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31 October 2002

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

Dear Sir / Madam

## HERON RESOURCES LIMITED, QUARTERLY REPORT ENDING 30 SEPTEMBER 2002

### QUARTER HIGHLIGHTS

- **Nickel Laterite**

*Ongoing conceptual studies by Heron Resources Limited ("Heron") confirm that a standalone Nickel Laterite processing operation at Goongarrie warrants evaluation, reflecting fundamental advantages of the proposed technology.*

*Heron has entered into an agreement to allow a potential Funding Party until 31 December 2002 to complete Due Diligence on the **North Kalgoorlie Nickel Project**, to evaluate whether to commence a Feasibility Study for a standalone Nickel Laterite processing operation based on the Goongarrie and Kalpini Nickel Laterite deposits. The resource requirement is 100mt at 1.2% Ni, producing some 45,000tpa nickel in product from a processing plant to be located at Goongarrie.*

*Ongoing drilling within the Eastern Ultramafic at Kalpini has returned **50m at 1.4% Ni** and **10m at 2.0% Ni** (open at depth). These intercepts are from a very persistent high grade Nickel Laterite contact zone at the base of the Eastern Ultramafic lava flow.*

- **Nickel Sulphide**

*At the **Acra Prospect**, previous disseminated Nickel Sulphide intercepts include 21m at 0.53% Ni and 18m at 0.63% Ni, and 0.27m at 4.36% Ni in massive sulphide. Check sampling by Heron has confirmed the uniform presence of the nickel sulphide mineral pentlandite in the previous drilling, with drill samples uniformly assaying **0.5-1.2% Ni, 0.01-0.06% Cu, 0.3-1.0% S, 20-95ppb Pt and 40-195ppb Pd**.*

*A significant boxwork **gossan zone** has been identified west along strike from the Acra Prospect, assaying up to **1.3% Ni, 0.16% Cu, 0.4g/t Pt and 0.4g/t Pd**.*

*Excellent Nickel Sulphide ground has been pegged at Four Corner Well, on the western flank of the Goongarrie Dome. The tenement has a well preserved and intact serpentinite-footwall basalt contact zone over a 15km strike length.*

- **Base Metal Sulphide**

*Heron's base and precious metal vehicle, **Regent Resources Limited**, has continued its tenement acquisition program within the Eastern Goldfields and Kimberley Basin of Western Australia. Exceptional prospects have been acquired, with several "walk up" drill targets apparent from Regent's initial literature reviews.*

## 1. SUMMARY

### Heron Resources Limited

- Heron entered into a Letter Agreement with Minerals Processing and Marketing Pty Ltd (“MPM”) and Atomaer Holdings Pty Ltd (“Atomaer”) in which Heron granted to MPM and Atomaer exclusive rights until 31 December 2002 to negotiate and finalise, on behalf of Heron, a Financing Agreement between a Funding Party, Heron, MPM and Atomaer to finance feasibility studies and project development for the **North Kalgoorlie Nickel Project**.

Heron’s initial financial modelling is promising, and does validate that the proposed MPM technology, including the flowsheet, engineering and material solutions be further evaluated and optimised. The MPM technology is significantly modified compared to existing plants.

- Heron has continued to acquire Walter Williams Formation (“WWF”) ultramafic tenements in the Goongarrie area. Heron now has a continuous WWF holding from Windanya in the south to Sand Queen in the north, representing in excess of a **45km WWF strike length**. Without having drilled any of the recent acquisitions, the resource estimate is expected to significantly increase, even if only reflecting the acquisition of batter rights where resources previously adjoined a tenement boundary. The continuity of tenure is very significant in terms of ore haulage roads, ground water pipelines and other site infrastructure.

The current resource estimate at a 0.75% Ni cut-off is **180.1mt at 1.05% Ni and 0.08% Co**. This tonnage has been maintained despite the ore SG being reduced to 1.4 following the 2001 diamond drilling campaign and 2002 gravity survey.

Of interest, the Heron Nickel Laterite tenements variously surround and adjoin from south to north the Windanya, Vetersburg, Grafters, Goongarrie and Sand Queen gold mining centres. This exploration holding is associated with the western margin of the Bardoc Tectonic Zone, which is one of the most productive gold-hosting structures of the Eastern Goldfields.

