

Heron Resources NL Quarterly Report

For the 3 months ending
30 September 1998

26 October 1998

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 30 SEPTEMBER 1998**

1.0 SUMMARY

- As at 30 September 1998, the 0.5% Ni cut-off Low Grade Inferred Mineral Resource outlined for the **Kalpini Nickel Project** and associated satellite deposits at Lake Rebecca, Yerilla and Scotia, has increased to **136.1 million tonne at 0.83% Ni and 0.05% Co**.
- Within the lower grade resource envelope there occurs a 0.75% Ni cut-off **Medium Grade Inferred Mineral Resource of 66.6 million tonne at 1.07% Ni and 0.07% Co**. This material is the basis of a current mining and processing **Pre-Feasibility Study**.
- Using a 1.0% Ni cut-off, there occurs a **High Grade Inferred Mineral Resource of 28.9 million tonne at 1.34% Ni and 0.09% Co**. This material represents the dominant autoclave ore feed scheduled for the initial ten years of mining and processing. After screen upgrade, the leach feed grade for this particular ore exceeds 1.50% Ni.
- A **new high grade nickel laterite discovery of 13.8 million tonnes at 1.12% Ni was made at Lake Rebecca** on granted Mining Leases. The new discovery in what would have been considered a closely drilled prospect area resulted from applying Heron's nickel laterite exploration model.
- The Kalpini Nickel Project is a world-class base metal discovery. Even at current historically low metal prices, there is an in-ground metal value exceeding \$11 billion. The Pre-Feasibility Study is well advanced, evaluating the viability of a \$0.6 billion development at Kalpini. Eight bulk drill samples have been processed to quantify metallurgical pulp characteristics and screen beneficiation, and are currently undergoing autoclave testing to determine metal recovery and acid consumption. Beneficiation testwork at a -1mm screen size shows that the screened grade increases by an average 10% for nontronitic ore, and 24% for siliceous - ferruginous ore. With finer screen sizes as used in operating plant situations, the testwork indicates an even higher upgrade. In view of these good metallurgical results, four additional bulk samples have been submitted, including material from the new high grade discovery at Lake Rebecca.
- A flora survey was completed at Kalpini, and ethnographic studies are current. Mining Lease applications have been lodged. Some 25% of Heron's current resource base is located on granted Mining Leases.
- Drilling for the September Quarter totalled 64 Reverse Circulation drill holes at Lake Rebecca and Yerilla, for a 2,864 metre advance. Persistent high grade intercepts were returned, including **29m at 1.22% Ni and 0.041% Co** from Yerilla; and **31m at 1.54% Ni and 0.060% Co, 23m at 1.25% Ni and 0.120% Co** and **20m at 1.16% Ni and 0.062% Co** from Lake Rebecca. Field activities were somewhat curtailed due to high seasonal rainfall at the drill target localities.
- Sufficient tonnage for a 3 million tonne per annum, 20 year mining and processing operation is demonstrated at Kalpini and satellite deposits. The medium term target has been to delineate an 80 million tonne resource. Heron's Emu Fault and Keith Kilkenny exploration portfolios are of sufficient quality that this exploration target is realistic.
- The commissioning of the three "first generation" Eastern Goldfields dry nickel laterite mines is imminent. Their expected successful operation will provide a strong impetus for Heron to move the Kalpini Nickel Project to the next stage of feasibility.

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2.0 EXPLORATION REVIEW

2.1 Emu Fault Province

2.1.1 Kalpini Project

Heron 100%

Nickel (- gold)

Sixteen separate pits have been identified at Kalpini and five further pits identified at the satellite projects of Yerilla, Lake Rebecca and Scotia Kanowna.

