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

Dear Sir / Madam

RE: HERON RESOURCES NL
QUARTERLY REPORT FOR PERIOD ENDING 31 DECEMBER 1998

1.0 SUMMARY

- Detailed mine design studies and sectional resource calculations were completed for the Kalpini, Lake Rebecca and Yerilla lateritic nickel-cobalt resources. Excellent ore zone continuity was confirmed, with life of mine stripping ratio for medium grade ore of 4.3:1. As at 31 December 1998, the in-pit medium grade **Indicated Mineral Resource** above a 0.75% Ni cut-off is calculated to be **54.6 million tonne at 1.09% Ni and 0.08% Co**. Metallurgical evaluation of ore types suggests that the final screened ore feed grade will average in excess of 1.2% Ni and 0.08% Co for a 20 year mine life, with the degree of beneficiation determined by the fineness of the screen size used.

Additional ore grade nickel-cobalt intercepts have been identified at the Company's Aubils and Scotia Kanowna Prospects, with excellent potential to increase the Company's total resource base.

On the basis of a very good metallurgical assessment and a favourable draft Pre-Feasibility Study, the above resource could be categorised as "*Probable Ore Reserve*". The resource has been independently validated to have **comparable cash flow potential** to the three "first generation" **Eastern Goldfields dry lateritic nickel projects**, being Bulong, Cawse and Murrin Murrin.

- Metallurgical testwork** was completed by Oretest, Perth. Very good autoclave Pressure Acid Leach ("PAL") extractive and acid consumption characteristics were indicated. Good settling and viscosity properties were confirmed. Potential exists to upgrade the nickel and cobalt grades across deposit by an average of 24% through screening at 0.212mm. Selective two stage screening of specific ore types is however envisaged, with pyrolusitic and siliceous ore upgrading on average by 20 to 78%. Other ore types do not warrant screening, due to moderately high nickel grades in the screen reject material. Overall, the ore **metallurgical characteristics are similar or better than** those documented for **other Eastern Goldfields lateritic nickel projects**.
- A draft **Pre-Feasibility Study flow sheet and cost analysis** was prepared by Bateman Kinhill, Perth. Parameters used assume a 20 year project life with 2.1 million tonne per annum feed to the PAL autoclave circuit following screen beneficiation. The anticipated **cash operating cost** for Heron's Kalpini Nickel Project after cobalt credits and before debt servicing and marketing costs is **US\$0.89/lb**. In order to ensure cash costs are in the world nickel industry lower quartile, it is felt that the optimum Kalpini autoclave throughput should be 4.2 million tonne per annum. This facilitates low mining cut-off grades, and so minimises the requirement for complex grade control, ore blending stockpiles, and screening flow sheets which result in metal loss from the screen oversize.

Although the current Kalpini Nickel Project resource could now proceed to Feasibility Study at a 2.10 to 3.15 million tonne per annum throughput, the stand-alone Heron exploration target is for a reserve able to support a 4.2 million tonne per annum operation. Accordingly, existing Heron resource targets are to be quantified by in-fill drilling and reserves increased prior to completing the next stage of feasibility.

- The **Eastern Goldfields lateritic nickel industry has attained critical milestones** during the December 1998 Quarter:

1. The **Cawse and Bulong autoclaves were successfully commissioned**, and metal production with ramp up to design capacities is current at Cawse.

The main previous unknown parameter for the Kalpini Nickel Project, being autoclave viability in nickel laterite processing, has now been favourably quantified. The cost of project debt finance should decrease due to the reduction of perceived technical risk.

2. **Industry rationalisation has commenced**, with Anaconda Nickel Limited successfully securing control of Abednego Nickel Limited. The transaction is for the Abednego lateritic nickel asset only. The published resource of 47 million tonne at 1.1% Ni will generate a strategic increase to the Net Present Value of the Murrin Murrin project, and allow a reduction in operating costs through economies of scale. The cash consideration of \$67 million represents an unequivocal benchmark valuation of \$1.44 per tonne for in-ground drill-proven medium grade metallurgically tested lateritic nickel ore.

On the basis of the Abednego transaction, assets such as Heron's mining ore reserve of 55 million tonne theoretically could be valued in excess of \$70 million, with some discount for distance from plant and density of drilling, and some premium for very good metallurgical performance, excellent exploration potential, and proximity to Kalgoorlie infrastructure.

The various lateritic nickel resources north of Menzies from the Eucalyptus-Murrin Murrin-Abednego-Marshall Pool belt have now been rationalised under the Anaconda-Glencore joint venture. Comparable rationalisation of resources and infrastructure south of Menzies in the Kalpini-Bulong-Scotia-Cawse belt would appear to be a logical progression for the industry.

3. **Autoclave nickel processing plants are grade-sensitive, requiring very selective mining and "high grading"**. Heron financial modelling indicates a minimum autoclave feed grade requirement of 1.2% Ni at a 2.1 million tonne per annum throughput (achieved through screen upgrading in the case of Kalpini).

The key economic parameters of nickel and cobalt price are currently lower than when feasibility studies were completed for the "first generation" lateritic nickel projects. It is problematical whether these operations would have been commissioned had the present economic environment prevailed two years ago. The lower metal prices can be offset in the short term by processing higher grade ore, and in the long term by economies of scale. With some \$2 billion now invested in Eastern Goldfields lateritic nickel capital works, the need to service this large level of debt means that high grade resources now have increasingly greater strategic value.

