Heron Resources Limited

Quarterly Report

March 2008

HIGHLIGHTS

CORPORATE

- Cash at end of quarter $42M
- The Yerilla Project has grown larger, a partner is to be sought to assist with project funding and development subject to completion of a positive scoping study
- Strategic decision to acquire a near term production asset with evaluation process under way
- Langley Crossing project near Derby identified and pegged, phosphate mineralisation identified by previous explorers

KALGOORLIE NICKEL PROJECT

- Vale Inco making good progress with the KNP Pre-feasibility Study
- RC drilling continuing with four RC rigs completing 32,959m for the quarter
- Resource estimation commenced
- 59 column leach tests underway; results from Kalpini after 75 days encouraging
- Initial beneficiation optimisation studies completed, with further test-work on 300 samples underway

YERILLA PROJECT

- Atmospheric leaching scoping study expanded to evaluate 20,000tpa of Ni in intermediate product
- Total Yerilla Project resource increased to 85.7Mt at 0.76% Ni based on a 0.5% Ni cut off to estimates for 10mE x 10mN x 2mRL size mining blocks

Jump-up Dam	Mt	Ni%	Co%
Measured	3.9	0.94	0.05
Indicated	43.2	0.78	0.04
Inferred	20.2	0.63	0.03
Meas + Ind + Inf	67.3	0.74	0.04
Boyce Creek			
Inferred	18.4	0.82	0.06
Total	**85.7**	**0.76**	**0.04**

- Jump-up Dam resource base increased 27% in total resource tonnes and 20% in contained nickel metal compared to the previous resource estimate in May 2007 using the same block cut off grade (0.5% Ni)
- Revised Boyce Creek resource estimation commenced
- Beneficiation being examined to provide further project enhancements with initial results in line with expectations
- Investigation of alternative sources of turnkey capital items commenced with the objective of reducing project capital costs

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CORPORATE

Cash at the end of March quarter was $42M, with the conclusion of trial mining at Jump–up Dam reducing expenditure significantly.

The Yerilla atmospheric leaching project will evaluate production of 20,000tpa of nickel in intermediate product, based on the expanded resource base identified at Jump-up Dam, Boyce Creek and Aubils.

The Yerilla Project has joined the KNP as a large scale, capital intensive project with relatively long lead times. At this production rate various economies of scale become apparent, potentially further enhancing project economics. To address the funding requirements of the project the company will seek a partner to develop the Yerilla Project subject to completion of a positive scoping study.

The Board has also made a strategic decision to acquire a near term production asset to compliment its existing development projects. Two significant opportunities were evaluated during the quarter. Evaluation focuses on quality of production and cash flow with opportunities in a range of commodities and locations.

Litigation in respect of access to the Company's mineral rights at Bulong is ongoing and the matter was admitted to the case managed list of the Supreme Court of Western Australia during the quarter.

KALGOORLIE NICKEL PROJECT

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

Four RC rigs on site drilled a total of 32,959 metres during the quarter.

The KNP Pre-feasibility Study is due for completion in January 2009 under the direction and supervision of Vale Inco who have established a large, high calibre project team in WA. A budget of A$13.8 million was established for the first six months of the Study to May 2008. A further budget for the next six months will be set at the end of May 2008. Under the farm-in arrangements for the KNP, Vale Inco will fund the KNP Pre-feasibility Study and, if Vale Inco elects to continue with the KNP farm-in arrangement, any subsequent feasibility studies will also be funded by them.

Vale Inco is investigating the application of atmospheric, pressure and heap leach processes for extraction of nickel from the laterite during the Study. The KNP is one of the largest undeveloped nickel laterite projects in the world and is managed by Vale's worldwide exploration group.

Infill drilling is complete at the Highway, Goongarrie Hill and Goongarrie South projects. Drilling is to increase confidence in the resource estimates of each of five project areas for use in the Pre-feasibility Study. Significant results received of drilling completed are summarised in Table 1 and 2.

