

# Quarterly Report

December 2007

## HIGHLIGHTS

### KALGOORLIE NICKEL PROJECT

- On 5 November 2007 Vale Inco (formally named CVRD Inco) advised Heron that it would proceed with the KNP Step 3.
- The KNP Management Committee approved an A\$13.8 million program and budget for the first six months of the 14 month pre-feasibility study into the KNP.

### JUMP-UP DAM

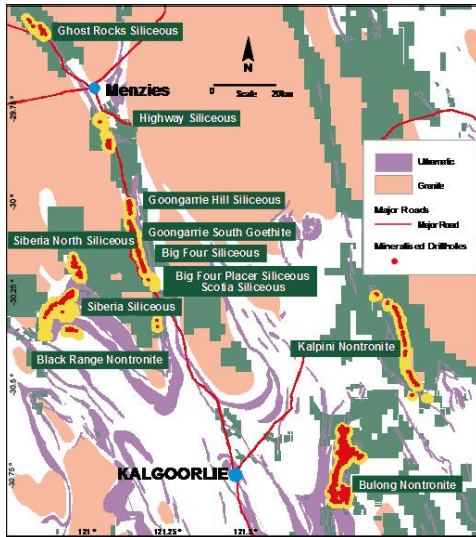
- All technical hurdles of the PFS have been met or exceeded. These include new nickel laterite discoveries in the Yerilla District at Jump-up Dam South, Boyce Creek, Aubils and Pianto Road, location of borefields, design of flow sheets and securing of the necessary Intellectual Property Licencing Agreement.
- The Heap Leach process for Jump-up Dam does not provide an adequate return on investment due to an escalation of the capital and operating costs for the project since completion of the Scoping Study in April last year. As a consequence the proposed demonstration Heap Leach operation was immediately placed on care and maintenance. However trial mining has continued because an alternative processing option involving Atmospheric Leach technology continues to be evaluated.
- The Atmospheric Leach process provides the opportunity for beneficiation to deliver higher leach feed grades and improves resource utilisation, creating a potentially larger scale project in the Yerilla District.
- Heron is fully evaluating Atmospheric Leach technology to optimise economics of the Jump-up Dam Project.
- Through its recently signed Technology Licensing Agreement with BHP Billiton, Heron has access to Atmospheric Leach technology which should enable detailed investigation of this processing option.

### CORPORATE

- Signing of Technology Licencing and Product Supply agreement with BHP Billiton.
- Successful raising of A\$34.5 million from placements to BHP Billiton and Vale Inco.

# KALGOORLIE NICKEL PROJECT

KALGOORLIE NICKEL PROJECT (KNP) (HERON 100%, VALE INCO EARNING 60%)



*On 5 November 2007 Vale Inco advised Heron that it would proceed with KNP Step 3.*

On 5 November 2007 Vale Inco (formerly CVRD-Inco) advised Heron that it would proceed with KNP Step 3. On 20 November 2007 the Management Committee of the KNP approved an A\$13.8 million program and budget for the first six months of the 14 month pre-feasibility study (PFS) for the Project. Step 3 involves the completion of the PFS by the end of January 2009.

The program will involve a significant drilling component to confirm and upgrade the confidence in the KNP resources providing the basis for estimating reserves, mine planning and metallurgical test-work. Vale Inco will investigate the application of High Pressure Acid Leach, Heap Leach and Atmospheric Leach to the extraction of nickel from the laterite ores of the KNP. Test-work for all three potential flow sheets will be undertaken simultaneously with resource definition drilling and initial engineering and infrastructure studies. A key component of the second six months of the study is the process engineering and preliminary plant design, leading to costing and estimation of capex and opex for the project.

## EXPLORATION

*Work plans for each prospect have been started to target infill drilling to bring the drill plans to a minimum of 160 x 80 metre spacing.*

To facilitate the proposed drilling schedule, a complete review of each KNP prospect was undertaken. A compilation of the existing drilling was completed. Areas where the drill spacing was larger than 160x80 metres spacing and zones that had the potential for a grade of >1.4% Ni either as a head grade or following beneficiation were identified for follow-up. These areas included Highway, Siberia North, Goongarrie Hill, Goongarrie South, and Kalpini.

Work plans for each prospect have been started to target infill drilling to bring the drill plans to a minimum of 160x80 metre spacing. Programs of work have been completed for each prospect and filed with the DOIR for approval.