- Discussions for processing Goongarrie ore through the Murrin Murrin Nickel Laterite treatment facility are currently in abeyance, awaiting settlement of corporate outcomes.
- The Company’s substantial ultramafic tenement portfolio continues to be assessed for **ultramafic-hosted Nickel Sulphide**. EM and drilling targets have been defined at Acra, Jubilee and Pioneer. The Nickel Sulphide exploration relies largely on “state-of-the-art” interpretation of existing drilling and geophysical data, followed by field confirmation. At the current generative phase, expenditure demands are minimal.
- Exploration Manager David Crook presented a technical paper on the **Goongarrie Nickel Laterite deposit** at the internationally recognised 2002 Australian Geological Convention, in the session devoted to **world-class orebodies**.

### Regent Resources Limited – wholly owned subsidiary of Heron Resources Limited

- Regent Resources was incorporated to **acquire high quality base metal projects** for initial target generation followed by either joint venture to majors or Initial Public Offer (“IPO”).
- Exploration holdings were substantially increased within the **Yindarlgooda Province**. Interpreted Volcanogenic Massive Sulphide (“VMS”) targets occur within large tracts of sulphidised felsic volcanics. Heron’s initial sampling has confirmed VMS Cu-Zn settings, as well as ore grade gold targets to 2.4g/t Au within VMS sericitic “Footwall Alteration” haloes.

## 2.0 OPERATIONS REVIEW

### 2.1 KALGOORLIE NICKEL PROVINCE

#### 2.1.1 Goongarrie Nickel Project

Heron 100%.

Nickel - gold.

#### ***North Kalgoorlie Nickel Project***

Heron has indicated that it is willing to develop the North Kalgoorlie Nickel Project ("NKN Project") as a standalone Nickel Laterite processing operation pursuant the following principles:

- Heron is able to offer equity in the NKN Project to a Funding Party whereby a Funding Party may acquire the rights to:
  - i. Evaluate the technical and commercial viability of a standalone processing operation by funding a Feasibility Study at its sole cost.
  - ii. Establish an unincorporated joint venture for the development of the NKN Project in which the Funding Party and Heron will each have a 50% participating interest in the Project if the Funding Party proceeds to finance all of the capital costs of the Project, including Heron's share of those development costs, and awards an EPCM (Engineer, Procure, Construct, Manage) or like principal construction contract.
- MPM will make available a Nickel Laterite Process Technology for use in the Feasibility Study and operation of the NKN Project, on terms to be agreed by the Funding Party, Heron and MPM.
- Heron has offered to pay to Atomaer a fee for success in an amount to be agreed by Heron and Atomaer.

The proposed Feasibility Study, should it proceed, will involve a substantial level of drilling, metallurgical pilot studies and flow-sheet design, all of which will contribute to the ultimate long term development of Goongarrie and Kalpini, whether as ore supply to established processing plants, or as the planned greenfields standalone operation.

The Company exploration emphasis for the Quarter has been feasibility programs at Goongarrie. The objective has been to drill out Goongarrie to a Measured Mineral Resource status with sufficient tonnage to cover predicted project payback periods. On the assumption of 1.5% Ni ore supply to an existing plant, this detail of drilling is already complete at a 40x20m pattern, focussing on the Pamela Jean Zone. Detailed high grade 1.25% Ni cut-off ore interpretations with pit designs were finalised.

With a 4mtpa standalone operation now being evaluated, some 40mt at 1.2% Ni will require drill out at Goongarrie on a predominant 40x40m pattern. Such a program, entailing in excess of 30,000m of RC drilling, would be a prime requirement of a future Prefeasibility Study.

To assist drill targeting, revised ore interpretations were completed at a 1.0% Ni cut-off. The entire Heron Nickel Laterite drill data base was upgraded to a normalised format to facilitate the detailed modelling required as part of the NKN Project Due Diligence. A systematic quality assurance analytical program involving re-assay of 10% of all ore grade Goongarrie intercepts was completed. Analytical precision is outstanding, with independent laboratories validating the resource grade estimates.

MPM completed initial resource Due Diligence in late August 2002, with favourable results. Bulk metallurgical samples have now been supplied to MPM for independent testwork, to allow the proposed Funding Party to validate and refine the preferred MPM flowsheet.