To date, 38 holes for 1,480 metres using the sonic drill method has provided samples for metallurgical test-work

For the project to date, 38 holes for 1,480 metres using the sonic drill method have provided samples for metallurgical test-work. Sonic drilling produces a large diameter core of mineralisation suitable for geotechnical and metallurgical evaluation. Twelve holes were completed for the quarter. Further sonic drilling to provide metallurgical samples is ongoing.

Vale Inco test-work includes evaluating heap leaching of nickel laterite as one of the possible nickel extraction techniques. A total of 59 columns are in progress at CSIRO's facilities in Perth.

Infill drilling is complete at the Highway, Goongarrie Hill and Goongarrie South projects. Resource estimation commenced.

Development of the standard beneficiation test flow sheet is complete and test-work commenced during the quarter on over 300 samples across all deposits.

Pressure acid leach and atmospheric leach test-work along with rheology and settling tests for the Kalpini project were undertaken during the quarter. Preliminary atmospheric leaching results returned nickel and cobalt extraction in the range of 70-90% with acceptable acid consumption.

Pressure acid leach test-work based on nine samples completed has shown good nickel and cobalt results in the range of 85%-95% with low acid consumption. Sampling from Highway, Goongarrie Hill, Goongarrie South and Bulong is in progress. Test-work from these samples will be undertaken and reported on during the second quarter.

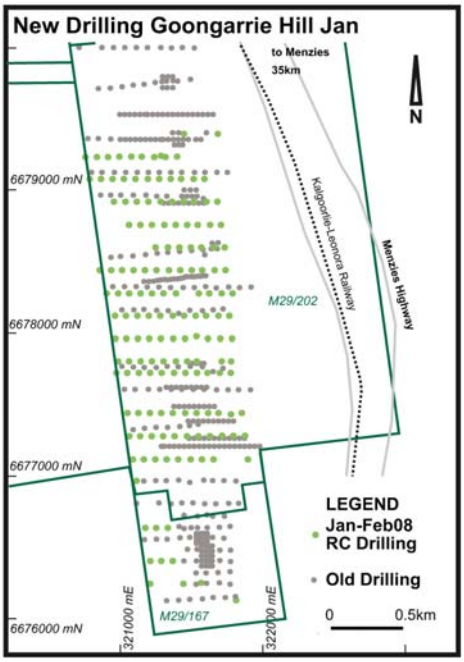


Table 1: Goongarrie Hill progress results of drilling greater than 0.5% nickel lower cut off with a minimum down hole width of 4 metres.

Hole Number	East	North	From	To	Width	Ni%
VGHRC0017	321660	6677120	1	42	41	0.85
VGHRC0039	321620	6677440	6	24	18	1.03
VGHRC0208	321475	6678760	10	26	16	1.07
VGHRC0050	321620	6677720	4	23	19	0.79
VGHRC0236	321325	6679240	39	56	17	0.83
VGHRC0011	321340	6676640	13	25	12	0.96
VGHRC0022	321340	6677120	9	17	8	1.23
VGHRC0007	321375	6676400	11	21	10	0.93