Drill based Inferred Mineral Resources for these deposits are as follows:

Table 1 - KALPINI NICKEL PROJECT
Inferred Mineral Resource Inventory, 0.75% Ni Lower Cut-off

	Pit	Strike km	Width km	Million Tonnes	Ni %	Co %
Acra North	K1a	1.6	0.12	1.846	1.02	0.087
Acra North	K1b	0.4	0.20	0.730	1.06	0.096
Acra North	K1c	0.4	0.12	0.717	1.00	0.092
Acra North	K1d	1.9	0.20	3.584	1.00	0.064
Acra North	K2a	1.7	0.16	4.915	1.33	0.067
Acra North	K2b	0.5	0.08	0.077	1.08	0.012
Acra North	K2c	0.5	0.08	0.384	1.13	0.056
Wellington East	K3	2.5	0.20	3.072	1.04	0.079
Wellington East	K4	3.6	0.16	7.048	1.18	0.068
Wellington East	K5	1.2	0.24	1.599	1.21	0.098
Wellington East	K6a	1.0	0.16	2.637	1.04	0.097
Wellington East	K6b	0.4	0.16	0.205	0.92	0.092
Wellington East	K6c	3.0	0.20	6.509	1.04	0.060
Wellington East	K8	2.3	0.30	4.915	0.97	0.087
Wellington Fold	K9	1.1	0.20	2.102	0.88	0.067
Wellington North	K10	0.8	0.20	1.510	1.04	0.059
Total Kalpini				41.849	1.08	0.074
Boyce Creek	Y1	1.0	0.20	6.016	0.95	0.092
Lady Byron	Y2	0.6	0.20	2.816	1.06	0.049
Total Yerilla				8.832	0.98	0.079
Rebecca South	R1	2.2	0.30	10.995	1.16	0.076
Rebecca North	R2	1.1	0.15	2.765	0.99	0.027
Total Rebecca				13.761	1.12	0.066
Scotia Kanowna	S1	2.0	0.10	2.154	0.95	0.035
Total Scotia Kanowna				2.154	0.95	0.035
TOTAL				66.595	1.07	0.071

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Project Locations



The Inferred Mineral Resource estimate is based on information from RC and AC drill holes on nominal 400 metre spaced lines, with most holes that contribute to the resource estimate spaced at 40 metre intervals along the lines. In selected areas the drilling is at a higher density.

The resource estimate uses intercepts above 0.75% Ni over a minimum 2 metre vertical thickness, with a maximum 2 metres of internal waste grading less than 0.75% Ni within the calculated intercept.

The weighting of the intercept when calculating tonnes and grade assumes continuity to a point half way to the next drill hole in each of four directions. An SG of 1.6 is assumed, based on an expected range of 1.3 to 2.25 as inferred from Heron drill chip logging.

Very high grade cobalt lenses occur immediately overlying the 0.5% Ni hangingwall mineralisation. If this mineralisation is included, the nickel-cobalt Inferred Mineral Resource estimate in terms of Ni%+4Co% ("NiCo") is:

0.50% NiCo cut-off	182.2 million tonne	0.91% NiCo
0.75% NiCo cut-off	96.1 million tonne	1.17% NiCo
1.00% NiCo cut-off	53.4 million tonne	1.46% NiCo

Company policy is however to do all economic evaluations on Ni ore blocks only, with the Co grade allocated to these blocks for the purpose of cash flow modelling.

Replicate assaying of over 10% of ore grade samples submitted to an umpire laboratory has demonstrated excellent repeatability, giving rise to a high level of confidence on grade estimates and assay techniques. This augurs well for future in-pit grade control.

Metallurgical assessment of the Kalpini and Lake Rebecca mineralisation is current, addressing such aspects as:

- **Settling characteristics:** The ability of the ore to readily settle determines the pulp density of the ore feed to the autoclave, and accordingly the rate of throughput. Kalpini's ferruginous and siliceous ore types have demonstrated very satisfactory settling characteristics.
- **Beneficiation by screening:** Initial single step -1mm screen test work on eight samples has demonstrated the ability to upgrade various ore types on average between 10% and 24%. Individual ore types such as siliceous ore have upgrades exceeding 40% at -1.0mm, increasing to 78% at -0.2mm.
- **Autoclave testing:** This will determine acid consumption specifications for the ore types, and thus quantify operating cost input for cash flow modelling.
- **Assaying for penalty elements:** Results of such determinations were within commercially acceptable LME ranges, and no metallurgical or metal off-take problems are envisaged.

The Pre-Feasibility Study will be finalised when all metallurgical testwork is completed, notably the inclusion of additional material required due to the new Lake Rebecca discovery.

2.1.2 Transline Project

Heron 100%
Nickel-gold

Exploration Licence applications are awaiting grant. The exploration target is Bulong-style lateritic nickel, suitable as satellite ore feed for the Kalpini Nickel Project, located 50km to the north.