*The ERI surveys have added more confidence to the geological model interpretation.*



Ground geophysical Electrical Resistivity Imaging (ERI) surveys were completed to follow-up the work undertaken during Step 2, and to expand other prospect areas. The ERI surveys added more confidence to the geological model interpretation. Surveys are planned to coincide with drill spacing to an approximate 160 metre line spacing. Although in areas like Goongarrie South where there is intensive drilling, the ERI surveys will be at 240 metre line spacing.

A total of 54.6 line kilometres across three prospect areas were completed.

Prospect	Total number of Line Kilometers (Km)	Date
Highway	19.3	December 07
Kalpini	11.3	November 07
Goongarrie South	24.0	December 07

*It was determined that the Sonic rig provided excellent sample quality.*

During Step 1 various drilling methods were evaluated for the collection of samples. From those tests, it was determined that the sonic rig provided excellent sample quality and could drill up to a six inch diameter sample. A total of 32 Sonic holes were completed in the quarter totalling 1,118.5 metres.

Prospect	Number of Holes	Total Meters Drilled (m)
Highway	8	318.5
Kalpini	9	314.0
Goongarrie South	4	167.6
Goongarrie Hill	11	318.5

*At Highway, a total of 22 RC holes were drilled for a total of 933 metres.*

RC Drilling commenced in December 2007 at the southern end of the Highway prospect. A total of 22 RC holes were drilled for a total of 933 metres.

Date	Tenement	No. of drillholes	Total Metres (m)	Comments
December 07	E29/139	22	933	Daily meter average – 233 m

## METALLURGICAL TEST-WORK

*The objective of this program is to determine the most suitable process of sulphuric acid leaching that can be applied on the KNP project.*

The work program for the next six months includes a leaching process comparison of approximately 60 samples collected from Kalpini (20), Highway (18), Goongarrie Hill (10), Goongarrie South (5) and Bulong (7). The objective of this program is to determine the most suitable process of sulphuric acid leaching that can be applied on the KNP project. This will evaluate the following processes:

- Heap leaching on the ROM (run of mine) ore;
- HPAL or Atmospheric Leaching on the fine fraction obtained as a concentrate material from the beneficiation.

## BENEFICIATION

*A beneficiation program has been developed to determine the optimum conditions for nickel recovery.*

A beneficiation program has been developed to determine the optimum conditions for nickel recovery in terms of:

- top size
- scrubber residence time
- solids contained
- temperature
- rotating speed
- potential benefit of using an attritioning cell

Following the completion of the optimisation testing, a variability program for the beneficiation process will examine approximately 300 samples from the selected prospect areas. The objective of the variability program will be to generate a correlation for the upgradeability behaviour of each material type. The upgradeability correlations could be applied as part of the resource estimation and mining planning phases, while evaluating the opportunity for either HPAL or Atmospheric Leach processes.

## COLUMN LEACHING



*Initial 16 mini leaching columns in progress.*

Heap leaching is an alternative method for treating nickel oxide type ores. The lower up front capital costs compared to other processing options could be beneficial to the KNP although operating costs for the heap leach operations have increased recently due to an escalation in reagent costs and higher consumption of sulphuric acid compared to the HPAL process.

During the first phase of Step 3, a program has been planned to start testing approximately 60 mini leaching columns for the following prospects: Kalpini, Highway, Goongarrie Hill, Goongarrie South and Bulong.

At the beginning of December 2007, 16 mini leaching columns were started from material obtained from the Kalpini prospect.

## **HPAL, ATMOSPHERIC LEACHING, RHEOLOGY AND SETTLING TESTS**

The use of screen beneficiation has been an industry practice (used at Moa Bay, Cuba since 1958) to facilitate silica rejection and enrichment of Ni in the fine fraction. This process is also currently employed at other locations in Australia (Norilsk Nickel: Cawse Nickel plant and BHP: Ravensthorpe plant). The beneficiation circuit is economical and can often be crucial to making the entire operation economically feasible.

Taking these previous examples, a case can be made to continue to evaluate the use of a high pressure autoclave vessel or the use of a tank leaching in atmospheric conditions, to dissolve Ni and Co by sulphuric acid.

A test-work program has been developed in conjunction with CSIRO in Australia and the ITSL group (Vale Inco Technology Center) in Canada. The HPAL tests will utilise elevated temperature and high pressure, generating a slurry product with sulphuric acid.

The atmospheric leaching tests will utilise a temperature under 100 degrees centigrade with sulphuric acid added to the ore.