- The Eastern Goldfields "first generation" lateritic nickel projects all have mine lives exceeding 20 years, but only report ROM grades exceeding 1.2% Ni in their first phase of "high grading" operation. Heron's published high grade resource of **29 million tonne at 1.34% Ni and 0.09% Co** is thus a **unique and valuable asset** in terms of Eastern Goldfields regional lateritic nickel strategies, particularly in respect of the logical trend towards industry rationalisation.
- For the March and June 1999 Quarters, the **Heron exploration focus will be on the delineation of high grade nickel-cobalt ore** on prospects peripheral to Kalpini. The exploration strategy involves the field sample evaluation of open file geological targets, and commenced during the December 1998 Quarter. Initial success for the strategy was obtained at Scotia Kanowna, with old RAB "gold" holes averaging up to **12m at 1.06% Ni and 0.24% Co**, and old costeans averaging up to **10m at 1.68% Ni and 0.69% Co**.
- To maintain its development momentum, on 15 January 1999, Heron through Hartley Poynton Limited Investment Banking Division **successfully completed a capital raising of \$1.25 million** through the placement of 10 million Shares at \$0.125 per Share. Funds will be used to complete currently identified acquisitions and continue ongoing resource drilling and metallurgical testwork. The Company's working capital position exceeds \$2.1 million, which ensures continuing vigorous exploration and development activity.

2.0 EXPLORATION REVIEW

2.1 Emu Fault Province

2.1.1 Kalpini Nickel Project

Heron 100%
Nickel (- gold)

Fifteen separate pits at Kalpini and a further three satellite pits at Yerilla and Lake Rebecca have been modelled and pit designs completed. It is envisaged that these pits will supply ore to a future nickel laterite processing facility in the Kalpini-Bulong-Scotia-Cawse region.

The tenements upon which resources occur have all been converted into Mining Lease applications. Ethnographic surveys of these applications are nearing completion.

Indicated Mineral Resources for the Heron deposits are:

Table 1 KALPINI NICKEL PROJECT Indicated Mineral Resource Inventory, 0.75% Ni Lower Cut-off Tonnes and Grade by Pit					
Locality	Pit	Tonnes Million	Ni %	Co %	Waste: Ore Ratio
Acra	K1a	1.814	1.02	0.09	5.6
Acra	K1b	0.749	1.11	0.11	5.4
Acra	K1c	0.751	0.98	0.08	5.6
Acra	K1d	3.268	1.00	0.07	5.6
Acra	K2a	4.419	1.33	0.06	2.6
Acra	K2c	0.357	1.11	0.06	3.5
Kalpini	K3	2.263	1.03	0.08	4.5
Kalpini	K4	5.890	1.22	0.07	4.8
Kalpini	K5	1.077	1.24	0.11	11.2
Kalpini	K6a	2.080	1.05	0.10	5.0
Kalpini	K6b	0.138	0.83	0.06	6.0
Kalpini	K6c	6.322	1.05	0.06	5.4
Kalpini	K8	3.270	0.95	0.09	7.6
Kalpini	K9	1.143	0.87	0.07	6.7
Kalpini	K10	1.378	1.04	0.06	2.5
Rebecca	R1	12.231	1.14	0.08	1.8
Yerilla	Y1	5.271	0.95	0.10	5.3
Yerilla	Y2	2.188	1.14	0.05	3.0
Total Indicated Resource		54.609	1.09	0.08	4.3

On the basis of in-house positive Discounted Cash Flows for the above resource, the Valmin category could arguably be termed "Probable Ore Reserve", but this is not current Company policy.

The resource estimate uses intercepts above 0.75% Ni over a minimum 2 metre vertical thickness, with a maximum 2 metre of internal waste grading less than 0.75% Ni within the calculated intercept. These thicknesses reflect Heron's proposed grade control and mining models.

Polygonal sectional ore blocks extend half way to adjoining drill holes when calculating tonnes and grade, and assume continuity to a line half way between sections, or a maximum of 200 metres. An SG of 1.6 is assumed, based on an range of 1.3 to 2.25 as inferred from Heron drill chip logging.

Mineralised blocks were interpreted onto the assay sections based on the geological interpretation and grade cut-offs. Ore block geometry is constrained by the 10% MgO contour, which is a very pronounced redox contact on **all** sections. Virtually all ore blocks occur immediately above and straddling this redox grade boundary. A total of 76 drill sections were interpreted in detail.

Detailed metallurgical work on twelve bulk RC drill chip composites was completed by Orestest Metallurgical Testwork and Research, Perth. On the basis of metallurgical testwork, there are three dominant Kalpini ore types, reflecting overlapping degrees of supergene enrichment and weathering:

1. Ferruginous to pyrolusitic CUF to CUP Strong Ni-Co-Fe-Mn supergene enrichment overprinting nontronite. Commonly occurs in upper "hangingwall" ore zones. Dominant ore type at Kalpini (33% of mining ore reserve) . Dry friable limonitic to pyrolusitic ore, typical of Cawse ore. Good material handling and metallurgical characteristics.

2. Nontronitic CUN Background weathered ultramafic-derived clay ore. Relatively enriched in Al-K-Na in terms of an ultramafic clay. Only minor ore remnants at Kalpini, dominant ore at Lake Rebecca. "Plasticine" apple green clay ore, typical Murrin Murrin, Bulong ore. Difficult material handling and metallurgical characteristics.