With the recent acquisition of additional Exploration Licences, Kalpini and Transline now form a near contiguous tenement holding covering a 100km strike length of sulphidic and lateritic nickel bearing komatiite.

2.2 Scotia Kanowna Province

2.2.1 Scotia Kanowna Project

Heron 100%.
Nickel - gold

A lateritic nickel assessment is current. Areas for drill follow-up have been defined from interpretation of digital aeromagnetic data. Existing resources within these target areas have been delineated using previous drilling results. These resources are suitable as a satellite ore feed for Kalpini, located 50km to the east-southeast.

Recent pegging successes have acquired excellent resource potential adjoining and along strike of existing Heron nickel laterite resources.

2.2.2 Menzies East Joint Venture Project

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

Golden State is evaluating the results of their previous drilling program and compiling a detailed regional evaluation.

2.2.3 Kanowna East Project

Heron 100%
Gold - nickel

The tenements are subject to an Option for Sale Agreement. Given the Company's nickel laterite focus, divestment of this non-strategic asset was sought.

2.3 Keith Kilkenny Province

2.3.1 Edjudina Project

Heron 100%
Nickel - gold

Yerilla-Boyce Creek Nickel Prospect

Drill holes completed by a previous tenement holder confirm good resource potential, with drill hole 94MAR064 returning 12m at 1.10% Ni, and 94MAR069 returning 28m at 0.83% Ni.

Confirmation RC drilling was attempted by Heron, to quantify the previously identified nickel laterite resource of 6.0 million tonne at 0.95% Ni and 0.092% Co. Wet weather however delayed Heron's drilling, and the rig was mobilised to Lake Rebecca.

Yerilla-Lady Byron - McAuliffe West Nickel Prospect

Reverse Circulation drilling for the Quarter totalled 21 holes for 922 metres at the Lady Byron and McAuliffe West Prospects.

Drilling at the Lady Byron Prospect intersected dark brown and dark grey clays overlying olivine adcumulate komatiite. The Heron drilling was to the southeast of previous drilling completed in the 1970s, which returned an intersection of 20m at 0.84% Ni, with coincident weak cobalt enrichment.

A significant new "grass roots" nickel laterite discovery was identified in the Heron Lady Byron drilling. The current resource estimate is 2.8 million tonne at 1.06% Ni and 0.049% Co. A significant infill RC drilling program is required to quantify the Lady Byron resource.

Significant results from the September Quarter drilling at McAuliffe West (YERC 004, 005) and Lady Byron (YERC 018, 019) are tabulated below.

Table 2 - YERILLA NICKEL PROJECT
Reverse Circulation Drilling: 1m Samples Using 0.75% Ni Lower Cut-Off

Pit	Hole No.	North m	East m	From m	To m	Interval m	Ni %	Co %	Ni4Co %
Y2	YERC004	38000	4240	15	20	5	0.84	0.042	1.00
Y2	YERC005	38000	4320	13	15	2	0.79	0.030	0.91
Y2	YERC018	35200	4960	7	11	4	1.25	0.065	1.51
				16	23	7	0.95	0.017	1.01
				35	38	3	0.95	0.010	0.99
Y2	YERC019	35200	4880	1	6	5	1.10	0.150	1.70
				13	42	29	1.22	0.041	1.38

Yerilla-Aubils Nickel Prospect

The Aubils Prospect has been acquired in principle through the assignment of Option rights from MPI-Pittson Mineral Ventures Australia to Heron. Heron will have the right to complete outright purchase from Mavia Pty Ltd of a 34km² project area at Lake Raeside. Ore grade lateritic nickel intercepts exceeding 1% Ni over economic thicknesses are present in 1970s drilling.

Edjudina Gold

Negotiations for farm-out are at an advanced stage for tenements in the Edjudina-Pinjin area. The target area is the southern continuation of the Laverton Tectonic Zone, which hosts the Granny Smith and Sunrise gold mines further to the north.

Due to Heron's lateritic nickel emphasis, the Board strategy for gold projects is to make these projects available for farm-out.