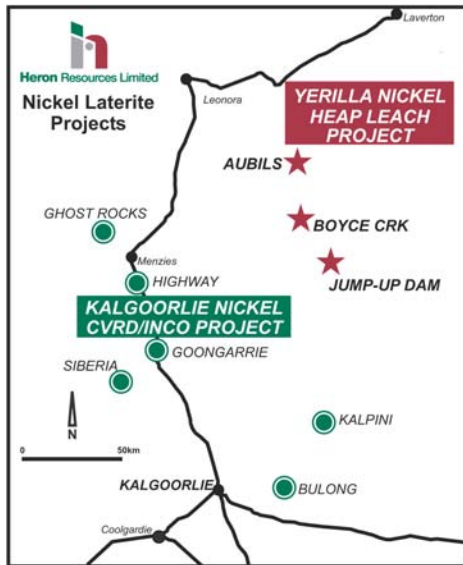
These programs are scheduled to begin during the second half of January 2008.

## **HUMAN RESOURCES**

The project will continue to have an office in Perth with seven people and an office in Kalgoorlie with 22 people. This local team is supported by specialists in Brazil and Canada.

# JUMP-UP DAM PROJECT

## PRE-FEASIBILITY STUDY



*Based on results from the current PFS, the Heap Leach process for Jump-up Dam does not provide an adequate return on investment.*

*All technical hurdles of the PFS have been met or exceeded.*

*A scoping study based on Atmospheric Leach technology commenced.*

*The Atmospheric Leach process provides the opportunity for beneficiation to deliver higher leach feed grades and improves resource utilisation, creating a potentially larger scale project in the Yerilla district.*

*Through its recently signed Technology Licensing Agreement with BHP Billiton, Heron has access to Atmospheric Leach technology*

On 25 January 2008, Heron announced the PFS at Jump-up Dam had concluded that based on current configurations, the Heap-Leach process does not make an adequate return on investment.

Trial mining at Jump-up Dam will continue as originally planned for mining studies and grade reconciliations; however, the proposed demonstration heap leach operation will be placed on care and maintenance.

The PFS estimated capital expenditure at A\$681.9 million and operating costs of A\$6.39 per pound of nickel production. These costs represent escalations of approximately 50% and 56% respectively from the Scoping Study completed in April 2007. Escalations in capital expenditure are due to significant increases in the capital cost of acid plants and power plants (97% increase). Escalations in operating costs are predominantly due to sulphur price rises, and the impact of higher oil prices on transport and mining costs. Ongoing increases in construction and labour costs also contributed to the escalated PFS outcome.

Heron will draw on opportunities presented by its recently announced Technology Licensing and Product Supply Agreement to fully evaluate Atmospheric Leach as a processing option for Jump-up Dam and surrounding deposits. Atmospheric leaching allows beneficiation to provide a higher leach feed grade and better utilisation of the resources within the Yerilla District. Heron has gained specific experience in laterite beneficiation during the past eight years and will be applying this knowledge to the Kalgoorlie Nickel Project.

Significantly, nickel laterite discoveries during the last year at Jump-up Dam South, Boyce Creek, Aubils and Pianto Road will now provide a major opportunity for nickel production increases in future Atmospheric Leach development scenarios.

Over the next nine months Heron will re-estimate the Yerilla District resources based on the new 40x40 metre Jump-up Dam drilling. Heron will include a new resource estimate from Boyce Creek into the Atmospheric Leach pre-feasibility model should the results of the scoping study warrant.

During the quarter, a further extension of the Jump-up Dam ultramafic was identified during excavation of solution ponds for the demonstration. This ultramafic is located over 300 metres south of the previous most southern drilling. A program of exploration drilling is scheduled to test this ultramafic during the March 2008 Quarter. Potential exists to extend the Jump-up Dam resource in this direction.

