heron on 23 November 2001 when **Bob Colville** resigned as a director of the Company, due to his other management commitments. Bob more than anyone has been responsible for the development of the Heron culture of high technical standards, strong bias towards drilling, and quick project turnaround. The Company wishes Bob the very best of exploration and production success in his new endeavours.

**Craig Readhead** has joined the Heron Board, bringing the corporate skills required as the Company evolves towards project development. Craig is a partner in the West Perth law firm Pullinger Readhead Stewart, with specialisation in the mineral resource sector.

The Company welcomes OMG Cawse and RCF as its new second and third largest Shareholders, and looks forward to fruitful working relationships.

The December 2001 Quarter has seen a corporate transformation of Heron, with all the ground work now in place for the next phase of the Company's growth.

### 1.2 Technical

The Company has been active in tenement pegging over the last Quarter, with the Stuart Shelf acquisition particularly pleasing, given the exceptional targets already generated through current literature studies.

## 2.0 OPERATIONS REVIEW

### 2.1 KALGOORLIE NICKEL PROVINCE

#### 2.1.1 Goongarrie Nickel Project

Heron 100%.  
Nickel (- gold).

##### *Resource Drilling Program and Project Development*

Pit designs for the Notice of Intent for the **Pamela Jean Zone Stage One Pit** have been completed.

The Pamela Jean mineralisation that has been included in the resource study has a 2.0km strike and is predominantly manganiferous Goethite Ore assaying less than 1% MgO. Diamond drill core appraisal shows that the ore is amenable to grade control by 2m profile trenching, and mine excavation without drill and blast.

##### *Reverse Circulation Drilling*

During the Quarter, the entire drill hole database (GSRC0001 to 1132) was validated and interpreted. Sectional resource interpretations were completed using in-house personnel and external consultants, resulting in the design of a pit that will access High Grade Ore at the Pamela Jean Zone. A uniform and highly predictable zone of High Grade Ore was encapsulated in the Stage One pit design, which will access **2.54 million tonne of Goethite Ore averaging 1.51% Ni and 0.16% Co**, with 5:1 stripping ratio.

All drill-site rehabilitation has been completed. RC drill sample piles have been digitally photographed.

##### *Ground Geophysics*

Heron completed an orientation geophysical program at the Pamela Jean Zone. The study was undertaken in conjunction with Curtin University.

The orientation involved the trial of various integrated geophysical techniques, notably aimed at identifying deep mineralised structures such as those inferred to control the Pamela Jean Deeps laterite mineralisation. The ground surveys included gravity, magnetics, resistivity and Induced Polarisation, and SIROTEM. In addition, 13 down hole surveys of conductivity and gamma radiation were completed.

Aspects of the study have clearly detected the Pamela Jean Deeps profile, and have highlighted other areas where deep drilling is warranted.

##### *Ore Treatment Studies*

A detailed metallurgical characterisation study aimed at Goethite Ore was completed using diamond and RC drill multi-element geochemistry. Detailed petrological studies were completed for complementary mineralogical characterisation. These studies have been the basis of nominating ore for toll milling.

As a result of on-going discussions for nickel laterite processing, a 2.5 tonne Goethite Ore bulk sample grading above 1.25% Ni has been collected from within the proposed Stage 1 pit area, to provide representative samples for detailed metallurgical appraisal. This is a prerequisite evaluation for a profit share ore milling opportunity, currently in consideration.

### 2.1.2 Frances Lesley Project

Heron 100% of nickel rights  
MPI 100% of gold rights.

The project area covers Nickel Laterite targets within the Walter Williams Formation ultramafics along the western margin of the Goongarrie Dome. The regional structural setting is highly prospective, being the intersection of the N-S Ida Fault with the NW trending Kunanalling and Zuleika Shear Zones.

The key Exploration Licence, which covers the ultramafic stratigraphy and is prospective for nickel mineralisation, has been granted. Systematic soil geochemistry was completed, defining low order nickel anomalism and a six times background soil gold anomaly.

An exploration agreement with MPI has been finalised.

### 2.1.3 Kalpini Nickel Project

Heron 100%.  
Nickel (- gold).

Four key Mining Leases M28/127, M28/199, M28/201 and M28/205 have been granted at Acra North. These tenements provide mining access to both Goethite and Saprolite high grade nickel ore.

Nickel Sulphide evaluations continue, with additional tenements secured at the Kalpini gold mining centre north along strike of the Acra Nickel Sulphide horizon. Gold prospectivity is also high, with large old shafts.

### 2.1.4 Widgiemooltha Nickel Project

Heron 100%.  
Nickel - gold.

Soil sampling has defined a significant Nickel Sulphide target at the **Pioneer Prospect**. Highly anomalous nickel and copper values, supported by elevated precious metal results, form a coherent anomaly.

Additionally, an 800m strike length soil gold anomaly peaking at 23ppb Au has been defined. In-fill sampling is planned, following which a decision on farm-out or drilling will be made.

## 2.2 SOUTHERN CROSS NICKEL PROVINCE

### 2.2.1 Bungalbin Nickel Project

Heron 100%.  
Nickel - gold.

The Bungalbin stratigraphic sequence includes olivine adcumulate komatiites which host high priority Siliceous Nickel Laterite targets, and basalt and banded iron formation (BIF) which host gold targets.