## 2.1.2 Kalpini Nickel Project

Heron 100%.

Nickel - gold.

### Kalpini Nickel Laterite Prefeasibility Study

Nickel Laterite ore reserve drilling was completed on a 160x40/20m pattern between Zones 2 and 4 within the Kalpini Eastern Ultramafic Suite. This drilling is required for Prefeasibility Study pit designs. Zones 1-5 contain particularly high grade laterite, and have certain metallurgical characteristics which may complement the proposed NKN Project processing flow sheet.

In-fill drilling to confirm ore continuity was completed, amounting to 72 RC drill holes for 2,398m. Significant results include:

Table 1 WELLINGTON EAST AND ACRA NORTH PROSPECTS RC Drilling Significant Interceptions, 0.75% Ni Cut-Off									
Hole Number	North m	East m	From m	To m	Interval m	Ni %	Co %	Ni4Co %	Ni4Co M%
WERC368	38,800	5,620	29	37	8	1.25	0.10	1.67	13.36
	<i>including at 1.25% Ni cut-off</i>		30	35	5	1.32	0.12	1.78	8.90
WERC371	38,800	5,740	16	32	16*	1.63	0.13	2.15	34.40
	<i>including at 1.25% Ni cut-off</i>		22	32	10*	2.03	0.20	2.82	28.20
ANRC143	29,120	7,300	10	26	16	1.39	0.26	2.44	39.64
	<i>including at 1.25% Ni cut-off</i>		11	23	12	1.48	0.31	2.72	32.64
ANRC182	28,000	7,820	12	33	21	1.01	0.03	1.14	23.94
	<i>including at 1.25% Ni cut-off</i>		22	26	4	1.44	0.04	1.61	6.44
ANRC187	28,160	7,800	3	22	19	1.07	0.02	1.17	22.23
ANRC191	28,480	7,680	2	52	<b>50</b>	<b>1.41</b>	<b>0.06</b>	<b>1.65</b>	<b>82.50</b>
	<i>including at 1.25% Ni cut-off</i>		4	17	13	1.84	0.14	2.40	31.20
	<i>including at 1.25% Ni cut-off</i>		20	31	11	1.99	0.02	2.09	22.99
ANRC192	28,480	7,720	0	34	<b>34</b>	<b>1.22</b>	<b>0.05</b>	<b>1.43</b>	<b>48.62</b>
	<i>including at 1.25% Ni cut-off</i>		12	17	5	1.77	0.13	2.27	11.35
	<i>including at 1.25% Ni cut-off</i>		19	30	11	1.33	0.05	1.54	16.94
ANRC201	29,360	7,220	1	24	23	1.26	0.10	1.65	37.95
	<i>including at 1.25% Ni cut-off</i>		7	22	15	1.44	0.10	1.88	28.20

\* drill hole stopped in ore

Drill hole WERC371 at Zone 4 had a spectacular intersection of **10m at 2.03% Ni and 0.20% Co**, including 1m at 3.6% Ni, within a talc-chlorite schist. In addition anomalous copper was returned with a peak of 149ppm against a background of 5ppm. The high grade nickel and cobalt is not a result of manganese oxide scavenging, as the host rock is predominantly talc. WERC371 is at the eastern end of the drill line at the basal contact of the Eastern Ultramafic flow.

The drilling at Zone 2 confirms that a discrete olivine adcumulate lava flow "mega-channel" is the causative body for the intense aeromagnetic high. Drilling has encountered a unique regolith characterised by an intense magnesite development that is not recorded elsewhere in the Kalpini or Goongarrie project areas. The average MgO content from surface to end-of-hole is 24.75%. This may relate to a very forsteritic olivine-rich "ultra" olivine adcumulate, such as the Mt Keith Nickel Sulphide host rock. The ANRC30 and 191 high grade nickel saprolite occurrences further confirm the uniqueness of Zone 2, and support a potential Nickel Sulphide host environment.

A joint venture proposal has been received in respect of Kalpini gold rights only, covering a continuous 130km strike of Emu Fault held by Heron. The prospective gold zone occurs at the western contact of the Nickel Laterite target area, and is characterised by widespread alluvial gold nugget "patches".