## RESOURCE

*A total of 10,890 metres were completed at quarters end. Drilling is expected to continue into the first quarter of 2008.*



A total of 236 reverse circulation holes for 10,890 metres were drilled in the quarter at Jump-up Dam. The drilling was focused on infilling the 80x40 metre spaced indicated resource to 40x40m, identifying the presence of a number of continuous high grade shoots (not previously delineated) within the resource envelope. Two small grade control patterns of 10x10m drilling were also completed in the areas assigned for trial mining. A small Sonic drilling program of nine holes and 348 metres was also completed to provide additional material for ongoing metallurgical trials. Significant results for the RC drilling are summarised below:

### *Jump-up Dam Significant RC Drill Results at 0.7% Ni Cut-off (>1.2 Ni%)*

Hole	East	North	From	To	Width	Ni%	Co%
10x10m spaced holes (grade control holes drilled to 18m depth)							
JDRC2547	410109	6711919	0	18	18	1.28	0.07
JDRC2548	410109	6711910	2	18	16	1.43	0.22
JDRC2552	410100	6711890	10	18	8	1.50	0.21
JDRC2553	410140	6711960	0	10	10	1.34	0.08
JDRC2554	410140	6711950	2	18	16	1.63	0.09
JDRC2555	410139	6711940	2	18	16	1.46	0.11
JDRC2557	410139	6711921	8	18	10	1.62	0.22
JDRC2562	410130	6711900	10	18	8	1.52	0.36
JDRC2574	410100	6711911	2	18	16	1.51	0.05
JDRC2576	410089	6711891	10	18	8	1.43	0.07
40x40m spaced holes							
JDRC2392	408259	6712219	32	76	44	1.21	0.04
JDRC2415	409881	6712040	32	36	4	1.28	0.1
JDRC2429	409800	6712760	0	4	4	1.26	0.04
JDRC2444	409401	6712920	14	18	4	1.27	0.18
JDRC2452	409680	6712920	8	16	8	1.78	0.4
JDRC2453	409721	6712919	20	24	4	1.27	0.05
JDRC2455	409879	6713001	2	32	30	1.45	0.08
JDRC2457	409841	6712999	2	26	24	1.24	0.04
JDRC2466	409478	6713001	22	48	26	1.21	0.11
JDRC2469	409440	6713079	10	30	20	1.44	0.17
JDRC2470	409479	6713078	6	36	30	1.27	0.09
JDRC2478	409800	6713079	10	42	32	1.30	0.05
JDRC2505	409821	6713079	20	32	12	1.28	0.04
JDRC2506	409781	6713081	6	36	30	1.23	0.04
JDRC2512	409820	6713042	8	32	24	1.35	0.06
JDRC2534	410130	6711960	12	18	6	1.31	0.07
JDRC2535	410129	6711949	0	12	12	1.30	0.06
JDRC2536	410130	6711939	8	12	4	1.21	0.07
JDRC2537	410130	6711930	6	18	12	1.61	0.11
JDRC2538	410129	6711920	10	18	8	1.40	0.11
JDRC2540	410120	6711929	0	16	16	1.40	0.07
JDRC2585	408120	6713400	28	36	8	1.36	0.06
JDRC2592	408157	6712883	38	46	8	1.57	0.07
JDRC2593	408044	6712760	36	50	14	1.20	0.07
JDRC2597	408515	6712640	14	54	40	1.60	0.09
JDRC2601	408205	6712360	22	54	32	1.40	0.11
80x40m spaced holes							
JDRC2618	410103	6711800	24	54	30	1.47	0.13
JDRC2619	410143	6711800	14	44	30	1.38	0.11
JDRC2621	410220	6711800	12	50	38	1.22	0.06

## METALLURGICAL TEST-WORK

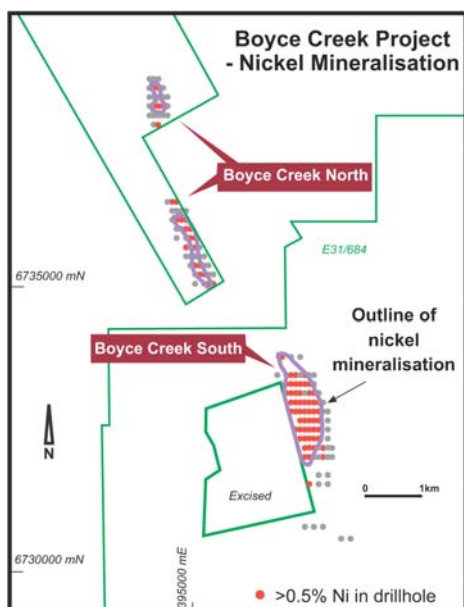
Final MSP (Mixed Sulphide Product) precipitation tests were completed successfully for the PFS and may be applicable for the Atmospheric Leach PFS. Sonic core sample was received in Perth for the next round of beneficiation and atmospheric leach test-work.