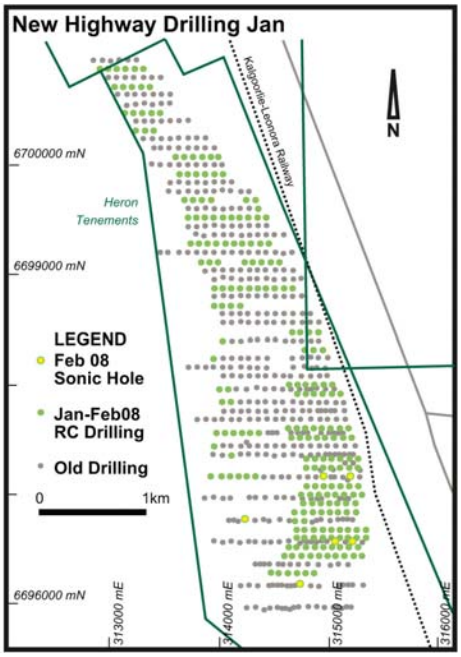


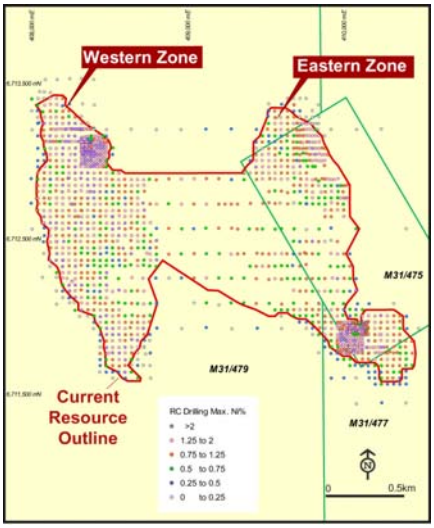
Table 2: Highway project results of drilling greater than 0.5% nickel lower cut off with a minimum down hole width of 4 metres

Hole Number	East	North	From	To	Width	Ni%
VHIRC0002	315243	6696437	6	26	20	0.98
VHIRC0011	314760	6696199	12	26	14	1.59
VHIRC0012	314877	6696280	13	26	13	0.95
VHIRC0013	314795	6696277	17	30	13	0.90
VHIRC0014	314721	6696278	18	43	25	0.76
VHIRC0016	314563	6696279	0	16	16	0.81
VHIRC0017	314478	6696278	1	22	21	0.84
VHIRC0039	315197	6696678	21	38	17	1.18
VHIRC0044	314798	6696682	1	19	18	1.34
VHIRC0050	315101	6696840	17	34	17	1.04
VHIRC0058	315108	6696922	18	34	16	0.98
VHIRC0061	314782	6696918	4	14	10	1.67
VHIRC0065	315161	6696998	9	31	22	0.96
VHIRC0082	313921	6699121	1	22	21	0.89
VHIRC0092	313898	6699278	10	42	32	1.00
VHIRC0101	313716	6699520	7	32	25	1.07
VHIRC0105	313948	6699673	10	25	15	0.79
VHIRC0110	313723	6699916	20	30	10	1.00
VHIRC0202	315198	6697083	0	49	49	1.24
VHIRC0203	315119	6697080	5	24	19	0.83
VHIRC0204	315042	6697079	0	15	15	0.76
VHIRC0215	314882	6697236	8	23	15	0.76
VHIRC0218	315122	6697237	13	45	32	1.12
VHIRC0223	315117	6697317	2	38	36	0.98
VHIRC0225	314959	6697320	9	21	12	1.04
VHIRC0227	314800	6697317	24	39	15	0.81
VHIRC0237	314818	6697519	10	43	33	1.11
VHIRC0240	315058	6697521	11	38	27	0.90
VHIRC0241	315141	6697520	1	28	27	0.91
VHIRC0244	315121	6697600	4	35	31	0.76
VHIRC0245	315041	6697599	9	60	51	1.03
VHIRC0246	314962	6697601	3	26	23	0.87
VHIRC0252	314009	6697954	13	34	21	0.82
VHIRC0256	314878	6697923	15	26	11	0.94
VHIRC0266	314764	6698479	18	36	18	0.78
VHIRC0270	314199	6698717	5	19	14	0.87
VHIRC0284	313945	6700077	1	19	18	0.80

YERILLA PROJECT

Heron has collectively named the Aubils, Boyce Creek and Jump-up Dam areas the "Yerilla Project".

RESOURCE



The total resource of the Yerilla Project has grown to 85.7Mt at 0.76% nickel inclusive of Jump-up Dam and Boyce Creek. Details for the resource categories are provided in Table 3 below.