Heron has substantially expanded its tenement holding, with excellent ultramafic pegging acquisitions. The regional gold setting is also favourable, being a "pressure shadow" position. Exploration will commence once tenements are granted. There is no previously recorded Nickel Laterite exploration.

## 2.2.2 Bungalbin Iron Ore Project

Heron 100%. Portman Ltd right to acquire Iron Ore rights.  
Heron retains all other mineral rights, notably nickel-gold.

Heron's open file study indicates an Inferred Mineral Resource of iron ore estimated at 65.7 million tonne at 57.9% Fe, with a calcined grade of 64.1% Fe. Within this global resource, it is likely that smaller structurally controlled high grade iron-low phosphorus ore positions will be identified. Portman is currently carrying out feasibility studies which include Bungalbin for an expanded Koolyanobbing Iron Ore operation, and the parties are negotiating the addition of a further tenement into the royalty project.

Portman has announced that it intends to investigate downstream processing options for its high-phosphorous iron ore resources at Koolyanobbing by utilising a large lignite deposit at Salmon Gums, 100km N of Esperance. Heron also holds lignite resources in the area.

## 2.2.3 Mt Elvire Project

Heron 100%  
Nickel (-gold)

The project area covers a sequence of komatiite, BIF, ultramafic schist and amphibolite intruded by dolerite. Previous explorers have generated gold-in-soil drill targets that have not been tested. The project area is unexplored for Nickel Laterite mineralisation.

Aeromagnetics have been acquired and interpretation confirms favourable dilational gold target zones.

## 2.2.4 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, which is coincident with a shallow, possibly northerly plunging ground EM anomaly.

## 2.3 ILLAARA PROVINCE

### 2.3.1 Perrinvale Joint Venture Project

Heron 100%, Mount Burgess Mining NL right to earn 70% through spending \$0.5m.  
Heron retains Nickel and Sulphur rights.  
Copper - zinc - gold.

Geological mapping and interpretation was completed at a 1:25,000 scale utilising 200m line spaced aeromagnetic data. Landsat imagery and geophysical targeting which was carried out, resulting in a significant advancement towards the understanding of the geological relationships in the area from previously available information.

Geochemical auger drilling was completed, comprising over 1,000 pedogenic carbonate samples designed to infill existing sampling and cover previously untested areas. Peak values of up to 64ppb Au and 1,070ppm As were returned, and have highlighted several areas of gold anomalism requiring additional exploration work.

## 2.4 AVOCA RESOURCES LIMITED PRECIOUS METAL “SPIN-OFF”

### 2.4.1 Avoca Ownership of All Mineral Rights

#### Zuleika Shear Gold Province, Western Australia

##### Mungari Gold Project

Key tenement, Avoca 100%.

Other tenements, Heron 100%, assignment of all mineral rights to Avoca.

Gold.

The 82km<sup>2</sup> project area covering 19 tenements is located 45km WNW of Kalgoorlie associated with the Zuleika Shear Zone. Avoca tenement applications are 10km SSE along strike from the Frog's Leg gold discovery on the ore hosting Zuleika Shear Zone. This is a prime structural setting, hosting from north to south the Kundana, Raleigh, Kurrawang, Rubicon, Hornet, Frog's Leg and Mount Marion gold deposits. Together these deposits represent a total endowment of over 6 million ounces of gold, importantly at above average grades.

The Avoca **Mungari Prospect** has abundant quartz vein float, confirming a major shear zone association. Aeromagnetic interpretation indicates a dolerite intruding felsic volcanics, with a Zuleika Shear structural association. This is a comparable geological setting to that of the Frog's Leg and White Foil gold discoveries.

Brecciated gossans with associated quartz-sulphide veinlets were sampled by Avoca within the volcanics. Precious metal assays are highly anomalous at 150-300ppb Au+PGM. Reconnaissance **pisolite sampling by Avoca returned high priority targets of 100-250ppb Au+PGM**, associated with a ferruginous zone in the centre of the project area, directly over the Zuleika Shear Zone. **Arsenic is highly anomalous at 1,000-2,400ppm**, confirming strong gold prospectivity.

Avoca plans detailed soil auger geochemistry prior to systematic RC drill exploration of favourable structures.

#### Keith Kilkenny Gold Province, Western Australia

##### Wiluna South

Avoca 100%.

Gold.

The 117km<sup>2</sup> project area covering 3 tenements is located 10km SE of the 5 million ounce Wiluna gold mining centre. Preliminary aeromagnetic interpretation indicates that the Avoca project contains a **12km strike of the Wiluna Mine sequence trending SE**. The target zone is largely unexplored, occurring beneath a thin cover of lake sediments within Lake Way.

The Wiluna gold mining centre is hosted by major N-S trending faults that are recognisable on aeromagnetics. Three prominent and comparable N-S magnetic structures have been interpreted cutting the Wiluna stratigraphy within the Avoca project area. This confirms an outstanding exploration potential.

Normandy Mining, the operator of the Wiluna gold mine, is actively aircore drilling adjacent to Avoca's Wiluna South project boundary, announcing two new gold resource discoveries with encouraging drill intersections over significant strike lengths (Normandy's Williamson and Carol Prior prospects). There are indications that the mineralised trend continues into the Avoca tenure.

Avoca plans to complete systematic aircore drilling along several aeromagnetic structures.