## WATER EXPLORATION

Water exploration continued during the quarter with the identification of potential sources for the required process water for the project. The sources for approximately two thirds of the required water were identified. Water exploration will recommence upon positive completion of the Atmospheric Leach scoping study during the first half of 2008.

## BOYCE CREEK RESOURCE

The Boyce Creek project (100% Heron) is located some 25km north-west of the Jump-up Dam site and will provide additional resources for the Jump-up Dam project. Current Inferred Resources stand at 12.8Mt grading 0.91% Ni at a 0.70% Ni cut-off. Drilling in the last quarter has focussed on closing in the drill spacing to 80x40m for estimation of an Indicated Resource. Some 163 RC holes for 7,843m were completed. A further 9,000m of RC drilling is being completed by the end of February 2008 with a revised resource to be estimated. Many results are still pending, however, significant results to date include:



### Boyce Creek Significant Drill Results at 0.7% Ni Cut-off (>1% Ni)

Hole	East	North	From	To	Width	Ni%	Co%
YERC0263	397240	6732642	12	18	6	1.22	0.02
YERC0270	397240	6732802	8	18	10	1.11	0.05
YERC0273	397000	6732802	6	26	20	1.05	0.08
YERC0274	396920	6732802	10	22	12	1.16	0.03
YERC0275	396840	6732802	4	16	12	1.23	0.03
YERC0283	396760	6732962	10	30	20	1.09	0.17
YERC0286	397160	6733122	28	44	16	0.99	0.04
YERC0287	397080	6733122	20	24	4	1.00	0.01

Eight Sonic core (six inch diameter) holes for 329m were also drilled to provide check assays for the RC drilling and material for density measurements and metallurgical test-work. Test-work to date has concentrated on beneficiation characteristics with results showing typical nickel upgrade factors for the mineralisation styles.

Encouraging upgrade results (50-150%) were obtained for composites 1 – 4 which consisted of siliceous limonitic material, while the nontronite dominated composites, 5 – 8, returned lower upgrades as expected. The test-work continues to evaluate crushing and scrubbing to optimise grade and maximise nickel recoveries. The initial test-work involved low energy screening which delivered encouraging improvements on grade. Further test-work is underway to increase overall nickel recoveries, particularly from nontronite type ore.

### Boyce Creek Initial Beneficiation Results

Sample	Ni% (head grade)	Ni% (75 micron screen)
COMP01	0.65	1.44
COMP02	0.48	1.42
COMP03	0.55	1.77
COMP04	0.41	1.12
COMP05	0.32	0.60
COMP06	0.60	0.64
COMP07	1.03	1.04
COMP08	1.18	1.09

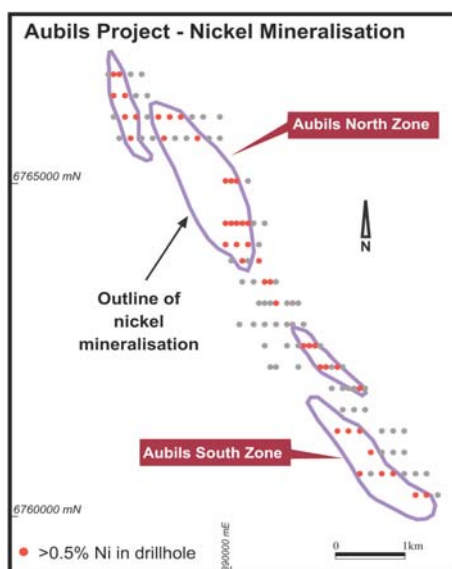
# AUBILS PROJECT

## DRILL RESULTS

*Infill RC drilling to a 160mx80m pattern is underway to enable estimation of an Inferred Mineral Resource.*

The Aubils Project (HRR 100%) is located some 60km north-northwest of the Jump-up Dam site.