2.3.2 Mulgabbie Project

Heron 100%
Nickel - gold

Lake Rebecca Lateritic Nickel Prospect

During the September Quarter, Heron completed an initial RC drilling program of 43 holes for an advance of 1,942m. The program has confirmed that Lake Rebecca will be a significant source of ore for the Kalpini Nickel Project.

The northern nickel laterite prospect area at Lake Rebecca consists of a silica cap overlying ultramafic saprolite. Nickel mineralisation occurs as flat lying sheets in both laterite and saprolite settings.

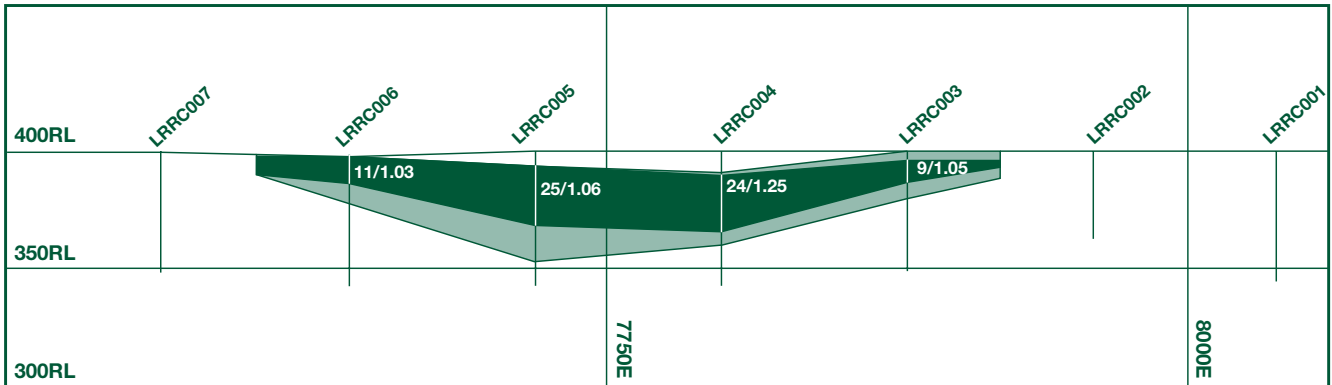
The southern prospect area is largely concealed by aeolian and alluvial cover related to the Lake Rebecca playa lake system. The silica cap has been stripped, but a supergene nickel-cobalt horizon is nonetheless present.

Current drilling suggests the Rebecca North mineralisation is strongly siliceous, with abundant magnesite and a well-developed laterite crust. The magnesite has a potential economic use in the proposed Kalpini metallurgical process.