3. Siliceous CUS Enriched Si, strongly depleted Fe-Mn-Al-K-Na. Commonly magnesitic, tends to occur in lower "footwall" ore zones. Precursor nontronite ore which has been intensely leached. Good handling and variable metallurgical characteristics.

The three dominant ore types have distinct metallurgical technical specifications:

Table 2 KALPINI NICKEL PROJECT Metallurgical Summary			
	Ferruginous- Pyrolusitic	Nontronitic	Siliceous
% Upgrading			
-1mm screen Ni	4-16%	7-12%	1-40%
-1mm screen Co	4-11%	6-15%	14-43%
-0.212mm screen Ni	20-27%	11-16%	13-78%
-0.212mm screen Co	3-7%	1-22%	20-77%
Pressure Acid Leach			
120min Ni recovery %	96.2-97.2%	95.1-96.5%	91.8-95.8%
120min Co recovery %	93.0-97.7%	95.5-95.7%	91.5-95.8%
Acid consumption kg/t	400-557	371-514	309-550
Settling			
Pulp density % solids	34-36%	30-34%	44-51%
Minutes for 25% solids	49-87	1047-1295	15-27
Viscosity			
centiPoise	5842-8413	5795-7928	1373-13060
Mineralogy			
Silicate	qtz	qtz-silicate	qtz(-chalced) grain
Hydrated silicate	smectite-chamos	smec-nont-chlor	chlor-smec matrix
Iron oxide	mag-hem	mag-hem	(mag-hem)
Hydrated iron oxide	alt, hydrate FeOH	lim-goeth	lim
Other	Fe/Mn oxide, manganese wad	Cr spinel	Cr mag, Cr spinel, magnesitic
Nickel association	wad,altered clay	smec-chlor-lim	hydrated Fe/Si/Al

abbreviations: smec smectite mag magnetite
 nont nontronite hem haematite
 chlor chlorite goeth goethite

The **ferruginous-pyrolusitic ore** (CUF-CUP) is an excellent autoclave feed, with moderate to good screen beneficiation, good metal recoveries and acid consumption, and excellent pulp density, settling time and viscosity characteristics.

The **siliceous ore** (CUS) is a good autoclave feed, with excellent screen beneficiation for low grade ore, reducing to poor beneficiation for high grade ore. PAL tests returned moderate metal recoveries and acid consumption, and excellent pulp density and settling time. Viscosity can be very high, which will require ore blending in order to improve. CUS ore typically occurs in association with CUF and CUP ore, so in-pit blended CUF-CUP-CUS ore would appear to be a feasible autoclave feed.

The **nontronite ore** (CUN) is a difficult autoclave feed, with poor screen upgrade and very slow settling time. Metal recoveries and acid consumption are however good. Nontronite ore will require blending with ferruginous-pyrolusitic ore to improve settling. Despite its less robust metallurgical performance, both the Bulong and Murrin Murrin operations are able to economically process nontronite ore as their dominant autoclave feed. Nontronite ore represents only 7.5% of the proposed Kalpini autoclave feed, so its impact on the processing economics is minimal.

Lower clay ores (CLF, CLP, CLS, CLN), with their higher MgO content, have a higher acid consumption. These ores are volumetrically minor, so there is minimal impact on operating costs.

In terms of in-pit grade control, there are eleven ore type categories based on the drill-logged clay mineral types, and iron and magnesium content. The Indicated Mineral Resource categorised into metallurgical ore types is tabulated below.

Table 3 KALPINI NICKEL PROJECT Indicated Mineral Resource Inventory, 0.75% Ni Lower Cut-off Tonnes and Grade by Ore Type					
Locality	Ore Type	Tonnes Million	Ni %	Co %	Proportion %
ROM Ore					
Kalpini/Acra	CU	3.430	1.08	0.09	6.49
Kalpini/Acra	CUP	4.397	1.20	0.14	8.32
Kalpini/Acra	CUF	9.564	1.04	0.06	18.10
Kalpini/Acra	CUN	3.310	1.09	0.07	6.27
Kalpini/Acra	CUS	3.991	1.01	0.05	7.55
Kalpini/Acra	CL	4.070	1.00	0.04	7.70
Kalpini/Acra	CLP	1.580	1.72	0.14	2.99
Kalpini/Acra	CLF	2.039	1.08	0.08	3.86
Kalpini/Acra	CLN	0.641	1.13	0.05	1.21
Kalpini/Acra	CLS	1.895	1.06	0.03	3.59
Rebecca	CU	8.009	1.20	0.10	15.16
Rebecca	CL	3.787	1.06	0.04	7.17
Yerilla	CU	6.119	1.02	0.09	11.58
Subtotal		52.832	1.10	0.08	100.00
Stockpile					
Yerilla	CL	1.341	0.94	0.02	
Rebecca	SR	0.436	0.90	0.02	
Subtotal		1.777	0.93	0.02	
Total		54.609	1.10	0.08	

The resource of 52.832 million tonne at 1.10% and 0.08% Co will produce in excess of 42 million tonne of selectively screened beneficiated ore grading 1.20% Ni and 0.08% Co. The current Heron resource could support an autoclave circuit with the capacity to treat 2.1 million tonne per annum for a minimum 20 year mine life.

With 95% recovery, this Kalpini resource could produce 23,900 tonne of nickel metal and 1,600 tonne of cobalt metal in concentrate per annum, with revenue in excess of A\$200 million per annum.