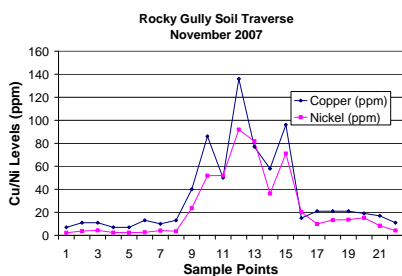
Infill RC drilling to a 160x80m and 320x80m pattern continued during the quarter to enable estimation of an initial Inferred Mineral Resource in the current quarter. Drilling in the quarter totalled 130 holes for 7,270m with significant results listed below:



### Aubils Significant Drill Results at 0.7% Ni Cut-off

Hole	East	North	From	To	Width	Ni%	Co%
AURC0195	388720	6766000	6	8	2	1.12	0.04
AURC0196	388560	6766000	8	20	12	1.11	0.09
AURC0214	388560	6766370	10	20	10	1.07	0.02
AURC0215	388400	6766370	8	22	14	1.05	0.09
AURC0216	388240	6766370	6	14	8	1.02	0.09
AURC0222	388320	6766482	26	58	32	1.32	0.15
AURC0223	388240	6766482	4	12	8	1.13	0.06
AURC0260	389520	6765040	52	58	6	1.20	0.04
AURC0270	390041	6764278	16	44	28	1.37	0.24
AURC0271	389969	6764243	24	28	4	1.07	0.06
AURC0272	389900	6764210	8	18	10	1.06	0.04
AURC0273	390622	6763260	40	64	24	1.21	0.11
AURC0274	389840	6764722	30	32	2	1.20	0.85
AURC0276	389680	6764722	30	40	10	1.39	0.5
AURC0277	389600	6764722	30	38	8	1.08	0.15
AURC0278	389520	6764722	30	38	8	1.07	0.25
AURC0284	390160	6764562	10	36	26	0.99	0.23

# REGIONAL EXPLORATION



Gordon Downs Project – Gossan Sampling



## Rocky Gully Project

Located some 60km north-west of Albany, the project is targeting nickel sulphide mineralisation in ultramafic rocks within the Proterozoic Albany-Fraser Domain. Soil sampling during the quarter confirmed a number of geochemical anomalies. Good progress is also being made to gain the necessary approvals to commence drilling, which is expected to commence in the current quarter.

## Gordon Downs Project

Located some 40km north of Halls Creek, the project is targeting VMS copper, lead, zinc and IOCG mineralisation within Proterozoic felsic volcanic sequences which also host the known VMS copper deposits south of Halls Creek. Eighty surface samples were taken in November 2007 and several returned anomalous results that require follow-up. This included sampling 100m along an exposed gossan zone which returned up to 9.2% copper, 1.0% lead, 1.3% zinc and 1.2g/t gold. Past work in the area is currently being compiled in preparation for the up coming field season.

## Marloo Dam Project

Located 90km south of Kalgoorlie, this project is targeting nickel sulphide and other base metal mineralisation within the Parker Domain. A compilation of past work has highlighted a number of gossan zones which have been confirmed through field sampling programs with encouraging geochemical results. Planning of the next phase of work is underway.

In addition to these projects, the Company maintains a substantial pool of tenements in the Eastern Goldfields that are prospective for nickel, gold and other commodities. Currently, several prospects are currently being worked on and a number of farm-in proposal are at advanced stages of negotiations with other companies.

## SHARE PLACEMENTS

Heron announced the placement of 15,000,000 shares at \$1.15 per share to BHP Billiton and Vale Inco raising a total of A\$34.5 million. The issue of 3,000,000 (Second Tranche) of the 15,000,000 shares issued to BHP Billiton was subject to Foreign Investment Review Board (FIRB) approval which was received after the end of the quarter. BHP Billiton has disclosed it holds 35,427,126 shares representing 14.70% of Heron's issued capital. Vale Inco has disclosed it holds 32,440,651 shares representing 13.46% of Heron's issued capital. The proceeds of both placements will be used for ongoing studies for Jump-up Dam and regional nickel sulphide and laterite exploration, along with general working capital.

The Company's cash position at 31 December 2007 was A\$47.9 million, which means the current proposed programs can be completed, despite current equity market uncertainty.

## TECHNOLOGY LICENCING AND PRODUCT SUPPLY AGREEMENT

The Company announced that it has entered into a master technology licensing and product supply agreement with BHP Billiton. The agreement covers Jump-up Dam and other nickel laterite projects that Heron develops in the Eastern Goldfields, excluding the area of the Kalgoorlie Nickel Project (KNP).

Under the agreement, BHP Billiton has licensed to Heron the relevant parts of its Intellectual Property relating to Nickel Laterite Technology (Technology). In return Heron has granted BHP Billiton the right to purchase at market the first 50% of any product generated from a project in the Eastern Goldfields using the Technology.

A further right is accorded to BHP Billiton to match the best offer received by Heron in the market for the second 50% of any supply produced from that project (including any financing terms). A license fee would apply to any product not sold to BHP Billiton.