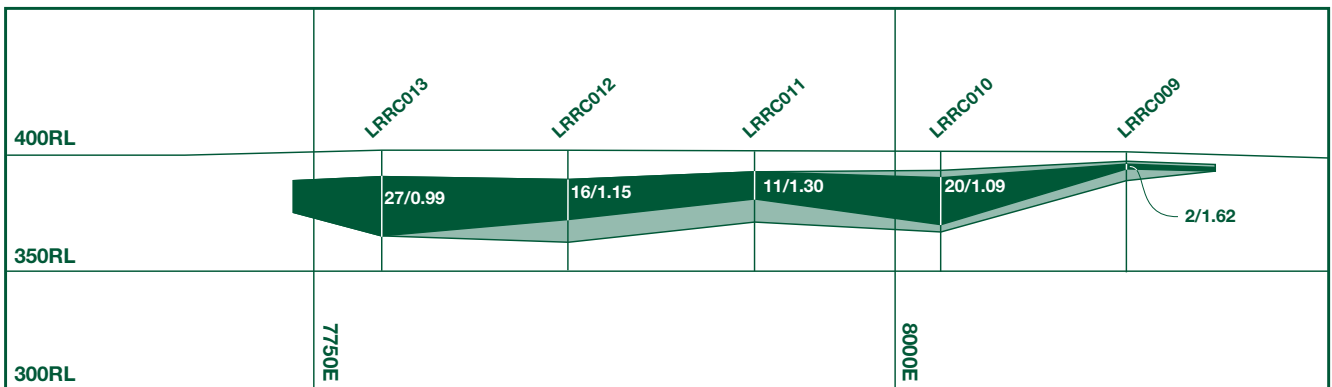
Heron Resources NL

Lake Rebecca Cross Sections
% Ni Intersections

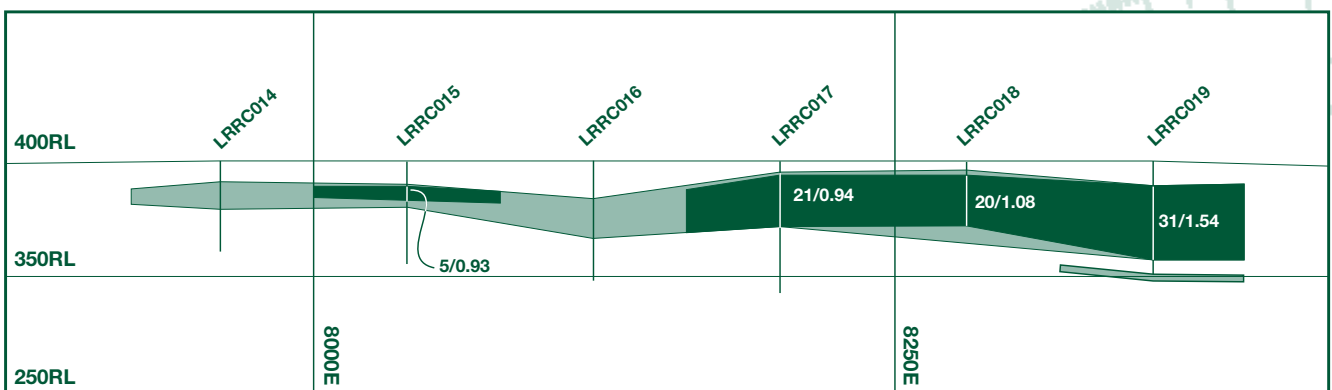
PIT R1 3600N



PIT R1 3200N



PIT R1 2800N



LEGEND

 LOW GRADE ORE BLOCK
0.50 - 0.74% Ni

 MEDIUM AND HIGH GRADE ORE BLOCK
≥ 0.75% Ni

31/1.54 INTERCEPT METRES / % Ni

The Rebecca South mineralisation is hosted by predominantly swelling smectite clays, including nontronite. These clays are moderate brown to greenish brown above the reduction-oxidation (redox) front, and grey-green below. A 10% MgO redox boundary corresponding to the colour change is well defined at Lake Rebecca, and normally corresponds to a change from 40% FeO to 20% FeO. Mineralisation is dominantly within the low MgO-high FeO clay variant, which is encouraging in terms of operating cost parameters.

The north and south ore bodies are geologically separated by a fault zone interpreted to trend ENE across the tenements. In terms of mining however, both ore bodies would be expected to be extracted from a single pit.

The mineralised laterite zone from Heron's drilling has a strike length of 3.3km and a width of 0.2 - 0.3km. The resource estimate, partly based on preliminary assay results, is 13.8 million tonne at 1.12% Ni and 0.066% Co, located on three granted Mining Leases.

Significant results from the September Quarter drilling are tabulated below.

Table 3
LAKE REBECCA NICKEL PROJECT
Reverse Circulation Drilling: 1m Samples Using 0.75% Ni Lower Cut-Off

Zone	Hole No.	North m	East m	From m	To m	Interval m	Ni %	Co %	Ni4Co %
R2	LRRC003	73600	7880	4	13	9	1.06	0.065	1.32
R2	LRRC004	73600	7800	10	33	23	1.25	0.120	1.73
R2	LRRC005	73600	7720	6	26	20	1.15	0.062	1.39
R2	LRRC006	73600	7640	2	13	11	1.04	0.096	1.42
R2	LRRC010	73200	8020	11	31	20	1.09	0.043	1.26
R2	LRRC011	73200	7940	8	19	11	1.30	0.111	1.75
R2	LRRC012	73200	7860	12	28	16	1.15	0.133	1.68
R2	LRRC013	73200	7780	10	37	27	0.99	0.082	1.32
R2	LRRC018	72800	8280	6	26	20	1.08	0.060	1.32
R2	LRRC019	72800	8360	9	40	31	1.54	0.060	1.78
R1	LRRC023	74000	7400	7	12	5	1.11	0.029	1.22
R1	LRRC027	74360	7210	4	24	20	0.97	0.017	1.04
R1	LRRC028	74700	7200	0	17	17	0.86	0.026	0.97
R1	LRRC033*	72800	8320	8	20	12	1.12	0.039	1.27
R1	LRRC034*	72800	8440	21	41	20	1.16	0.046	1.33

* denotes preliminary composites, 1 metre sample results pending.