Acra Prospect

MPI has agreed to the sale of its Acra Prospect. Acra is the remainder of the Kalpini Nickel Project tenements E27/76 and E28/426 still held 100% by MPI. These tenements represent a southern excision from Heron's Acra North resource target. The Acra tenement package includes the Acra nickel sulphide resource, and old gold workings and gold anomalous drill zones at nearby Jubilee. The best MPI lateritic nickel drill intercept is 8m at 1.45% Ni.

Pineapple Dam Joint Venture Prospect

Agreement has been reached with MPI subsidiary Fodina Minerals Pty Ltd for Heron to purchase Fodina's 80% interest in the Pineapple Dam joint venture area. Joint venture partner is Anvil Mining NL, with a 20% interest.

The Pineapple Dam Joint Venture Prospect is located 60km ENE of Kalgoorlie and immediately south of the Kalpini Nickel Project. The tenements straddle Lake Yindarlgooda, part of a major east west salt lake system.

The majority of work completed by Fodina focussed within the vicinity of the Acra and Jubilee Mining Centres. Only minor work had been conducted over and south of Lake Yindarlgooda. An historical nickel laterite resource reported to be 1.3 million tonne at 1% Ni will be evaluated.

Kims Dam

An Exploration Licence application was lodged 20km ESE of Kalpini covering the Steeple Hill Felsic Complex, consisting of acid to intermediate volcanics, metasediments, and banded iron formation.

The exploration target is volcanogenic massive base metal sulphides and greenstone-hosted gold deposits. Massive pyrite mineralisation is recorded in the area, which may have potential for sulphuric acid generation at Kalpini. At present however, Kalpini acid would presumably be sourced from imported Canadian elemental sulphur.

2.1.2 Transline Project

Heron 100%
Nickel (- gold)

Exploration Licence applications await grant. Heron has gained first priority through ballot to the grant of three of five applications. Areas targeted by Heron are ultramafic sequences with lateritic nickel potential, predominantly in the Seabrook Hills area. Literature reviews have delineated significant gold targets, which are to be offered for farm-out.

2.2 SCOTIA KANOWNA DOME PROVINCE

2.2.1 Scotia Kanowna Project

Heron 100%
Nickel (- gold)

During the Quarter, several high priority lateritic nickel-cobalt targets were identified and acquired, as potential ore feed to a Kalpini area processing operation.

Sylvia Virginia Prospect

The target is located west of the old Goongarrie gold mine. The prospect occurs on the crest of a gentle laterite ridge. Only one area of old drilling is present, being a single fence of RAB holes to a maximum depth of 40m. The cuttings consist of yellow, brown and white variegated clays, with pervasive silica plates, and occasional apple green ultramafic clay. RAB refusal occurs in a light green serpentinitic saprock.

Rock chip and RAB composite sampling was completed and results confirmed anomalous nickel, and most significantly, high grade cobalt ore (including **10m at 0.60% Ni, 0.17% Co**).

Sylvia North Prospect

Heron and Goongarrie Gold Pty Ltd have executed formal documentation whereby Heron has acquired a group of tenements adjoining the northern boundary of the Sylvia Virginia Prospect.

Previous drilling by Goongarrie Gold on gold targets has returned intercepts of up to 6m at 1.01% Ni. Heron rock chip sampling of existing surface trenches returned the following intercepts:

Horizontal	10m at 1.68% Ni, 0.690% Co	pyrolusitic ferruginous ore
Horizontal	8m at 0.80% Ni, 0.234% Co	nontronitic ore
Vertical	2m at 1.52% Ni, 0.629% Co	pyrolusitic ferruginous ore
Vertical	2m at 1.06% Ni, 0.426% Co	nontronitic ore

These grades (**peak 3.32% Ni, 2.14% Co**) are considered highly anomalous. Resource potential at depth is encouraging, particularly with respect to the bonanza lateritic cobalt grades. From soil geochemistry, the potentially mineralised zone has a 3.0km strike length, and width of 100-500m.

Sylvia South Prospect

A total of 18 old gold drillholes were relogged and composite sampled. Significant nickel-cobalt intersections are tabulated below:

Table 4 SCOTIA KANOWNA NICKEL PROSPECT Resampled Drill Holes: Significant Assays, 0.75% Ni4Co Lower Cut-off							
Hole No.	From (m)	To (m)	Interval (m)	Ni %	Co %	Ni4Co %	Regolith
BFRB003	20	36	16	0.77	0.028	0.88	CLS
<i>Inc at 0.75%</i>	20	30	10	0.82	0.028	0.93	CLS
BFRB012	30	43	13	0.70	0.098	1.09	CUS
<i>Inc at 0.75%</i>	34	38	4	0.92	0.163	1.57	CUS
BFRB013	20	42(EOH)	22	0.81	0.116	1.27	LF/CUS
<i>Inc at 0.75%</i>	30	42	12	0.96	0.118	1.43	CUS
BFRB014	20	40	20	0.89	0.169	1.57	CUS/CUF
<i>Inc at 0.75%</i>	20	32	12	1.06	0.236	2.00	CUS/CUF
BFRB015	20	42	22	0.66	0.028	0.77	LF/CUS
<i>Inc at 0.75%</i>	20	25	5	0.80	0.032	0.93	LF
BFRB016	14	42	28	0.72	0.056	0.94	CUF/CL
<i>Inc at 0.75%</i>	18	22	4	1.15	0.165	1.81	CUF
<i>Inc at 0.75%</i>	40	42	2	0.86	0.039	1.02	CL
BFRB021	3	16	13	0.78	0.048	0.80	CL
<i>Inc at 0.75%</i>	13	16	3	2.09	0.013	2.14	CLT

Goongarrie West Prospect

A 7 block Exploration Licence application was lodged, and one Prospecting Licence was pegged. These applications consolidate Heron's previously non-contiguous tenement holding in the area.