The master agreement will only extend to nickel laterite projects (excluding the KNP) that are developed in the Eastern Goldfields with the licensed technology. To avail itself of the licencing provisions of the master agreement, Heron must be a majority owner and manager of the project to be licensed at the time a decision to mine is made.

The agreement has a life of 15 years, provided that Heron commences construction of a licenced project within 5 years from signing. BHP Billiton and Heron have also agreed to share their respective Intellectual Property and knowledge relating to extraction of nickel from nickel laterite ores. A technical exchange environment will be established to help reduce technical risks and formulate new ideas and methods in the leaching of nickel ores.

## JORC Compliance Statements



**Mathew Longworth**  
Managing Director

The information in this report that related to Exploration and data (including drilling data, database quality, geological interpretation and density modelling) is based on information compiled by David von Perger who is a member of Australasian Institute of Mining and Metallurgy. David von Perger is a full time employee of Heron Resources Limited. David von Perger has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the exploration activity that he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David von Perger consents to the inclusion in this report of the matters based on his information in the form and context that it appears.

Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HERON RESOURCES LIMITED

ABN

30 068 263 098

Quarter ended (current quarter)

31 December 2007

*Consolidated statement of cash flows*

Cash flows related to operating activities	Current Qtr \$A'000	Year to Date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(5,909)	(10,573)
(b) development		
(c) production	(850)	(1,966)
(d) administration		
1.3 Dividends received	480	911
1.4 Interest and other items of similar nature received		
1.5 Interest and other costs of finance paid	(338)	(264)
1.6 Income taxes paid		
1.7 Other (provide details if material)-GST Paid		
	<b>(6,617)</b>	<b>(11,892)</b>
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	(72)	(89)
(b) equity investment	(1,784)	(1,784)
(c) other fixed assets	(498)	(794)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investment	88	697
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
	<b>(2,266)</b>	<b>(1,970)</b>
<b>Net Investing Cash Flows</b>		
1.12 Total operating and investing cash flows (carried forward)	<b>(8,883)</b>	<b>(13,862)</b>

1.12 Total operating and investing cash flows (brought forward)	(8,883)	(13,862)
<b>Cash flows related to financing activities</b>		
1.13 Proceeds from the issue of shares, options, etc.	32,185	32,185
1.14 Proceeds from the sale of forfeited shares		
1.15 Proceeds from borrowings		
1.16 Repayment of borrowings		
1.17 Dividends paid		
1.18 Other (provide details if material)		
	32,185	32,185
<b>Net financing cash flows</b>		
<b>Net increase (decrease) in cash held</b>	23,302	18,323
1.19 Cash at beginning of quarter/year to date	24,612	29,591
1.20 Exchange rate adjustments		
	47,914	47,914
1.21 Cash at end of quarter		

**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
1.22 Aggregate amount of payments to the parties included in item 1.2	343
1.23 Aggregate amount of loans to the parties included in item 1.10	

1.24 Explanation necessary for an understanding of the transactions

Directors fees, salaries and superannuation (A\$263,433). Provision of office accommodation by director-related entity (A\$15,750). Provision of legal advice by director-related entity (A\$3,451). Sale of Tenements by director-related entity (\$61,238).
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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	5,400
4.2 Development	0
<b>Total</b>	<b>5,400</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	143	184
5.2 Deposits at call	47,276	24,054
5.3 Bank Overdraft		
5.4 Other (provide details)		
Property Rental bond	48	48
Environmental bonds	382	263
Escrow Accounts	65	63
<b>Total: cash at end of quarter (Item 1.22)</b>	<b>47,914</b>	<b>24,612</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.*

	Total number	Number quoted	Issue price per security (see note 3) (\$)	Amount paid up per security (see note 3) (\$)
7.1 Preference securities (description)				
7.2 Changes during Quarter				
(a) Increases through share issues				
(b) Decreases through returns of capital, buybacks, redemptions				
<b>Ordinary securities</b>	237,938,847	237,938,847		
7.3 Changes during Quarter *				
(a) Increases through share issues	27,000,000	27,000,000	\$1.15	\$1.15
(b) Decreases through returns of capital, buybacks	5,500,000	5,500,000	\$0.2364	\$0.2364
7.4 Convertible debt securities (description)				
7.5 Changes during Quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				