## Stuart Shelf Province, South Australia

The Avoca Stuart Shelf projects cover a major mineralised structure termed the "G2 Gravity Lineament". Research by the Australian Geological Survey Organisation ("AGSO") confirms the Avoca project area is prospective for Olympic Dam, Starra, Ernest Henry and Moonta style gold-copper haematite-magnetite breccia, vein and skarn mineralisation. The G2 and Stuart Shelf are considered to be one of the prime Australian exploration provinces for world class mineral discoveries.

**Avoca has defined six high priority discrete and coincident magnetic-gravity anomalies for immediate evaluation, and in excess of 100 discrete gravity and magnetic anomalies for further geophysical modeling.** Ultra-low detection limit soil geochemistry and drilling follow up is planned.

### Lake Torrens South Project

Avoca 100%.

Gold - copper.

Lake Torrens South Exploration Licence applications 126, 136, 141 and 143/01 covering 7,652km<sup>2</sup> are located from Port Augusta to 150km N of Port Augusta on basement magnetic complexes within the eastern G2 structure. The tenements are **located between the Torrens Hinge Zone to the east, Olympic Dam to the northwest and Mount Gunson to the west.**

### Whyalla Project

Avoca 100%.

Gold - copper.

Whyalla Exploration Licence applications 130, 134/01 covering 1,254km<sup>2</sup> are located 50km SW of Port Augusta, covering Middle Proterozoic Hiltaba Granite intrusive complexes.

Sedimentary rocks of the Middleback Subgroup within the project area are characterised by iron ore, copper, lead-zinc, gold and silver mineralisation, typically in skarn and calc-silicate hosts. The Proterozoic Hiltaba Suite Granites are considered to be intimately related to the mineralisation. The region has previously been considered a sedimentary base metal province, but Avoca interprets **prospectivity for "deeper level" vein and skarn systems**, with relatively unexplored potential for an "upper level" breccia pipe system such as Olympic Dam.

### Moonta Project

Avoca 100%.

Gold - copper.

Moonta Exploration Licence applications 127, 128,129, 131 and 138/01 covering 6,692km<sup>2</sup> are located between Yorketown in the south and Port Augusta in the north, covering a basement Middle Proterozoic magnetic complex associated with the intersection of the G2 and G7 structures, on the eastern margin of the Gawler Craton.

The potential for Olympic Dam or Ernest Henry type ore bodies within the Moonta project area is indicated by previous stratigraphic drilling. This encountered indications of major mineralising systems, notably haematitic breccias and host rock alteration in the Port Broughton area. A series of 20 vertical holes were drilled by North Broken Hill Ltd in the 1970s in a 400km<sup>2</sup> area of coincident magnetic and gravimetric anomalism. Intercepts included **7.3m at 0.85% Cu, 3.2m at 0.3g/t Au**, and uranium values up to 250g/t. These results are highly significant and indicate the presence of a major areally extensive mineralising system with geochemical affinities to Olympic Dam style mineralisation.

## Jimberlana Province, Western Australia

The Jimberlana Dyke is a series of layered mafic to ultramafic intrusions emplaced into the south eastern region of the granite-greenstone terrain of the Yilgarn Craton. The Dyke is Early Proterozoic in age and exhibits many similarities to the Great Dyke of Zimbabwe, which hosts PGM resources of over 300 million ounces. Similarities to the Great Dyke include host rocks, identical age, aspect ratio (ratio of strike length to width), cross-sectional lopolith shape, magmatic stratigraphy, documented PGM anomalism in sulphides, and most significantly, identical PGM:Cu profiles, which is a world-wide indicator of economic PGMs.

Avoca has completed reconnaissance soil sampling and orientation sampling within the Jimberlana Sub-province using low detection limit, high precision PGM assay methods that were not available 20-30 years ago when much of the previous exploration occurred. The old exploration relied significantly on Ni-Cu-Cr anomalies as a guide to PGM enriched settings. Avoca's studies at Mount Norcott are in direct contrast to the early PGM exploration models, with Avoca's areas of spectacularly high soil PGM values having markedly subdued Ni-Cu-Cr responses.

### Cowan PGM Project

Key tenements, Avoca 100%.

Other tenements, Heron 100%, assignment of all mineral rights to Avoca.

PGM - nickel - copper (- gold).

The 405km<sup>2</sup> project area covering 11 tenements is located 12km N of Norseman. The Cowan Complex was explored for PGM mineralisation by Barrier Exploration in the early 1970s. Soil auger sampling by Barrier returned significant Cu-Ni anomalism within the centre of the Dyke as well as along its margins.

Barrier drilled five diamond holes in the Dyke, including an intercept of **1.52m at 0.39g/t Pt and 2.7 g/t Pd**. The mineralisation was associated with zones of disseminated sulphides within a layered dunite-norite.

Avoca has completed reconnaissance soil geochemistry, with **peaks 81ppb Pt and 140ppb Pd**. The anomaly width is up to 600m, and constitutes an outstanding drill target.

### Mount Norcott PGM Project

Heron 100%, assignment of all mineral rights to Avoca.

PGM - nickel - copper (- gold).

The 670km<sup>2</sup> Mount Norcott Project covering 8 tenements is located in the Norcott Complex 25km ENE of Norseman. Newmont Holdings explored a 20km section of this complex in the 1980s. Detailed geological mapping defined a strongly differentiated mafic-ultramafic sequence termed the Upper Layered Series, conformably overlying gabbro-norite of the Lower Layered Series. Numerous copper stained outcrops were rock chip sampled with **maximum assays of 0.49g/t Pt and 1.20g/t Pd**.