Ringlock Dam Prospect

Heron has purchased the Ringlock Dam tenement and nickel laterite resources from Fodina Minerals Pty Ltd and Outokumpu Exploration Venture Pty Ltd. A resource assessment was completed which has shown the potential for an Inferred Mineral Resource of **2.154 million tonne at 0.95% Ni** (0.75% Ni cut-off), calculated from existing RC and Aircore drillholes. Several mineralised drill sections require "closing off" to the east. The above resource figure is considered a minimum estimate.

2.2.2 Menzies East Project

Menzies East Joint Venture Prospect

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

Joint Venture partner Golden State Resources NL is evaluating lateritic nickel targets within the Menzies joint venture area.

Menzies South Prospect

Heron 100%
Gold

An excellent historical gold mine was acquired at Menzies South, as a "by-product" of the lateritic nickel search. Joint venture interest has been expressed.

2.2.3 Kanowna East Project

Heron 100% KCGM Option to purchase 100%.
Gold

Kalgoorlie Consolidated Gold Mines have entered an Option to Purchase Agreement covering the Kanowna East tenements.

2.3 KEITH KILKENNY PROVINCE

2.3.1 Edjudina Project

Heron 100%
Nickel (- gold)

Boyce Creek, Lady Byron and Byron North Prospects

Resource estimates (see Table 1,3) were compiled and detailed feasibility studies are current, including appraisal of ore hauling options. The Company has retained a consultant Anthropologist to complete ethnographic and archaeological studies of the prospect area.

Rains in late 1998 caused access problems in the Boyce Creek area. The drilling program started in September 1998 will be completed once access is available.

Mining Lease conversion was completed for P31/1485 adjacent to the Yerilla chrysoprase mines.

Raeside Joint Venture Prospect

The Raeside Joint Venture Prospect is located at Lake Raeside 150km NNE of Kalgoorlie and 90km N of the Kalpini Nickel Project. Agreements have been executed with MPI Gold Pty Ltd and Pittson Mineral Ventures Australia Pty Ltd to assign to Heron their right to earn a 70% joint venture interest. Joint venture partner is Rio Tinto Exploration.

The Raeside area adjoins Heron's Boyce Creek-Lady Byron lateritic nickel mineralisation, and covers significant areas of komatiite style aeromagnetic signature.

Aubils Prospect

Two acquisitions of adjacent tenement groups have seen Heron acquire a komatiite suite at Lake Raeside, referred to as the Aubils Prospect. An Option to Purchase agreement from Mavia Pty Ltd in favour of MPI Gold Pty Ltd and Pittson Mineral Ventures Australia Pty Ltd was assigned to Heron. The optioned Exploration Licence covers the majority of the mapped Aubils Prospect nickel laterite. In addition, Heron acquired peripheral Mining Lease applications directly from Mavia Pty Ltd.

Historical records from sporadic drilling indicate nickeliferous laterite intersections of up to 1.3% Ni in 1970s percussion drilling by Anglo American Corporation (AAC). Most of the legible drill logs presented by AAC in their reports are graphical, so precise nickel grades cannot be stated. On better sections, the nickeliferous intersections are relatively thick, being approximately 30m (after conversion from feet), but are overlain by about 15m of cover.

The potentially mineralised zone exceeds 5km in strike length, with width based on AAC drilling typically 125m and open.

South Edjudina Prospect

During the December 1998 Quarter, Burdekin Resources NL announced drilling results identifying a new area of gold mineralisation within the southern Laverton Tectonic Zone (locally termed the Pinjin Shear Zone). Burdekin's discovery RAB drill hole recorded an intersection of 32m at 2.61g/t Au in a structural and soil lag target located 600m north and along strike of Heron's Pinjin South tenement.

Heron has agreed in principle to farming out the gold-prospective southern part of the Edjudina Project, involving 31 tenements covering 292km². Formal documentation is in preparation.

2.3.2 Mulgabbie Project

Heron 100%
Nickel (- gold)

Lake Rebecca Lateritic Nickel Prospect

Resource estimates were compiled (see Table 1,3). Metallurgical testwork was completed on Lake Rebecca ore and has shown similar characteristics to the published ROM ore at Bulong and Murrin Murrin. Beneficiation, settling, viscosity and recoveries are typical of Eastern Goldfields nontronitic lateritic nickel ore. Feasibility studies are current, including appraisal of ore hauling options.

Mulgabbie West Prospect

Heron's tenements adjoin and are along strike of the Old Plough Dam - Khartoum mineralised trend. While considered highly prospective for gold, Heron are seeking an exploration partner to further explore the prospect, with several parties expressing interest.

2.3.3 Karonie South Project

Heron 100%
Gold (- nickel - base metals)

Tenements are grouped into two stratigraphic regimes:

- Those to the northwest that contain extensive Proterozoic Woodline Beds, interpreted as the stratigraphic equivalent of the Trilogy-hosting Mount Barren Beds, and are thus prospective for polymetallic base metal sulphides.
- The eastern and southern tenement areas that are prospective for Archaean shear-hosted gold mineralisation similar to the Border Gold/WMC Karonie gold project to the immediate north.