Mulgabbie West Prospect

Heron's tenements adjoin and are along strike of the Old Plough Dam - Khartoum mineralised trend (a recent one million ounce gold discovery). The previously announced farm-out has been withdrawn, due to a change of management control of the other party. A new unrelated party has however expressed interest in farming in.

2.3.3 Karonie South Project

Heron 100%
Gold - nickel

Five mineralised target styles have been interpreted by Heron:

- Ultramafic-hosted nickel.
- Lateritic nickel associated within the Proterozoic ultramafic Jimberlana Dyke.
- An extensive area of the highly prospective Proterozoic Woodline Beds is present in the northwest project area. This unit is a target for volcanogenic precious and polymetallic mineralisation. At Ravensthorpe, an equivalent Proterozoic unit, the Mount Barren Beds, hosts the Trilogy polymetallic deposit.
- Shear-hosted gold, as occurring in the Karonie and Khartoum areas to the north. The structures hosting these deposits can be traced south along strike into the Heron project area.
- BIF-hosted gold of the style located at Randalls-Maxwells 75km NW of Karonie South.

Farm-out is sought for the Karonie South Project, due to the current exploration emphasis on the Kalpini-Yerilla-Lake Rebecca nickel laterite projects.

2.4 Mungari Province

2.4.1 Mungari Northwest Joint Venture Project

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

The project area is NW along strike from the Mines and Resources Australia-Mineral Commodities 0.75 million ounce gold discovery at White Foil.

A RAB program designed to test the Meat Feathers, Big High, Powder Blanc and Holy Grail prospects within the Powder Sill was completed. The program comprised 10,169m in 296 holes averaging 34.4m in depth.

The drilling program focussed on the upper Powder Sill contact between quartz rich granophyric granodiorite and the host sedimentary sequence.

Large scale gold mineralised systems within the Powder Sill are known to exist at the upper contact zone at the White Foil deposit, located south of the Mungari NW tenements. At the Meat Feathers prospect, the upper Powder Sill contact is obscured by alluvial cover. Drilling was therefore required to test this area. Auger soil gold anomalies correspond to the approximate position of the Powder Sill contact on magnetic images of the region.

Within the thickest part of the Powder Sill, detailed mapping has revealed an ellipsoidal feeder structure consisting of magmatic breccia, epidote altered mafic material and an extensive quartz vein system at the Big High Prospect. The degree of alteration and quartz vein development indicates that the feeder has acted as a hydrothermal fluid conduit. The zone corresponds to an intense magnetic anomaly.

RAB drilling results to date of the gold-in-soil anomalies have been disappointing, with the best results being 4 metres at 0.12g/t Au and 4 metres at 0.20g/t Au.

Kundana have complied with their Joint Venture obligations by expending \$311,000 within the initial six months of the Joint Venture. The quality of Kundana's exploration has been excellent.

2.5 Leonora Laverton Province

2.5.1 Laverton Nickel Project

Heron 100%.
Nickel (- gold).

Exploration Licence applications covering 552km² were lodged between Laverton and Merolia north along strike of the Cogleia Well - Irwin Hills lateritic nickel prospects. Merolia consists of ultramafic occurrences associated with strong aeromagnetic anomalies. From Heron's literature research, previous drilling has recorded nickel laterite mineralisation.

2.5.2 Laverton Joint Venture Project

Heron 100%. Metex right to earn 70%.
Gold - nickel

Excellent gold discoveries have been announced by the Metex-Delta Gold joint venture within their Chatterbox Shear Zone project, immediately east of the Heron joint venture ground. Interpretation of exploration results from the Heron project area continues.

2.5.3 Mount Morgans Joint Venture Project

Heron 100%. Metex right to earn 70%
Gold - nickel

Interpretation of exploration results from the Heron joint venture ground continues.