## **Kalpini Nickel Sulphide Study**

### **Acra Prospect**

Disseminated Nickel Sulphide intercepts from Acra include **21m at 0.53% Ni** (diamond hole AD-13), **18m at 0.63% Ni** (RC hole ARC-3), and massive sulphide of **0.27m at 4.36% Ni** (AD-04).

Follow-up moving loop TEM coverage over the entire Acra Prospect will be completed to provide better resolution of the 13 conductors highlighted by Heron's exploration review. The survey area is to be extended to the west, to cover Nickel Sulphide gossan horizons identified in Heron's recent geological mapping, within a **5.6km strike of prospective Nickel Sulphide stratigraphy**. This zone contains the **JSW 1020** and **Trinidad** nickel sulphide gossans, which were discovered during the "Nickel Boom", but still remain to be adequately drill tested.

Check sampling of old RC drill holes by Heron has confirmed that sulphides where present are likely to be pentlandite (nickel sulphide), rather than barren iron sulphide. The drill samples were uniformly 0.5-1.2% Ni and 0.01-0.06% Cu with 0.3-1.0% sulphur, with no visible pyrrhotite or pyrite (iron sulphide). Importantly, PGMs were anomalous at 20-95ppb Pt and 40-195ppb Pd.

The Nickel Sulphide structural zone also has excellent gold potential, and hosts the Jubilee Gift gold mine, which between 1899 and 1903 produced 1,517 tonne of ore with an average grade of 21.3g/t Au. Gold targets are available for drill testing, following up previous intercepts below old workings.

Consideration is being given to including Acra within a specialised Nickel Sulphide exploration joint venture vehicle, to be responsible for advancing Heron's Nickel sulphide developments.

### **2.1.3 Widgiemooltha Nickel Project**

Heron 100%.  
Nickel - gold.

### **Pioneer Prospect**

Three separate komatiite-associated Nickel Sulphide horizons are present. The basal **Western Komatiite Horizon** outcrops as elongate ridges adjacent the contact of the Pioneer Granite, and hosts WMC's Pioneer deposits along strike. Heron has secured additional ground south along strike of Pioneer, hosting the documented "JH" Nickel Sulphide occurrence.

### **2.1.4 Larkinville Joint Venture Project**

Heron 100%. Ramelius right to earn 75% of Gold and Tantalum rights through spending \$0.75m.  
Nickel - gold - tantalite.

Ramelius Resources Limited ("Ramelius"), a proposed IPO, has the right to earn a 75% interest in the gold and tantalum rights of the Larkinville, Londonderry and Bullabulling Joint Venture tenements through sole funding the initial \$750,000 of exploration expenditure. Heron will retain 100% of all nickel rights and will be free carried on other commodities until a Decision to Mine is made.

Ramelius has compiled and reinterpreted Heron's exploration data base, completed field evaluation, and defined several structural gold targets for drill follow up once listing is completed.

## **2.2 SOUTHERN CROSS NICKEL PROVINCE**

### **2.2.1 Aurora Iron Ore Joint Venture Project**

Heron 100%. Central Exchange right to earn 50% of Iron Ore rights.  
Heron retains all other mineral rights, notably nickel-gold.

Central Exchange Limited ("Central Exchange") may earn a 50% interest in the Iron Ore rights only, through expending a minimum of \$200,000 to complete the exploration required for a Scoping Study involving an Iron Ore mining and shipping operation.

Heron has acquired additional ground within the project area, which is not subject to the Iron Ore Joint Venture. The new applications adjoin the previously reported Heron Bungalbin Gold Prospect (30-70ppb soil gold anomalies), and contain significant old gold workings.

### **2.2.2 Maggie Hays Hill Project**

Heron 100%.  
Nickel (-gold).

The 81km<sup>2</sup> tenement is immediately south along strike from the Maggie Hays and Emily Ann Nickel Sulphide deposits.

Open file research confirms significant Nickel Sulphide prospectivity within Heron's project area. Two untested TEM anomalies have been recognised, occurring 5km south-east along strike from the Maggie Hays nickel mining centre. RAB drilling confirms the presence of an ultramafic association, with clays in drilling assaying up to 28m at 0.6% Ni.