A digital data base was compiled. Several expressions of joint venture interest have been received for the project and are being assessed.

2.4 MUNGARI PROVINCE

2.4.1 Mungari Northwest Joint Venture Project

Heron 100% Kundana Gold right to earn 50%
Gold

Kundana Gold's RAB drilling of the gold-in-soil anomalies at the Mungari Northwest Joint Venture tenements has been somewhat disappointing, with the best results returned being 4m at 0.12g/t Au and 4m at 0.2g/t Au.

Kundana have notified Heron of their having met the first condition of the Joint Venture, being the expenditure of at least \$250,000 within six months. Kundana also reimbursed Heron \$40,000 for earlier aeromagnetic survey expenditure.

2.5 LEONORA LAVERTON PROVINCE

2.5.1 Laverton Nickel Project

Heron 100%
Nickel (- gold)

Additional tenements continue to be acquired for lateritic nickel targets. The project area is the northern extension of the highly prospective Laverton Tectonic Zone (hosts the Granny Smith, Sunrise Dam and Wallaby multi-million ounce gold mines 20-60km to the south). Several gold joint venture approaches have been received. Heron will retain all nickel rights.

Merolia Prospect

The tenements cover a northern extension to the Cogleia Well nickel laterite-hosting ultramafic unit. Open file records show the presence of nickeliferous laterite. Tenement grant is awaited.

2.5.2 Laverton Joint Venture Project

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

Metex are to assign 50% of their earning rights to Delta Gold, their Chatterbox Shear Zone joint venture partner.

2.5.3 Mount Morgans Joint Venture Project

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

Airborne magnetics on 50m line spacing was completed, and 1:10,000 plans for TMI contours, profiles and images were received. The geophysical interpretation is awaited.

DEMs digital data was received and images prepared for orthophoto mosaics, shaded relief, landform (regolith) and drainage patterns.

2.5.4 Malcolm Project

Heron 100%
Gold (- nickel)

Expressions of interest have been received from several parties regarding gold exploration. Data bases with defined exploration targets have been compiled and presented to potential farm-in partners.

2.5.5 Victory Project

Heron 100%
Nickel (- gold)

Regional studies and open file research continue. Several parties have expressed gold and nickel sulphide interest in the tenements.

Bellevue East Prospect

Nickel prospectivity targets were generated, with the exploration model being the Cosmos nickel sulphide discovery, located 30km N along strike of Bellevue East. The prospective zone occurs within a structurally and geologically favourable area for nickel, within a defined anomalous corridor.

Mt McClure Prospect

The tenement covers the interpreted, dislocated strike extension of the structure which hosts gold mineralisation mined by Australian Resources NL at the Mt McClure "Dragon" pit.

Rock chip sampling of rare outcrops was completed, without outlining drilling targets. Systematic soil geochemical sampling is required for target generation, due to the regolith cover.

2.6 MENZIES LEONORA PROVINCE

2.6.1 Menzies Leonora Project

Heron 100%
Nickel-gold-diamonds

A comprehensive open file compilation is current, with the metallogenic targets being lateritic nickel, volcanogenic massive sulphides and shear zone hosted gold. On completion of the review, a joint venture partner will be sought for non-nickel targets.

2.7 IDA FAULT PROVINCE

2.7.1 Snake Hill Joint Venture Project

Heron 100% Connemara right to earn 70%
Gold (- nickel)

Connemara compiled Department of Minerals and Energy Annual Reports, from which drill targets have been defined.

2.7.2 Blister Dam Joint Venture Project

Heron 100% Delta right to earn 75%
Gold (- nickel)

Twelve prospecting licences were acquired from GHK Pty Ltd and Avalon Resources NL, which has doubled Heron's existing project area.

Formal documentation with Delta Gold NL was executed whereby Delta has the right to earn a 75% interest in the project through spending \$1 million within 5 years. A first pass auger soil sampling program has been designed.

2.7.3 Frances Lesley Project

Heron 100%
Gold (- nickel)

The project area is immediately NW along strike from nickel sulphide drill intercepts previously reported by Roper River Gold NL. An expression of joint venture interest has been received.

2.7.4 Bullabulling Project

Heron 100%
Gold-nickel

Native Title negotiations have commenced to expedite grant of Exploration Licences.

2.7.5 Yilmia Hill Project

Heron 100%
Nickel (- gold)

Native Title negotiations have commenced to expedite grant of Exploration Licences. An open file research summary of this area was completed ahead of a presentation to a potential farm-in partner.

Larkinville-Logans Prospect

A 36 block Exploration Licence application E15/626 was lodged. The application covers the entire western limb of the NNW trending Larkinville Syncline, which is bounded to the west by the Chalice Shear Zone. Dominant lithologies consist of mafic and undifferentiated ultramafic rock flanked by pelitic sediments. Field reconnaissance and digital data base compilation has commenced.

Potential exists for both gold and nickel sulphide mineralisation.

2.7.6 Cowan Project

Heron 100%
Nickel (- gold)

Ballot and grant of tenement applications is awaited. The project area is along strike of the Mount Thirsty lateritic cobalt-nickel deposit.

2.7.7 Siberia Project

Heron 100%
Nickel (- gold)

The tenement provides tenure to the northern part of the ultramafic succession that hosts nickel laterite mineralisation to the south at Centaur's Cawse Extended (85.6 million tonne at 0.7% Ni).