Newmont drilled a single vertical diamond hole through the basal section of the Upper Layered Series, locating patchy sulphides near the top of the gabbro-norite unit. Only two samples were collected from the more sulphidic zones, assaying 0.83 and 1.57g/t PGM.

The **Dundas Hills Prospect** is located at the western end of the Norcott Complex and has been previously explored by Central Norseman Gold Corporation (CNGC) and Western Mining Corporation (WMC) since the early 1970s. Numerous zones of copper staining are present, assaying up to 0.93% Cu.

Detailed soil geochemistry highlighted the mafic-ultramafic contact PGM target horizon. Coincident copper, platinum and palladium anomalies were defined over a strike length of 4km and are open to the east. Avoca has completed reconnaissance soil geochemistry, with **peaks 157ppb Pt, 1,989ppb Pd and 95ppb Au**. The anomaly width is up to 700m, and constitutes an outstanding drill target.

## 2.4.2 Avoca Ownership Precious Metal Rights, Heron Retains All Nickel Rights

### Avoca Shear Province, Western Australia

#### Avoca Project

Heron 100%, assignment of Precious Metal rights to Avoca, Heron retains all Nickel rights.  
Gold - nickel.

The 874km<sup>2</sup> project area covering 17 tenements is located 80km ESE of Kalgoorlie in a belt of felsic volcanoclastics and lateritised ultramafic associated with the Avoca Shear Zone. This zone of regional deformation bisects the project area, being a major crustal structure controlling gold mineralisation along its length. Gold deposits associated with the Avoca Shear include Success, Kurnalpi Consols, Scottish Lass, Old Harriett, Rising Sun and Gessners Find. The mineralisation tends to occur at the southern margin of the Mulgabbie Dome, in a comparable “pressure shadow” setting to the Kanowna Belle gold mine at the southern margin of the Scotia Kanowna Dome.

An excellent conceptual target has been generated by Avoca in the southern project area where the Avoca Shear Zone intersects the Randals banded iron formation (“BIF”). This rock unit hosts the Mount Monger-Randals gold mining centres. Aeromagnetic data will be acquired to facilitate drill target definition.

### Laverton-Celia Tectonic Zone Province, Western Australia

#### Euro Project

Avoca 100%, Heron retains all Nickel rights.  
Gold - nickel.

The 5km<sup>2</sup> project area covering 2 granted Mining Leases is located 10km S of Laverton on the Laverton Tectonic Zone. A GIS data compilation by Avoca is current.

The historic Euro gold mining centre is located 15km N of the Granny Smith gold mining centre. Extensive alluvial gold workings are present, mainly associated with a granite bedrock. These tenements contain a **3km strike of the Granny Smith gold mine stratigraphy** including the BIF lithologies that host much of the gold in this District. Avoca plans to complete blanket and systematic soil geochemistry to define drilling targets.

#### Mount Zephyr Project

Avoca 100%. Heron retains all Nickel rights.  
Gold - nickel.

The 109km<sup>2</sup> contiguous project area covering 2 tenement applications is located 35km NW of Laverton. Several NE trending cross-shears are apparent on aeromagnetics, their intersections with the Celia Tectonic Zone being prime gold targets. White quartz vein float is intensely developed.

Regional gold prospectivity is high, due to the presence of the Celia Tectonic Zone which hosts several gold mining centres, including Mount Morgans located 60km SE. Previous soil geochemical sampling has generated anomalies of up to 2.5g/t Au, suggesting the presence of nugget gold.

The main drilling target is the historic **Mount Zephyr gold workings**, which comprise a series of shafts extending for over a **4km strike** along the eastern contact of an intensely deformed BIF. **Five high priority targets have been defined for drill testing**, with good potential to define oxide resources for processing at the various Laverton District CIP plants.

### 2.4.3 Joint Venturer Earn Equity In Precious Metals, Heron Retains All Nickel Rights

#### Zuleika Shear Zone Province, Western Australia

##### Blister Dam Joint Venture Project

Avoca 100% of key tenements, proposed assignment of Precious Metal rights to Avoca.  
Placer Dome Asia Pacific right to earn 70% through spending \$1.2m. Heron retains all Nickel rights.  
Gold - nickel.

The 124km<sup>2</sup> project area covering 10 tenements is located 70km NW of Kalgoorlie on the Zuleika Shear Zone. The area consists of extensive sand cover overlying mafic and ultramafic volcanics between the Dunnsville, Hawkins Find, Carbine and Chadwin gold mining centres.

Blister Dam is an excellent geological setting, covering an 8km of strike of the highly prospective Zuleika Shear Zone, located beneath a thick transported palaeochannel cover. The project area is located at the southern "pressure shadow" contact of a large granite batholith. Several major gold mining centres such as Mount Pleasant, Kanowna and Kurnalpi share analogous structural settings.

Aircore, RC and diamond drilling was completed by Heron and its previous joint venture partners at Blister Dam, testing beneath supergene gold mineralisation. Broad zones of low order mineralisation were intersected, suggesting the presence of a large bedrock alteration system, with a peak intercept of **14m at 2.89g/t Au**. Drill follow up will commence on grant of key tenements.