Additionally, soil gold targets were generated in areas marginal to Lake Johnson, associated with favourable magnetic structures. No previous gold surface sampling or drilling has been carried out on the lake surface, which Heron considers to be a favourable regional alteration target.

A joint venture has been agreed in principle, whereby an incoming party is able to earn a 70% interest in all minerals.

## **2.3 BOORARA SHEAR PROVINCE**

### **2.3.1 Gidji Joint Venture Project**

Heron 100%. Central Exchange right to earn 80% of Gold rights.  
Heron retains all nickel rights.

Central Exchange has the right to earn an 80% interest in the gold and other mineral rights (except nickel and associated minerals) of the Gidji and Mulgarrie North Joint Venture Project tenements through sole funding the initial \$250,000 of exploration expenditure. Heron will retain 100% of all nickel rights and will be free carried until a Decision to Mine is made.

### **2.3.2 Boorara Project**

Heron 100%  
Nickel - gold.

Heron has continued to peg additional ground associated with the Boorara Shear Zone, complementing the existing Mount Martin and Clinker Hill Prospects. The area is characterised by extensive gold workings, and farm out of gold rights will be sought.

## 2.4 REGENT RESOURCES LIMITED

### 2.4.1 Yindarlgooda Project

Regent 100%.

Copper - zinc - gold.

Heron retains all nickel rights.

This new acquisition, located between existing Heron nickel projects at Bulong and Kalpini, is a proposed project for Heron's wholly owned subsidiary **Regent Resources Limited**.

The Regent exploration holdings occur within the Yindarlgooda Province between Carr Boyd in the north and Karonie in the south. The prime target is Volcanogenic Massive Sulphide ("VMS") base metal mineralisation, associated with a major belt of sulphidised felsic volcanics centred on Lake Yindarlgooda. From Regent's initial geological reconnaissance, the project area is characterised by regionally extensive sericite-pyrite alteration.

At the **Yindarlgooda Prospect**, initial ironstone/metasediment sampling by Regent has returned uniform 35-55% FeO, 70-300ppm Cu, 100-1200ppm Zn, 200-7900ppm As and 0.05-2.4g/t Au. Most significantly, the peak gold occurs in sericite schist, which is a key pathfinder for VMS "Footwall Alteration". The initial results are confirmation that the Regent exhalative VMS model applies at Yindarlgooda. Numerous historical gold workings are present in the project area, including Queen Lapage. These may in part reflect VMS pathfinder alteration, rather than traditional Eastern Goldfields quartz lode/shear related gold mineralisation.

Regent has secured a major new landholding at the **Karonie North Prospect** immediately north of the Karonie gold mining centre. Heron's main interest is "Silver Swan-style" Nickel Sulphide targets.

### 2.4.2 Northern Western Australia Proterozoic Base Metal Province

Regent 100%.

Copper - nickel - PGM - base metals.

Heron retains all nickel rights.

Regent has generated a conceptual model for **Magmatic Nickel - Copper Sulphide deposits** within the Proterozoic base metal province of northern Western Australia. The main examples of this ore style are the giant Nickel-Copper Sulphide deposits at Noril'sk and Pechanga in Russia, Jinchuan in China, and Sudbury, Thompson and Voisey's Bay in Canada. These are all characterised by mineral resources of several million tonnes of contained nickel and copper.

All of the deposits are hosted by large volume, internally complex, mafic intrusive magmatic complexes, which is a fundamental aspect of their formation. The magmas that generate the giant Nickel-Copper Sulphide deposits are interpreted to result from melting below the earth's crust, above mantle convection cells or "plumes" developed in crustal rifts.

Mafic magma can become sulphur-saturated to form Nickel Sulphides through contamination by melting of adjacent crustal rocks, including sulphur-containing sediments. The **Kimberley Basin** is commonly sulphur-bearing, notably containing stratabound copper sulphide deposits with the basaltic Carson Volcanics. This model has guided Regent's Kimberley pegging.

A new project area was acquired in the **Bangemall Basin**, based on published PGM soil geochemistry. Dolerite sills of the Basin form one of the world's larger continental tholeiite provinces. Virtually no previous work has been carried out to ascertain the nature of these sills in terms of magmatic and metallogenic evolution, and thus potential for magmatic Nickel Sulphides.