A soil sampling program comprising 132 samples was completed with samples taken on lines at 200 and 400 metre intervals, and sample sites at 50 and 100 metre centres. A NNW trending 2.3km x 250m anomaly with values of 700-1532ppm Ni was identified. This level of anomalism elsewhere on Heron projects is indicative of lateritic nickel mineralisation.

2.8 DUNDAS PROVINCE

2.8.1 Dundas Project

Heron 100%
Gold

Inactive, awaiting grant. Heron's Mining Lease applications have been recommended for grant.

2.9 KAMBALDA DOMAIN PROVINCE

2.9.1 Binduli East Joint Venture Project

Heron 100% MPI Gold right to earn 70%
Gold

Geological and regolith mapping was completed at 1:10,000 scale ahead of a 272 auger sampling program. Samples were collected on a 200x100m grid.

Four geochemical anomalies of up to 42ppb Au were defined, three of which are co-incident with the intersection of NE cross structures and dolerite units.

Mapping highlighted an area near the southern boundary of the tenement package where a differentiated dolerite unit is structurally thickened and intruded by porphyry. Selective sampling of sulphidic quartz vein material from small prospecting pits in granophyric dolerite returned gold values to 2.17g/t.

RAB drilling of structural targets and auger anomalism is scheduled for mid 1999.

2.9.2 Kurramia Project and Mount Martin Project

Heron 100%
Nickel (- gold)

Awaiting grant. A deferred Heritage Survey agreement as been signed.

2.10 SOUTHERN CROSS PROVINCE

2.10.1 Bungalbin Project

Heron 100%
Iron ore - nickel (- gold)

Discussions have commenced regarding the possible development of the iron ore resource.

An extensive compilation of 1972 BHP ore reserve drilling data was carried out. During this study, several additional iron ore occurrences on open ground were identified, and Exploration Licence applications lodged.

An **Inferred Mineral Resource of 65.7 million tonne at 57.9% Fe** was estimated from Heron's open file study, with calcined grade of 64.1% Fe. Within this global resource, it is felt that good potential exists for smaller high grade iron-low phosphorus ore positions, associated with structural discontinuities. Follow up exploration is being planned.

2.10.2 Maggie Hayes Hill Project

Heron 100%
Nickel (- gold)

Two substantial explorers have expressed strong interest in the project, subject to the results of their initial exploration on adjoining tenements. A tenement swap or farm-out is being considered.

2.11 GAWLER CRATON PROVINCE

2.11.1 G2 Project

Heron 100%
Gold - copper - uranium - diamonds

One third tenement area reductions have been lodged. Field checking of target areas was done.

A new joint venture partner is being sought to sole fund. Digital data bases have been prepared for evaluation by the prospective partners.

I J BUCHHORN
MANAGING DIRECTOR

The information is based on, and accurately reflects, information compiled by Ian James Buchhorn, who is a Member of the Australasian Institute of Mining and Metallurgy.

Glossary of Terms

- “Aeromagnetic Survey” means a survey made from the air, recording variations in the earth’s magnetic field.
- “Anomaly” means a value higher or lower than expected, which outlines a zone of potential exploration interest but not necessarily of commercial significance.
- “Aircore drilling” means a rotary drilling technique which uses compressed air to cut a core sample and return core fragments to surface inside the drill rods. The drill sample quality is generally good.
- “Au” means gold.
- “BCM” means Bank Cubic Metre, which is a unit of volumetric measurement of the undisturbed material in a mine.
- “Co” means cobalt
- “Cu” means copper.
- “g/t” means grams per tonne.
- “Granitoid” means a family of coarse-grained igneous rocks that contain abundant quartz and feldspar.
- “km” means kilometres.
- “km²” means square kilometres.
- “Komatiite” means an ultramafic rock with high magnesium content extruded from a volcano. Textural variations include:
- “Orthocumulate” means a rock which exhibits a high proportion of crystallised trapped interstitial (“intercumulus”) liquid. The surrounded (“cumulus”) olivine crystals are subhedral to euhedral in form. This komatiite type is regarded as prospective for nickel sulphide mineralisation (e.g. Kambalda nickel mine).
 - “Mesocumulate” means a rock with cumulus crystals exhibiting extensive mutual boundary contact, but retaining some recognisable interstitial material. This rock type is prospective for lateritic nickel.
 - “Adcumulate” means a rock with little or no intercumulus material and characterised dominantly by anhedral crystals. This rock type is regarded as prospective for nickel laterite mineralisation.
- “m” means metres.
- “Mineralisation” means, in economic geology, the introduction of valuable elements into a rock body.
- “MMI” means the Mobile Metal Ion Process™, which is a partial extraction soil geochemical technique considered to be very effective for nickel and gold exploration.
- “Ni” means nickel.
- “Normal Dilution” means the reduction to the equity of one Party due to disproportionate expenditure by another (“The Earning”) party.
- “Olivine” means a magnesium-iron silicate mineral, often occurring in rocks prospective for nickel.
- “prospect” means a target upon which exploration programs are planned or have commenced.
- “project” means a grouping of prospects within a geographic location, often with a common geological setting.
- “province” means a grouping of projects within a geological district defined by a major mineralised crustal structure.
- “ppb” means parts per billion.
- “ppm” means parts per million (1g/t equals 1ppm, and 1000ppb equals 1ppm).
- “RAB drilling” means the drilling technique in which a sample is returned to surface outside the rod string by compressed air. The drill sample may be subject to some degree of contamination.
- “RC drilling” means the drilling method employing a rotating or hammering action on a drill bit which returns a sample to the surface inside the rod string by compressed air. The drill sample quality is generally superior to RAB.
- “ROM” means run of mine, referring to the grade and type of ore that is expected to be fed to the processing plant on a day to day basis.
- “Shear Zone” means a zone in which crushed rock has been produced by the action of a shearing stress as on a fault. This setting is often favourable for the occurrence of gold mineralisation.
- “Specific Gravity” is the mass per unit volume of material, usually in reference to ore and waste.
- “Waste: Ore ratio” means BCM of waste + BCM of low grade sub ore divided by BCM of ROM ore.
- “Ultramafic” means rocks composed almost entirely of mafic minerals, which are prospective for nickel.