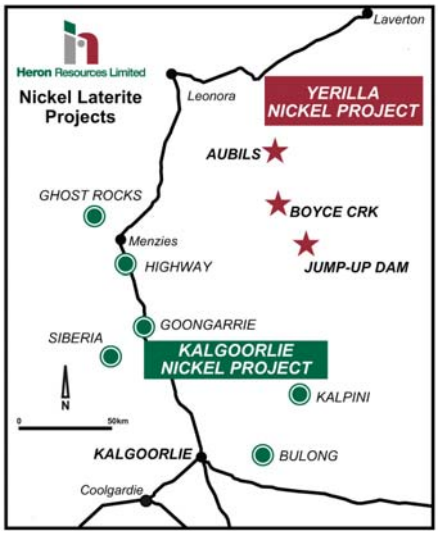
Table 3: Yerilla Project Mineral Resources (0.5% Ni cut off to estimates for 10mE x 10mN x 2mRL size mining blocks)

Jump-up Dam	Mt	Ni%	Co%
Measured	3.9	0.94	0.05
Indicated	43.2	0.78	0.04
Inferred	20.2	0.63	0.03
Meas + Ind + Inf	67.3	0.74	0.04
Boyce Creek			
Inferred	18.4	0.82	0.06
Total	**85.7**	**0.76**	**0.04**

The new resource estimate increased 27% in total resource tonnes and 20% in contained nickel metal from the previous resource estimate in May 2007 using the same block cut off grade (0.5% Ni).

With the potential application of ore beneficiation into the Atmospheric Leaching flow sheet it may become viable to process a portion of the lower grade material which would otherwise be considered waste if a Heap Leaching process was employed.

SCOPING STUDY



The Yerilla Project scoping study production rate has been increased to 20,000t Ni in intermediate product per annum supported by an increase in resource.

The scoping study is evaluating the application of Atmospheric Leaching treatment technology, as commercialised at the Ravensthorpe Nickel Project, to the nickel laterite deposits located within the Yerilla Project. Beneficiation test-work is well progressed and atmospheric leach test-work will commence in April. The scoping study will test the project improvements made possible by access to BHP Billiton's technology. Beneficiation of mineralisation is expected to form an integral part of this evaluation.

On completion of a positive scoping study a partner to assist in funding development will be sought.

Potential project enhancements from a stand alone heap leach operation include:

- The capital cost per pound of annual nickel production may be reduced by the higher grade of beneficiated material delivered for leaching;
- Significant reduction in leaching times. Atmospheric leach circuits typically have a leaching period of 12 hours compared to nine months for heap leaching. This has significant impact on nickel inventory and cash flow;

- Operating cost reductions may be achieved through lower processing reagent use, principally acid and limestone consumption; and
- A much larger portion of the resource base may potentially be utilised, including a greater range of ore types, allowing project capital to be spread over a larger and longer production profile.

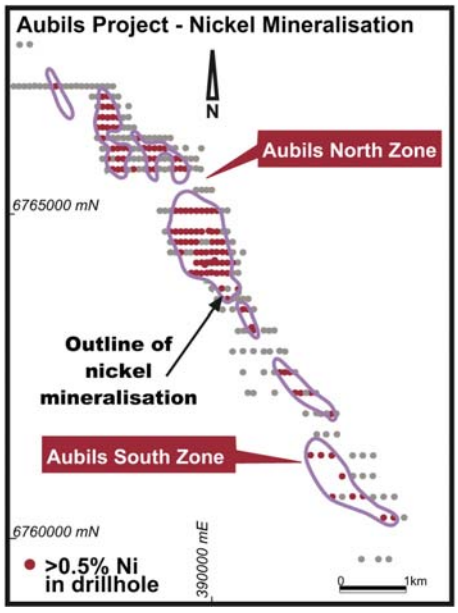
An important part of the test-work is beneficiation of the mined ore, prior to treatment in the leaching circuit. Beneficiation is a common process used in nickel laterite processing operations including BHP Billiton's Ravensthorpe operation. Utilising simple scrubbing and screening techniques, non nickel bearing minerals such as silica are removed from the nickel bearing clays. Up to 60% of the raw ore mass may be made up of non nickel bearing materials, which can be removed with a modest loss of overall contained nickel. Importantly, this results in a higher nickel grade material being delivered to the leaching circuit, which has the potential to reduce the operating cost per pound of nickel production. Beneficiation cannot be utilised as part of a Heap Leaching operation.