Laterite sampling by Heron at the **Dunnsville Prospect** has located promising anomalies of 30-66ppb PGM associated with an ultramafic unit marginal to the Kunanalling Shear Zone.

The structural setting at Blister Dam is of sufficient promise that targets of a size to attract a world leading gold producer of Placer Dome's status are present.

#### Avoca Shear Province, Western Australia

##### Gindalbie Terrain Joint Venture Project

Heron 100%, proposed assignment of Precious Metal rights to Avoca.  
Aurion Gold Ltd (formerly known as Delta Gold NL) right to earn 70% in gold through spending \$1.0m.  
Heron retains all Nickel rights.  
Gold - nickel.

The 172km<sup>2</sup> project area covering 4 tenements is located 25-60km NE of Kalgoorlie on the eastern flank of the Scotia Kanowna Dome. The main structural control of the project area, the Moriarty Shear Zone, is a bifurcation off the intensely gold-mineralised Boorara Shear Zone, which occurs on the western flank of the Scotia Kanowna Dome.

The Gindalbie Terrain project area is immediately east of the Golden Cities-Federal gold-in-granite province, and immediately north of the Mulgarrie gold mining centre.

Joint venture partner Aurion has completed a blanket 800x100m regional coverage Vacuum drill soil program, to target the northern extension of the Mulgarrie East gold mine structure, located in the western project area. In-fill sampling at 200x100m has confirmed significant surface gold anomalism. **Six separate anomalies** are present over a **10km strike** at the eastern contact of the Mulgarrie ultramafic unit, with soil gold values of **50-133ppb Au**.

Aurion propose to complete RAB drilling of the soil anomalies, with the aim being to locate ore feed for the nearby Paddington CIP plant.

## **Roe Hills Joint Venture Project**

Heron 100%, proposed assignment of Precious Metal rights to Avoca.  
Aurion Gold Ltd (formerly known as Delta Gold NL) right to earn 80% in gold through spending \$1.0m.  
Heron retains all Nickel rights.  
Gold - nickel.

The 403km<sup>2</sup> project area covering 6 tenements is located 60-90km E of Kalgoorlie, adjoining the Avoca Project and Transline Joint Venture Project.

The project area has an **excellent structural setting covering the Emu-Avoca Fault System** where it transects felsic volcanoclastics and lateritised meta-sediments. From data reviews, several gold targets have been generated for drill follow-up once the tenements are granted.

Soil geochemical sampling of structural gold targets is planned, for ranking prior to drilling.

## **Karonie South Joint Venture Project**

Heron 20%, proposed assignment of Precious Metal rights to Avoca.  
WMC Resources Ltd has earned 80% through spending \$0.30m.  
Gold - nickel.

The 653km<sup>2</sup> contiguous project area covering 8 tenements is located 140-170km SE of Kalgoorlie within the southern Avoca Shear-Keith Kilkenny Tectonic Zone at its southern termination against the Albany-Fraser Province. The Avoca-Keith Kilkenny Zone hosts gold mineralisation from Carosue Dam in the north, through to Karonie and French Kiss in the south. The Avoca-WMC Joint Venture will control the entire greenstone belt south of French Kiss.

The objective at Karonie South is to locate ore feed for the St Ives Gold Operation, located 100km W.

The Joint Venture has completed a detailed 474 station, 1x1km grid gravity survey, which has provided excellent definition of the mafic and sedimentary packages of the Roe Hills and Karonie Greenstone Belts. The entire project now has broad spaced soil geochemical coverage to complement an ultra-detailed 50m line spaced aeromagnetic survey. Some **19 high priority follow-up gold targets have been generated** by these integrated programs. The large area of the anomalies is encouraging for large tonnage dolerite-hosted gold mineralisation. In-fill soil sampling and aircore drilling is on-going.

It has been agreed by Avoca that Gold Fields of South Africa will be assigned WMC's joint venture rights at Karonie South.

## **Keith Kilkenny Province, Western Australia**

### **Kookynie Joint Venture Project**

Avoca 100%.  
Newcrest Operations right to earn 75% in respect of gold through spending \$0.8m.  
Heron retains all Nickel rights.  
Gold - nickel.

The 87km<sup>2</sup> project area covering 3 tenements is located 20-60km SE of Leonora within the western margin of the Keith Kilkenny Tectonic Zone.

Newcrest plan soil geochemical sampling of structural gold targets, for ranking prior to drilling.

## 2.4.4 Joint Venturer Earn Equity From Avoca In All Mineral Rights

### Zuleika Shear Province, Western Australia

#### Binduli East Joint Venture Project

Heron 100%, proposed assignment of all mineral rights to Avoca.  
AngloGold Australasia Limited has the right to earn 75% through spending \$0.5m.  
Gold (- nickel).

The 35km<sup>2</sup> contiguous project area covering 13 tenements is located at the SW outskirts of Kalgoorlie-Boulder straddling the Abattoir Shear Zone. The project area is south along strike from the Janet Ivy gold resource, with the Binduli gold mining centre at the western project boundary.

Initial RAB drilling has been completed to test **coincident structural and geochemical targets**. Anomalous intercepts included 4m at 110ppb Au. Exploration by AngloGold is on-going.

### Avoca Shear Province, Western Australia

#### Transline Joint Venture Project

Heron 100%, proposed assignment of all mineral rights to Avoca.  
Harmony Gold Limited right to earn 80% through spending \$0.8m.  
Gold (- nickel).