1.13 Total operating and investing cash flows (brought forward)	(630)	(1,315)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.		
1.15 Proceeds from the sale of forfeited shares		
1.16 Proceeds from borrowings		
1.17 Repayment of borrowings		
1.18 Dividends paid		
1.19 Other (provide details if material) - Share Issue Expenses		
Net financing cash flows	Nil	Nil
Net increase (decrease) in cash held	(630)	(1,315)
1.20 Cash at beginning of quarter/year to date	1,783	2,468
1.21 Exchange rate adjustments		
1.22 Cash at end of quarter	1,153	1,153

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current Qtr \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	47
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 (45).
 Provision of secretarial services and accommodation by director related entities (2).

Non-cash financing and investing activities

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

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

See attached schedule

Financing facilities available

Add notes as necessary for an understanding of the position

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	450
4.2 Development	
Total	450

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to related items in the accounts as follows.

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	129	(40)
5.2 Deposits at call	27	827
5.3 Bank Overdraft		
5.4 Other (provide details) Bank Bills	997	996
Total: cash at end of quarter (Item 1.22)	1,153	1,783

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

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

	Number Issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 Preference securities (description)				
7.2 Issued during quarter				
7.3 Ordinary securities	59,400,000	54,000,000	25	25
7.4 Issued during quarter				
7.5 Convertible debt securities (description)				
7.6 Issued during quarter				
7.7 Options (description)	10,000,000	Nil	Exercise Price 25	Expiry Date 30/06/2000
	125,000	Nil	25	28/8/2001
	150,000	Nil	25	1/9/2001
	500,000	Nil	25	15/12/2001
	65,000	Nil	25	5/3/2002
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 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. Golden State Resources NL has the right to earn a 60% equity interest in the Menzies East Joint Venture Project tenements through sole funding the initial \$250,000 of exploration.
2. Metex Resources NL has the right to earn a 70% equity interest in the Laverton Joint Venture Project tenements through sole funding the initial \$500,000 of exploration.
3. Metex Resources NL has the right to earn a 70% equity interest in the Mt Morgans Joint Venture Project tenements through sole funding the initial \$200,000 of exploration.
4. Connemara Gold Mines Pty Limited has the right to earn a 70% equity interest in the Snake Hill Joint Venture Project tenements through sole funding the initial \$300,000 of exploration.
5. Kundana Gold Pty Limited has the right to earn a 50% equity interest in the Mungari Northwest Joint Venture Project tenements through sole funding the initial \$3,000,000 of exploration.
6. Mining Project Investors Pty Limited has the right to earn a 70% equity interest in the Binduli East Joint Venture Project tenements through sole funding the initial \$750,000 of exploration.
7. Delta Gold NL has the right to earn a 75% equity interest in the Blister Dam Joint Venture Project tenements through sole funding the initial \$1,000,000 of exploration

6.1 Interests in Mining Tenements relinquished, reduced or lapsed

Tenement Reference	Nature of Interest	Interest Beginning Quarter	Interest End of Quarter
P24/3404	Registered Holder	100	0
P27/1353	Registered Holder	100	0
P31/1483	Registered Holder	100	0

6.2 Interests in Mining Tenements acquired or increased

Tenement Reference	Nature of Interest	Interest Beginning of Quarter	Interest End of Quarter
E25/0209	Registered Applicant	0	100
E25/0210	Registered Applicant	0	100
E25/0211	Registered Applicant	0	100
E27/0215	Registered Applicant	0	100
E27/0216	Registered Applicant	0	100
E27/0217	Registered Applicant	0	100
E28/1014	Registered Applicant	0	100
E77/0918	Registered Applicant	0	100
E77/0919	Registered Applicant	0	100
M15/1266	Registered Applicant	0	100
M15/1267	Registered Applicant	0	100
M27/0371	Registered Applicant	0	100
M27/0372	Registered Applicant	0	100
M28/0215	Registered Applicant	0	100
M29/0202	Sale Agreement	0	100
M31/0656	Sale Agreement	0	100
M31/0657	Sale Agreement	0	100
M31/0658	Sale Agreement	0	100
M31/0659	Sale Agreement	0	100
M31/0660	Sale Agreement	0	100
M31/0662	Sale Agreement	0	100
P15/4186	Registered Applicant	0	100
P15/4187	Registered Applicant	0	100
P15/4188	Registered Applicant	0	100
P15/4189	Registered Applicant	0	100
P15/4190	Registered Applicant	0	100
P15/4191	Registered Applicant	0	100
P15/4192	Registered Applicant	0	100
P15/4193	Registered Applicant	0	100
P15/4194	Registered Applicant	0	100
P15/4195	Registered Applicant	0	100
P31/1580	Registered Applicant	0	100
P31/1581	Registered Applicant	0	100
P31/1582	Registered Applicant	0	100