Beneficiation results will vary across deposits and across different mineralogy within deposits. The test-work underway is designed to provide a model for prediction of this variability for use in future resource modelling. Beneficiation test-work is currently underway on 36 core and bulk samples across six ore types from the Jump-up Dam and Boyce Creek deposits. Beneficiated product will then be used in 18 single stage and 6 two stage Atmospheric leaching tests.

Mining studies will determine an optimised schedule for delivery of ore into a project. Beneficiation test-work results will feed into the studies.

Heron is investigating alternate supply arrangement for major turnkey capital items, such as acid and power plants. Sourcing from suppliers in Asia, as well as modularised construction is being evaluated as part of the study.

DRILL RESULTS

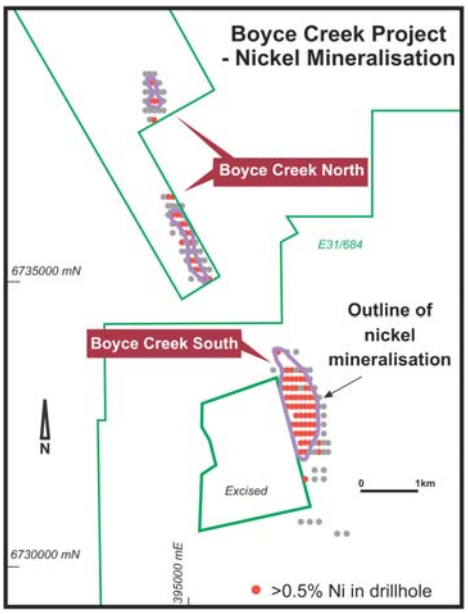


Aubils Project

All assays have now been received for the Aubils Project in preparation for the initial Mineral Resource estimate that will be released in the June quarter. No further RC drilling was completed but further significant intercepts received this quarter are shown in Table 4.

Table 4: Aubils Significant Intercepts at 0.7% Ni cut-off (>1.0% Ni)

Hole	North	East	From	To	Width	Ni%	Co%
AURC0303	6764242	390320	32	52	20	1.15	0.10
AURC0305	6764242	390160	4	34	30	1.06	0.32
AURC0308	6764242	389920	6	36	30	1.05	0.09
AURC0309	6764242	389840	4	24	20	1.07	0.03
AURC0312	6764080	390160	8	26	18	1.09	0.15
AURC0313	6764080	390000	16	44	28	0.96	0.08
AURC0314	6764080	389840	6	16	10	1.00	0.02



Resources at Boyce Creek currently stand at approximately 18.4 Mt grading 0.82% Nickel in the inferred category. During the quarter a further 178 RC holes for 8,352 metres were completed

Boyce Creek Project

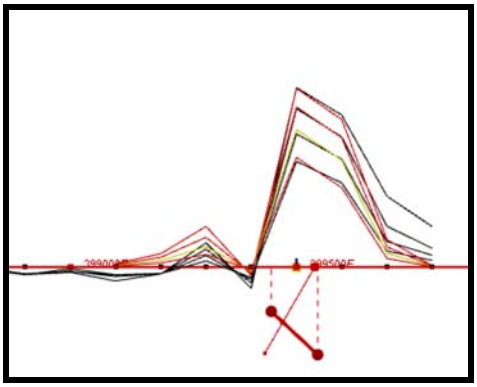
At Boyce Creek, drilling has been completed, the results of which will be utilised to calculate an updated resource estimate. Resources at Boyce Creek currently stand at approximately 18.4 Mt grading 0.82% Ni in the Inferred category, based on a 0.5% Ni cut off to estimates for 10mN x 10mE x 2mRL size mining blocks. During the quarter a further 178 RC holes for 8,352 metres were completed. Significant drill intersections received during the quarter are summarised in Table 5.