The 558km<sup>2</sup> contiguous project area covering 14 tenements is located 60km ESE of Kalgoorlie on the Bulong Anticline straddling the Emu Fault and GMQ Shear Zone. The project area is underlain by the Juglah Monzogranite which intrudes felsic and mafic volcanics. Regionally, gold mineralisation is extensively developed, including the adjoining Juglah, Trojan and Transfind gold mining centres. Numerous alluvial gold nugget occurrences have recently been identified from Joint Venture tenements.

A previous explorer defined a significant surface gold-arsenic anomaly over a 5km strike within the project area. The target is located at a structurally complex dilation site along the GMQ Shear Zone, and is characterised by **+50ppb soil gold anomalies**. Previous RAB drilling has defined numerous **gold-in-saprock anomalies of 1-6g/t**, the largest anomaly covering a 1,200x100m area. Deep drill testing of these anomalies is required.

Harmony has commenced systematic pedogenic carbonate sampling, with 1,500 samples collected to date. Several coherent soil gold anomalies have been defined, peaking at 45ppb Au, with strike length up to 4.5km. Reconnaissance drilling programs have commenced, with initial results including 4m at 1.24g/t Au.

### Laverton-Celia Tectonic Zone Province, Western Australia

#### Southern Laverton Tectonic Zone Joint Venture Project

Heron 100%, proposed assignment of all mineral rights to Avoca.  
Gutnick Resources NL right to earn 80% through spending \$1.2m.  
Gold.

The Southern Laverton Tectonic Zone Project is located 150km NE of Kalgoorlie, and comprises 34 tenements covering 305km<sup>2</sup>. A drill program has been designed to test the **Yundamindera Flash Prospect**. Significant soil spikes consistent with near surface gold development are present, with **peak gold values to 290,000ppb**. Two significant parallel N-S surface gold anomalies have been defined over a 5km strike. Previous Heron sampling of mullock around the old workings yielded gold values to 6.4g/t.

## 2.4.5 Early Stage Project Generation, including Joint Ventures

These are projects in which Avoca has an established joint venture at an early stage of target generation, or is negotiating various joint venture rights or amendments, or tenement applications are at an initial stage. None of the projects have any material impact on the Avoca Issue, but for disclosure reasons, are documented in the Avoca Prospectus.

Although preparing an Issue for the last six months, Avoca has been conducting aggressive tenement pegging and exploration during the course of the Issue preparation. This style of activity could be suspended in the months prior to listing, but Avoca has preferred to continue to pursue opportunities.

The early stage projects including joint ventures are as follows:

- Fraser Range Project, PGM-Cu-Ni target in Lower Proterozoic "West Musgrave" style setting.
- Snake Hill Joint Venture, Barra Resources right to earn 70% through spending \$0.3 million.
- Kanowna South Project, joint venture negotiations current.
- Victory Joint Venture, WMC right to earn 80% in gold rights through spending \$0.125 million.
- Edjudina-Laverton Joint Venture, Croesus right to earn 80% in gold rights through spending \$1.0m.
- Laverton Joint Venture, Metex right to earn 70% through spending \$0.5 million.
- Mount Morgans Joint Venture, Metex has earned 70% through spending \$0.2 million.
- Eucla Project, PGM-Cu-Ni target, "West Musgrave"-hosting Mundrabilla Lineament.

## 2.5 BALLADONIA ENERGY NL

### 2.5.1 Balladonia and Ravensthorpe-Norseman Oil Shale Projects

Heron 100%.

Oil shale - lignite - sulphur - limestone - heavy mineral sands - kaolin - vanadium.

The 3,648km<sup>2</sup> Balladonia project area covering 21 tenement applications is located 20-180km E of Norseman. The 1,597km<sup>2</sup> Ravensthorpe-Norseman project area covering 19 tenement applications is located from Norseman and SW to Ravensthorpe. Current resource is 2.6 billion tonne at 133 litre/ tonne.

The **Company is reviewing opportunities for an "Avoca-style" IPO based on the oil shale assets.** Heron's main objective is to retain sulphur off-take rights from the oil shale, whilst making equity in a new company available to Heron Shareholders.



**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.

**Appendix 5B**

**MINING EXPLORATION ENTITY QUARTERLY REPORT**

Name of entity

**HERON RESOURCES LIMITED**

ABN

30 068 263 098

Quarter ended ("current quarter")

31 December 2001

**CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>Cash flows related to operating activities</b>	Current Qtr \$A'000	Year to Date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(485)	(1,417)
(b) development		
(c) production		
(d) administration	(273)	(460)
1.3 Dividends received		
1.4 Interest and other items of similar nature received	19	53
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material) – GST Paid	(33)	(104)
<b>Net Operating Cash Flows</b>	<b>(772)</b>	<b>(1,928)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects		
(b) equity investment		
(c) other fixed assets	(37)	(54)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investment		
(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>(37)</b>	<b>(54)</b>
1.13 Total operating and investing cash flows (carried forward)	(809)	(1,982)