2.5.4 Malcolm Project

Heron 100%
Gold - nickel

The project area adjoins several gold mining centres. Heron exploration has generated several gold drilling targets.

Farm-out of the project is being sought.

2.5.5 Victory Project

Heron 100%
Nickel - gold

Additional tenements have been pegged in the Victory area, targeting nickel laterite.

A Mining Lease conversion was completed at the Victory Gold Mine. Systematic mine sampling was completed. The maximum assay was 2.5 g/t Au, with consistent 0.2-0.8 g/t Au results. Drilling of the target is required, to test below the surface depletion zone.

2.6 Menzies Leonora Province

2.6.1 Menzies Leonora Project

Heron 100%
Nickel - gold - diamonds

Further tenement consolidation has been completed at Lawrence Find.

High priority base metal targets have been generated, in conjunction with the laterite nickel assessment. Intense aeromagnetic anomalies have been targeted for nickel laterite follow up.

2.7 Ida Fault Province

2.7.1 Snake Hill Joint Venture Project

Heron 100%. Connemara right to earn 70%

Gold - nickel

First pass data interpretation was completed as part of drill target definition.

2.7.2 Blister Dam Project

Heron 100%.

Gold - nickel

The project area is located 100km NW of Kalgoorlie on the Zuleika Shear Zone within an area of extensive gold mining activity.

An additional tenement group west of and contiguous with the Heron project area and straddling the Zuleika Shear has been acquired. The expanded tenement holding is highly prospective for gold mineralisation, and is currently subject to advanced farm-out negotiations.

2.7.3 Bullabulling Project

Heron 100%

Nickel - gold

Areas highly prospective for nickel laterite occurrences have been secured with Exploration Licence applications. Farm-out discussions are current on gold targets within the project area.

2.7.4 Frances Lesley Project

Heron 100%

Nickel - gold

The project area is located 90km NW of Kalgoorlie, within an area of active gold mining operations at Carbine and Davyhurst.

Grant of Exploration Licences is awaited. High priority nickel sulphide exhalative targets have been generated by Heron, which have attracted joint venture interest.

2.7.5 Yilmia Hill, Cowan Projects

Heron 100%

Nickel - gold

Exploration Licence applications are awaiting grant. The main Heron target is lateritic nickel. The discovery of lateritic cobalt-nickel mineralisation has recently been announced to the south along strike at Mount Thirsty.

2.8 Kambalda Domain Province

2.8.1 Binduli East Joint Venture Project

Heron 100%. MPI Gold right to earn 70%

Gold - nickel

The project area straddling the Abattoir Shear is located 10km SW of Kalgoorlie.

MPI Gold field exploration is current, consisting of regolith mapping and soil auger sampling of structural and dolerite targets.

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2.8.2 Mount Martin Project

Heron 100%
Nickel - gold

Tenement applications have been lodged on favourable structural and ultramafic targets in the area of the Blair nickel, Mount Martin gold-nickel and New Celebration gold mines. Tenement grant is awaited.

2.9 Southern Cross Province

2.9.1 Bungalbin Project

Heron 100%
Nickel - iron ore - gold

The area is situated east along strike of the Marda gold mining centre, within an area of pervasive laterite cover. Lateritic nickel targets have been identified from Heron's literature research.

Heron is currently doing resource estimation on iron ore mineralisation identified by previous explorers. Scope exists for a Koolyanobbing style iron ore operation at Bungalbin. A consultant is advising the Company on feasibility parameters for development of the iron ore deposit.

2.9.2 Maggie Hayes Hill Project

Heron 100%
Nickel (-gold)

Tenement grant is awaited. Results of nickel sulphide exploration along strike of Heron's ground on adjoining tenements is being monitored. Heron's main currently defined target is nickel laterite in the southern project area.

Consideration is being given to farm-out of nickel sulphide targets, with Heron retaining the rights to nickel laterite.

2.10 Gawler Craton Province

2.10.1 G2 Project

Heron 100%
Gold - copper - uranium - diamonds

An area reduction was completed. Farm-out of the project is being discussed, to enable drill testing of high priority magnetic targets previously generated by Heron.



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.