Table 5: Boyce Creek Significant Intercepts at 0.7% Ni cut-off (>1.2% Ni)

Hole	North	East	From	To	Width	Ni%	Co%
YERC0290	6733122	396760	22	36	14	1.33	0.08
YERC0291	6733122	396680	26	41	15	1.23	0.12
YERC0294	6733282	396920	28	58	30	1.20	0.10
YERC0297	6733282	396680	40	54	14	1.35	0.10
YERC0343	6736400	394720	2	24	22	1.37	0.01
YERC0344	6736560	394600	8	20	12	1.43	0.06
YERC0364	6736080	394960	14	32	18	1.42	0.07
YERC0374	6735840	395000	16	36	20	1.21	0.12
YERC0378	6735760	394920	12	14	2	1.20	0.01
YERC0378	6735760	394920	2	6	4	1.36	0.09
YERC0441	6732400	397080	12	16	4	1.50	0.02
YERC0442	6732400	397040	8	26	18	1.26	0.16
YERC0447	6732400	396840	2	10	8	1.20	0.18
YERC0448	6732400	396800	4	12	8	1.28	0.20
YERC0453	6732562	397120	14	26	12	1.42	0.07
YERC0454	6732562	397080	12	24	12	1.24	0.06
YERC0459	6732562	396880	24	34	10	1.30	0.04
YERC0475	6732720	396800	10	24	14	1.21	0.05
YERC0494	6733042	397080	20	48	28	1.21	0.22
YERC0517	6733202	396720	34	56	22	1.21	0.06
YERC0528	6733362	396800	20	48	28	1.22	0.10

REGIONAL EXPLORATION

MARLOO DAM NICKEL / BASE-METALS PROJECT



EM Anomaly Drill Target

The Marloo Dam Project is located some 90 kilometres south of Kalgoorlie, Western Australia. At this project, the Company is targeting nickel sulphide and other copper/lead/zinc mineralisation. Eletromagnetic (EM) surveys have identified a number of conductors and surface sampling has identified a base metal (copper/lead/zinc) rich exhalative horizon extending for over 1.4 kilometres. The tenement was recently granted and a reconnaissance RC drill program is planned for late May 2008 and is currently awaiting DOIR approvals.

LANGLEY CROSSING PHOSPHATE PROJECT

The Company has identified and pegged an area near Langley Crossing, located some 60 kilometres south of Derby, Western Australia. The Company's tenure in this area is currently pending. The area was explored previously for phosphate in the late 1960's with a nodular phosphate bed, reportedly ranging between approximately 0.5 meters and 2.1 metres thick, was identified. This horizon is under shallow cover over some 22 kilometres of strike and dips gently to the west (in the Heron tenure). Average grades were reported as 17.8% P2O5 for the 41% of the mass that contained nodules. Later beneficiation test-work by flotation in 1976 reported a beneficiated grade of approximately 36% P2O5 which was considered an encouraging result, but no further work was completed.

The price of phosphate has increased dramatically in recent months and the Company is assessing the potential viability of this known phosphate mineralisation at Langley Crossing.

JORC Compliance Statements

Mathew Longworth
Managing Director

The information in this report that relates to Mineral Resources is based on information compiled by James Ridley who is a Member of the Australasian Institute of Mining and Metallurgy. James Ridley is a full time employee of Heron Resources Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the resource estimation activities undertaken 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'. James Ridley consents to the inclusion in this report of the matters based on his information in the form and context that it appears. Note that Mineral Resources that are not Ore Reserves do not have demonstrated viability.

The information in this report that related to Exploration 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	Quarter ended (current quarter)
30 068 263 098	31 March 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current Qtr $A'000	Year to Date (9 months) $A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(5,688)	(16,261)
(b) development		
(c) production		
(d) administration	(1,110)	(3,078)
1.3 Dividends received		
1.4 Interest and other items of similar nature received	842	1,753
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)-GST	373	109
Net Operating Cash Flows	(5,583)	(17,477)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(21)	(110)
(b) equity investment		(1,784)
(c) other fixed assets	(3,830)	(4,624)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investment		697
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
Net Investing Cash Flows	(3,851)	(5,821)
1.12 Total operating and investing cash flows (carried forward)	(9,434)	(23,298)