1.13 Total operating and investing cash flows (brought forward)	(809)	(1,982)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from the issue of shares, options, etc.	1,040	1,040
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) - Capital raising expenses	(3)	(6)
<b>Net financing cash flows</b>	<b>1,037</b>	<b>1,034</b>
<b>Net increase (decrease) in cash held</b>		
1.20 Cash at beginning of quarter/year to date	1,955	3,131
1.21 Exchange rate adjustments		
1.22 <b>Cash at end of quarter</b>	<b>2,183</b>	<b>2,183</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 item 1.2	80
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 (A\$64,000). Provision of secretarial services by director related entities (A\$1,000). Provision of office accommodation by director related entity (A\$15,000).
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**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
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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	300
4.2 Development	0
<b>Total</b>	<b>300</b>

### 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	67	279
5.2 Deposits at call	2,090	1,650
5.3 Bank Overdraft		
5.4 Other (provide details) Environmental bonds	26	26
<b>Total: cash at end of quarter (Item 1.22)</b>	<b>2,183</b>	<b>1,955</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at Begin of Quarter	Interest at End of Quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		See attached schedule		
6.2 Interests in mining tenements acquired or increased		See attached schedule		

**Issued and quoted securities at end of current quarter**

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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>	100,958,727	100,958,727		
7.4 Issued during Quarter	4,000,000	4,000,000		
<b>7.5 Convertible debt securities</b> (description)				
7.6 Issued during quarter				
<b>7.7 Options</b> (description)			Exercise Price	Expiry Date
	50,000	Nil	\$0.25	05/03/2002
	200,000	Nil	\$0.25	19/12/2002
	200,000	Nil	\$0.35	19/12/2002
	200,000	Nil	\$0.45	19/12/2002
	200,000	Nil	\$0.55	19/12/2002
	200,000	Nil	\$0.65	19/12/2002
	100,000	Nil	\$0.25	04/02/2004
	785,000	Nil	\$0.35	19/10/2004
	785,000	Nil	\$0.50	19/10/2004
7.8 Issued during Quarter				
7.9 Exercised during Quarter				
7.10 Expired during Quarter	350,000	Nil	\$0.25	15/12/2001
<b>7.11 Debentures</b> (totals only)				
<b>7.12 Unsecured notes</b> (totals only)				

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

1. Metex Resources Limited has the right to earn a 70% interest in the Laverton Joint Venture Project tenements through sole funding the initial \$500,000 of exploration.
2. Metex Resources Limited has earned a 70% interest in the Mount Morgans Joint Venture Project tenements through sole funding of \$200,000 of exploration.
3. Barra Resources Limited has the right to earn a 70% interest in the Snake Hill Joint Venture Project tenements through sole funding the initial \$300,000 of exploration.
4. Gutnick Resources NL has the right to earn an 80% interest in the Southern Laverton Tectonic Zone Joint Venture Project tenements through sole funding the initial \$1,200,000 of exploration expenditure. Gutnick will continue to sole fund exploration until a Decision to Mine is made.
5. Croesus Mining NL has the right to earn an 80% interest in the gold rights of the Edjudina and Laverton Joint Venture Project tenements through sole funding the initial \$1,000,000 of exploration expenditure. Croesus will continue to sole fund exploration until a Decision to Mine is made.
6. Portman Limited has entered into an option to purchase the Bungalbin and Mount Jackson Project tenements for \$25,000 and at least \$250,000 of exploration expenditure. Heron will retain a FOB royalty on any Iron Ore sold from the tenements, and Heron will retain all other mineral rights.
7. WMC Resources Ltd has earned an 80% interest in the Karonie South Joint Venture Project tenements through sole funding the initial \$300,000 of exploration expenditure. WMC will continue to sole fund exploration until a Decision to Mine is made. The Joint Venture is to be assigned to Gold Fields of South Africa.
8. Delta Gold NL (now known as Aurion) has the right to earn a 70% interest in the gold rights of the Scotia Kanowna Joint Venture through sole funding the initial \$1,000,000 of exploration expenditure. Delta will continue to sole fund exploration until a Decision to Mine is made.
9. Harmony Gold Limited has the right to earn an 80% interest in the Transline Joint Venture Project tenements through sole funding the initial \$800,000 of exploration expenditure. Harmony will continue to sole fund exploration until a Decision to Mine is made.
10. AngloGold Australasia Limited has the right to earn a 75% interest in the Binduli East Joint Venture Project tenements through sole funding the initial \$500,000 of exploration expenditure. AngloGold will continue to sole fund exploration until a Decision to Mine is made.
11. WMC Resources Ltd has the right to earn an 80% equity interest in the Victory Joint Venture Project tenements through sole funding the initial \$125,000 of exploration expenditure. WMC will continue to sole fund exploration until a Decision to Mine is made. The Joint Venture is to be assigned to Gold Fields of South Africa.
12. Mount Burgess Mining NL has the right to earn a 70% interest of the non-nickel rights in the Perrinvale Joint Venture Project tenements through sole funding the initial \$500,000 of exploration expenditure.
13. Subject to the completion of final documentation, Newcrest Operations Limited has the right to earn a 75% interest in the gold rights in the Kookyne Joint Venture Project tenements through sole funding the initial \$800,000 of exploration expenditure. Heron may elect to contribute on a pro-rata basis, or dilute and be carried until a Decision to Mine is made.
14. Subject to the completion of final documentation, Placer Dome Asia Pacific has the right to earn a 70% interest in the gold rights of the Blister Dam Joint Venture Project tenements through sole funding the initial \$1,200,000 of exploration expenditure. Heron may elect to contribute on a pro-rata basis, or dilute and be carried until a Decision to Mine is made.
15. Subject to the completion of final documentation, Delta Gold NL (now known as Aurion) has the right to earn an 80% interest of the gold rights of the Roe Hills Joint Venture Project tenements through sole funding the initial \$1,000,000 of exploration expenditure. Heron may elect to contribute on a pro-rata basis, or dilute and be carried until a Decision to Mine is made.