7.6 Options  
(description and conversion factor)

		<i>Exercise Price</i>	<i>Expiry Date</i>
125,000	Nil	\$0.2364	31/12/2008
250,000	Nil	\$0.5864	30/06/2009
1,650,000	Nil	\$0.6864	1/06/2010
5,000,000	Nil	\$0.6864	7/09/2010
1,150,000	Nil	\$0.6864	1/11/2010
5,000,000	Nil	\$0.6864	7/09/2016
2,750,000	Nil	\$1.4864	31/12/2015
500,000	Nil	\$0.8864	2/01/2011
250,000	Nil	\$0.8864	9/01/2011
1,000,000	Nil	\$0.9864	2/01/2013
1,250,000	Nil	\$0.9864	9/01/2013
1,000,000	Nil	\$1.4864	2/01/2013
1,000,000	Nil	\$1.4864	9/01/2013
1,000,000	Nil	\$1.4864	19/03/2013
1,500,000	Nil	\$1.9864	19/03/2013
1,500,000	Nil	\$2.4864	19/03/2013
150,000	Nil	\$1.50	30/06/2011
100,000	Nil	\$1.38	30/06/2011
100,000	Nil	\$1.48	30/06/2011
100,000	Nil	\$1.54	30/06/2011
1,500,000	Nil	\$2.00	16/03/2013
1,500,000	Nil	\$2.50	16/03/2013
1,500,000	Nil	\$1.00	05/06/2012
3,500,000	Nil	\$1.50	05/06/2013
7,500,000	Nil	\$2.00	05/06/2013
12,250,000	Nil	\$2.50	05/06/2014
7.7 Issued during Quarter			
7.8 Exercised during Quarter	2,500,000	Nil	\$0.2364
	3,000,000	Nil	\$0.2364
7.9 Expired during Quarter			
7.10 Debentures (totals only)			
7.11 Unsecured notes (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. Vale Inco a subsidiary of Vale may earn a 60% interest in the Kalgoorlie Nickel Project tenements through completing a Feasibility Study and procuring finance to build a nickel laterite mining and processing operation.
2. Bronzewing Gold NL (Bronzewing) may earn a 70% interest in precious metals from Heron's King of Creation Project through expending \$250,000 within four years.
3. Jackson Gold Limited (Jackson) may earn a 70% interest in gold and silver minerals through expending \$300,000 within four years. Once Jackson earns its equity, Heron may at its sole discretion contribute on a pro-rata basis, or convert to a 20% free-carried equity to the completion of a Bankable Feasibility Study that recommends commencement of mining, or convert to a 2.5% royalty for recovered metal.

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

<i>Tenement</i>	<i>Nature of Interest</i>	<i>% Begin Quarter</i>	<i>% End Quarter</i>
P16/02335	Registered Holder	100	0
P16/02329	Registered Holder	100	0
P16/02330	Registered Holder	100	0
P16/02331	Registered Holder	100	0
P16/02332	Registered Holder	100	0
E28/01745	Registered Holder	100	0
M15/01465	Registered Holder	100	0
E38/01894	Registered Holder	100	0
L31/00043	Registered Holder	100	0
E25/00340	Registered Holder	100	0
E28/01733	Registered Holder	100	0
E28/01760	Registered Holder	100	0
M28/00341	Registered Holder	100	0
E15/00926	Registered Holder	100	0
E80/03717	Registered Holder	100	0
E80/03637	Registered Holder	100	0
E69/02120	Registered Holder	100	0
P25/01965	Registered Holder	100	0
E29/00658	Registered Holder	100	0

**6.2 Interests in Mining Tenements acquired or increased**

<i>Tenement</i>	<i>Nature of Interest</i>	<i>% Begin Quarter</i>	<i>% End Quarter</i>
L38/00125	Registered Applicant	0	100
E80/04043	Registered Applicant	0	100
E15/01040	Registered Applicant	0	100
E31/00812	Registered Applicant	0	100
P28/01152	Registered Applicant	0	100
E28/01804	Registered Applicant	0	100
E30/00353	Registered Applicant	0	100
E28/01814	Registered Applicant	0	100
E37/00960	Registered Applicant	0	100
E25/00361	Registered Applicant	0	100
E80/04102	Registered Applicant	0	100

## Compliance Statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act 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: \_\_\_\_\_  
Company Secretary

Date: 24/10/07

Print name: Sarah Helen Calvert

## Notes

1. The Quarterly Report is to provide a basis for informing the market how the entity's activities have been financed for the past Quarter and the effect on its cash position. An 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. **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.