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Appendix 5B

Mining exploration entity quarterly report

Name of entity

Heron Resources NL

ACN or ARBN

068 263 098

Quarter ended ("current quarter")

30 September 1998

Consolidated statement of cash flows

Cash flows related to operating activities

	Current Quarter \$A'000	Year to Date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for:		
(a) exploration and evaluation	(538)	(538)
(b) development		
(c) production		
(d) administration	(133)	(133)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	30	30
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(641)	(641)

Cash flows related to investing activities

1.8 Payment for purchases of:		
(a) prospects	(39)	(39)
(b) equity investments		
(c) other fixed assets	(5)	(5)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net Investing Cash Flows	(44)	(44)
1.13 Total operating and investing cash flows (carried forward)	(685)	(685)

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	Current Quarter \$A'000	Year to Date (3 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(685)	(685)

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	(685)	(685)
1.20 Cash at beginning of quarter/year to date	2,468	2,468
1.21 Exchange rate adjustments		
1.22 Cash at end of quarter	1,783	1,783

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 Quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	49
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 (4).	

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
Nil
- 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, page 16.

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	350
4.2 Development	
Total	350

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	(40)	131
5.2 Deposits at call	827	346
5.3 Bank Overdraft		
5.4 Other (provide details)		
Bank Bills	996	1,991
Total: cash at end of quarter (Item 1.22)	1,783	2,468

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, page 17.		
6.2 Interests in mining tenements acquired or increased	See attached schedule, page 17.		

Heron Resources NL

Quarterly Report

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)			Exercise Price	Expiry Date
	10,000,000	Nil	\$0.25	30/06/2000
	125,000	Nil	\$0.25	28/8/2001
	150,000	Nil	\$0.25	01/09/2001
	500,000	Nil	\$0.25	15/12/2001
	65,000	Nil	\$0.25	05/03/2002
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.

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

6.1 Interests in Mining Tenements relinquished, reduced or lapsed

Tenement Reference	Nature of Interest	Interest Beginning of Quarter	Interest End of Quarter
E27/123	Registered Holder	100	0
E28/825	Registered Applicant	100	0
E30/217	Registered Applicant	100	0
E30/218	Registered Applicant	100	0
P24/3404	Registered Holder	100	0
P28/883	Registered Holder	100	0
P28/884	Registered Holder	100	0
P28/885	Registered Holder	100	0
P28/886	Registered Holder	100	0
P28/887	Registered Holder	100	0
P28/888	Registered Holder	100	0
P31/1489	Registered Holder	100	0
P31/1490	Registered Holder	100	0

6.2 Interests in Mining Tenements acquired or increased

E25/204	Registered Applicant	0	100
E27/197	Registered Applicant	0	100
E27/198	Registered Applicant	0	100
E28/967	Registered Applicant	0	100
E28/968	Registered Applicant	0	100
E28/969	Registered Applicant	0	100
E28/971	Registered Applicant	0	100
E28/972	Registered Applicant	0	100
E28/973	Registered Applicant	0	100
E28/974	Registered Applicant	0	100
E28/975	Registered Applicant	0	100
E28/976	Registered Applicant	0	100
E28/991	Registered Applicant	0	100
E28/993	Registered Applicant	0	100
E28/995	Registered Applicant	0	100
E28/1002	Registered Applicant	0	100
E31/464	Registered Applicant	0	100
E38/1152	Registered Applicant	0	100
E38/1153	Registered Applicant	0	100
E38/1179	Registered Applicant	0	100
E39/345	Option to Purchase	0	Opt for 100
M27/361	Registered Applicant	0	100
M27/362	Registered Applicant	0	100
M27/364	Registered Applicant	0	100
M27/365	Registered Applicant	0	100
M27/366	Registered Applicant	0	100
M27/367	Registered Applicant	0	100
M37/931	Registered Applicant	0	100
M37/953	Registered Applicant	0	100
P15/4150	Registered Applicant	0	100
P15/4151	Registered Applicant	0	100
P15/4152	Registered Applicant	0	100
P15/4153	Registered Applicant	0	100
P37/5830	Registered Applicant	0	100
P37/5831	Registered Applicant	0	100
P37/5832	Registered Applicant	0	100
P37/5833	Registered Applicant	0	100

Statement

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

Sign here: _____
Company Secretary

Date: _____

Print name: _____

Notes

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