**6.1 Interests in Mining Tenements relinquished, reduced or lapsed**

<b>Tenement Ref</b>	<b>Nature of Interest</b>	<b>% Begin Quarter</b>	<b>% End Quarter</b>
E16/172	Registered Holder	100	0
E16/264	Registered Holder	100	0
E16/265	Registered Holder	100	0
E25/254	Registered Holder	100	0
E27/260	Registered Holder	100	0
E28/631	Registered Holder	100	20
E28/665	Registered Holder	100	20
E28/860	Registered Holder	100	20
E28/861	Registered Holder	100	20
E28/862	Registered Holder	100	20
E28/929	Registered Holder	100	20
E28/1014	Registered Holder	100	20
E28/1100	Registered Holder	100	0
E28/1191	Registered Holder	100	0
E30/262	Registered Holder	100	0
E31/494	Registered Holder	100	0
E38/947	Registered Holder	100	0
E39/927	Registered Holder	100	0
E39/928	Registered Holder	100	0
E63/691	Registered Holder	100	20
E63/713	Registered Holder	100	0
E69/1483	Registered Holder	100	0
E74/279	Registered Holder	100	0
E74/280	Registered Holder	100	0
E77/1067	Registered Holder	100	0
E77/1082	Registered Holder	100	0
M27/349	Registered Holder	100	0
M27/361	Registered Holder	100	0
M27/362	Registered Holder	100	0
M27/364	Registered Holder	100	0
M27/365	Registered Holder	100	0
M27/402	Registered Holder	100	0
M28/169	Registered Holder	100	0
M28/200	Registered Holder	100	0
M28/202	Registered Holder	100	0
M28/206	Registered Holder	100	0
M28/215	Registered Holder	100	0
M31/80	Registered Holder	100	0
M31/81	Registered Holder	100	0
M31/105	Registered Holder	100	0
M31/110	Registered Holder	100	0
P29/1500	Registered Holder	100	0
P39/3454	Registered Holder	100	30
P39/3455	Registered Holder	100	30
P39/3456	Registered Holder	100	30
P39/3457	Registered Holder	100	30
P39/3466	Registered Holder	100	30
P39/3467	Registered Holder	100	30
P39/3468	Registered Holder	100	30
P39/3469	Registered Holder	100	30

**6.2 Interests in Mining Tenements acquired or increased (Registered Holders Heron or Avoca)**

<b>Tenement Ref</b>	<b>Nature of Interest</b>	<b>% Begin Quarter</b>	<b>% End Quarter</b>
E15/742	Registered Applicant Heron	0	100
E24/120	Registered Applicant Avoca	0	100
E27/278	Registered Applicant Heron	0	100
E28/1237	Registered Applicant Avoca	0	100
E28/1239	Registered Applicant Avoca	0	100
E28/1240	Registered Applicant Avoca	0	100
E29/517	Registered Applicant Heron	0	100
E37/713	Registered Applicant Avoca	0	100
E39/957	Registered Applicant Heron	0	100
E63/802	Registered Applicant Avoca	0	100
E63/803	Registered Applicant Avoca	0	100
E63/804	Registered Applicant Avoca	0	100

E69/1795	Registered Applicant Avoca	0	100
E69/1796	Registered Applicant Avoca	0	100
E77/1094	Registered Applicant Heron	0	100
E77/1097	Registered Applicant Heron	0	100
M16/454	Registered Applicant Avoca	0	100
M29/312	Registered Applicant Heron	0	100
M30/173	Registered Applicant Heron	0	100
M31/317	Registered Applicant Heron	0	100
M31/318	Registered Applicant Heron	0	100
P16/2149	Registered Applicant Avoca	0	100
P16/2150	Registered Applicant Avoca	0	100
P16/2151	Registered Applicant Avoca	0	100
P24/3773	Registered Applicant Avoca	0	100
P24/3774	Registered Applicant Avoca	0	100
P26/2979	Registered Applicant Avoca	0	100
P26/2994	Registered Applicant Avoca	0	100
P27/1550	Registered Applicant Avoca	0	100
P27/1551	Registered Applicant Avoca	0	100
P27/1552	Registered Applicant Avoca	0	100
P27/1553	Registered Applicant Avoca	0	100
P27/1554	Registered Applicant Avoca	0	100
P27/1555	Registered Applicant Avoca	0	100
P27/1556	Registered Applicant Avoca	0	100
P27/1557	Registered Applicant Avoca	0	100
P27/1558	Registered Applicant Avoca	0	100
P27/1559	Registered Applicant Avoca	0	100
P27/1560	Registered Applicant Avoca	0	100
P27/1561	Registered Applicant Avoca	0	100
P27/1562	Registered Applicant Heron	0	100
P28/983	Registered Applicant Heron	0	100

#### Statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.



Sign here: \_\_\_\_\_  
for Company Secretary

Date: 31/01/02

Print name: Ian Buchhorn

#### Notes

1. The quarterly report is to provide a basis for informing the market how the activities of the entity for the past quarter have been financed and the effect on its cash position. Any entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of Interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
4. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.