1.12 Total operating and investing cash flows (brought forward)	(9,434)	(23,298)
Cash flows related to financing activities		
1.13 Proceeds from the issue of shares, options, etc.	3,580	35,765
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)		
Net financing cash flows	3,580	35,765
Net increase (decrease) in cash held	(5,854)	12,467
1.19 Cash at beginning of quarter/year to date	47,912	29,591
1.20 Exchange rate adjustments		
1.21 Cash at end of quarter	42,058	42,058

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	260
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$241,665).
Provision of office accommodation by director-related entity (A$15,500).
Provision of legal advice by director-related entity (A$2,480).

Non-cash financing and investing activities

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

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

See attached schedule

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	3,000
4.2 Development	0
Total	3,000

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	566	141
5.2 Deposits at call	40,997	47,276
5.3 Bank Overdraft		
5.4 Other (provide details)		
Property Rental bond	48	48
Environmental bonds	382	382
Escrow Accounts	65	65
Total: cash at end of quarter (Item 1.22)	42,058	47,912

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				
Ordinary securities	240,938,847	240,938,847		
7.3 Changes during Quarter * (a) Increases through share issues (b) Decreases through returns of capital, buybacks	3,000,000	3,000,000	$1.15	$1.15
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*)			*Exercise Price*	*Expiry Date*
	125,000	Nil	$0.2364	31/12/2008
	250,000	Nil	$0.5864	30/06/2009
	1,450,000	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
	500,000	Nil	$1.4864	19/03/2013
	750,000	Nil	$1.9864	19/03/2013
	750,000	Nil	$2.4864	19/03/2013
	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	100,000	Nil	$1.48	02/01/2012
	100,000	Nil	$1.50	02/01/2012
	1,000,000	Nil	$2.00	02/01/2012
	1,000,000	Nil	$2.50	02/01/2012
7.8 Exercised during Quarter				
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. This agreement has been assigned to A1 Minerals Limited.

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.

4. Epsilon Energy Limited may earn an initial 51% interest in Mineral Sands Rights for tenements in the Balladonia area through expenditure of $150,000 including a minimum of 2,500 metres of drilling in the first year. Thereafter, Heron has the right to contribute or Epsilon can earn up to a 70% interest in the Mineral Sands Rights by expending a further $250,000 in the following year.

6.1 Interests in Mining Tenements transferred, relinquished, reduced or lapsed. (includes tenements that have lapsed and/or expired that may have subsequent Heron tenement in place)

Tenement	*Nature of Interest*	*% Begin Quarter*	*% End Quarter*
M24/00481	Registered Holder	100	0
M24/00539	Registered Holder	100	0
M24/00540	Registered Holder	100	0
M24/00587	Registered Holder	100	0
M24/00697	Registered Holder	100	0
M24/00719	Registered Holder	100	0
M24/00749	Registered Holder	100	0
M24/00843	Registered Holder	100	0
M29/00281	Registered Holder	100	0
M29/00292	Registered Holder	100	0
M29/00320	Registered Holder	100	0
M29/00388	Registered Holder	100	0
P24/03695	Registered Holder	100	0
M24/00933	Registered Holder	100	0
P24/03734	Registered Holder	100	0
M24/00921	Registered Holder	100	0
P24/03790	Registered Holder	100	0
P24/03791	Registered Holder	100	0
P24/03797	Registered Holder	100	0
M24/00920	Registered Holder	100	0
P24/03804	Registered Holder	100	0
M24/00918	Registered Holder	100	0
P24/03810	Registered Holder	100	0
P29/01671	Registered Holder	100	0
P29/01684	Registered Holder	100	0
M29/00338	Registered Holder	100	0
E24/00074	Registered Holder	100	0
M24/00781	Registered Holder	100	0
M29/00268	Registered Holder	100	0
M24/00648	Registered Holder	100	0
E29/00531	Registered Holder	100	0
M24/00659	Registered Holder	100	0
M24/00661	Registered Holder	100	0
M24/00685	Registered Holder	100	0

Tenement	*Nature of Interest*	*% Begin Quarter*	*% End Quarter*
P24/03276	Registered Holder	100	0
P24/03857	Registered Holder	100	0
P24/03943	Registered Holder	100	0
M24/00927	Registered Holder	100	0
P24/03827	Registered Holder	100	0
P24/03828	Registered Holder	100	0
M24/00937	Registered Holder	100	0
M25/00160	Registered Holder	100	0
M27/00342	Registered Holder	100	0
M27/00343	Registered Holder	100	0
M27/00294	Registered Holder	100	0
M27/00291	Registered Holder	100	0
M28/00340	Registered Holder	100	0
M31/00297	Registered Holder	100	0
M31/00305	Registered Holder	100	0
P27/01562	Registered Holder	100	0
P25/01004	Registered Holder	100	0
P25/01005	Registered Holder	100	0
P25/01006	Registered Holder	100	0
P27/01932	Registered Holder	100	0
E38/00931	Registered Holder	100	0
E38/02008	Registered Holder	100	0
M38/01239	Registered Holder	100	0
M38/01240	Registered Holder	100	0
M39/01008	Registered Holder	100	0
M39/01009	Registered Holder	100	0
E38/01859	Registered Holder	100	0
P39/04228	Registered Holder	100	0
E28/01784	Registered Holder	100	0
E28/01639	Registered Holder	100	0
E28/01680	Registered Holder	100	0
M27/00419	Registered Holder	100	0
M63/00418	Registered Holder	100	0
P31/01680	Registered Holder	100	0
E37/00842	Registered Holder	100	0
E36/00483	Registered Holder	100	0
M27/00295	Registered Holder	100	0
M25/00300	Registered Holder	100	0
M25/00184	Registered Holder	100	0
M25/00245	Registered Holder	100	0
P27/01578	Registered Holder	100	0
P27/01579	Registered Holder	100	0
P27/01491	Registered Holder	100	0
P27/01517	Registered Holder	100	0
P28/01004	Registered Holder	100	0
P28/01005	Registered Holder	100	0
M26/00667	Registered Holder	100	0
M26/00736	Registered Holder	100	0
M26/00780	Registered Holder	100	0
P26/03112	Registered Holder	100	0
P26/03113	Registered Holder	100	0
P26/03115	Registered Holder	100	0
E63/01115	Registered Holder	100	0
E63/01116	Registered Holder	100	0
E70/03001	Registered Holder	100	0

Tenement	*Nature of Interest*	*% Begin Quarter*	*% End Quarter*
P28/00972	Registered Holder	100	0
P28/00991	Registered Holder	100	0
M27/00388	Registered Holder	100	0
E28/01199	Registered Holder	100	0

6.2 Interests in Mining Tenements acquired or increased

Tenement	*Nature of Interest*	*% Begin Quarter*	*% End Quarter*
E28/01815	Registered Applicant	0	100
E28/01816	Registered Applicant	0	100
E31/00817	Registered Applicant	0	100
E28/01822	Registered Applicant	0	100
E37/00969	Registered Applicant	0	100
E63/01219	Registered Applicant	0	100
E63/01220	Registered Applicant	0	100
P31/01965	Registered Applicant	0	100
E70/03395	Registered Applicant	0	100
E31/00821	Registered Applicant	0	100
E38/02136	Registered Applicant	0	100
E28/01835	Registered Applicant	0	100
E31/00825	Registered Applicant	0	100
E24/00157	Registered Applicant	0	100
E31/00826	Registered Applicant	0	100
E24/00158	Registered Applicant	0	100
E38/02141	Registered Applicant	0	100
E36/00677	Registered Applicant	0	100
E28/01841	Registered Applicant	0	100
E28/01842	Registered Applicant	0	100
P24/04385	Registered Applicant	0	100
P24/04386	Registered Applicant	0	100
E28/01840	Registered Applicant	0	100
E04/01804	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: _____ Date: 30/04/08
Company Secretary

Print name: Robert George Klug

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.