### **Alice Hill Prospect**

The 17km<sup>2</sup> tenement is located within a zone of intense structural dislocation associated with the Halls Creek-Alice Downs Fault Complex. The exploration target is structurally remobilised Nickel-Copper Sulphide associated with the Bow River Intrusive Complex. The high profile Eileen Bore Nickel-Copper Sulphide prospect is 22km NE along structure from Alice Hill.

### **Kimberley Basin Prospect**

The 4,449km<sup>2</sup> project area covering 25 tenement applications is located within the base metal mineralised Kimberley Basin, between the Speewah copper and fluorite prospects in the east and Mitchell Plateau bauxite in the west. Diamond-bearing kimberlites occur throughout this segment of the Kimberley Basin, and are a subsidiary target for Regent.

The outcropping units of the Kimberley Basin in the project area from oldest to youngest are the King Leopold Sandstone, the Carson Volcanics and the Hart Dolerite. The Carson Volcanics predominantly consists of basalt. Sills of the prospective Hart Dolerite intrude the King Leopold Sandstone and the Carson Volcanics. The Dolerite is known to contain pyrite, chalcopyrite and galena mineralisation, particularly within granophyric phases. The Hart Dolerite has a strong fluorite association at Speewah, allowing comparison with the felsite phase of the Bushveld Igneous Complex of South Africa.

A prominent corridor of major lineaments trend NE across the project area. This structure is considered to be a potential focus for mafic magma emplacement. The Regent target concept has now been acknowledged by a multinational base metal company, supporting Regent's early entry into this emerging nickel - copper province.

### **Bangemall Basin Prospect**

The 196km<sup>2</sup> project area is located within the base metal mineralised Bangemall Basin, at the intersection of the Mount Lofty and Neds Gap Faults. The area is intensely intruded by dolerite.

## **2.5 BALLADONIA ENERGY NL**

Heron 100%.

Oil shale - sulphur - heavy mineral sands.

The current oil shale resource is **2.6 billion tonne at 133 litre/tonne**. The Company is reviewing opportunities for an "Avoca-style" IPO based on the oil shale and possibly heavy mineral sand assets. Heron's main objective is to retain sulphur off-take rights from the oil shale, whilst making equity in a new IPO company available to Heron Shareholders.

The Company has received two expressions of joint venture interest to evaluate the mineral sands potential of the Balladonia oil shale tenements. These offers are currently being assessed.



### **IAN BUCHHORN MANAGING DIRECTOR**

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

**Appendix 5B**

**MINING EXPLORATION ENTITY QUARTERLY REPORT**

Name of entity

**HERON RESOURCES LIMITED**

ABN

30 068 263 098

Quarter ended ("current quarter")

30 September 2002

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Current Qtr \$A'000	Year to Date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation (b) development (c) production (d) administration	(423)	(423)
1.3 Dividends received		
1.4 Interest and other items of similar nature received	19	19
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material) – GST Paid	(25)	(25)
<b>Net Operating Cash Flows</b>	<b>(540)</b>	<b>(540)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investment (c) other fixed assets	(23)	(23)
1.9 Proceeds from sale of: (a) prospects (b) equity investment (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net Investing Cash Flows</b>	<b>(23)</b>	<b>(23)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(563)</b>	<b>(563)</b>

1.13 Total operating and investing cash flows (brought forward)	(563)	(563)
<b>Cash flows related to financing activities</b>		
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) - Capital raising expenses		
<b>Net financing cash flows</b>		
<b>Net increase (decrease) in cash held</b>		
1.20 Cash at beginning of quarter/year to date	2,127	2,127
1.21 Exchange rate adjustments		
<b>1.22 Cash at end of quarter</b>	<b>1,564</b>	<b>1,564</b>

**Payments to directors of the entity and associates of the directors,  
payments to related entities of the entity and associates of the related entities**

	Current Qtr \$A'000
1.23 Aggregate amount of payments to the parties included item 1.2	90
1.24 Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors fees, salaries and superannuation (A\$74,000). Provision of secretarial services by director related entities (A\$1,000). Provision of office accommodation by director related entity (A\$15,000).
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**Non-cash financing and investing activities**

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

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

See attached schedule
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### Financing facilities available

Add notes as necessary for an understanding of the position

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

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	0
<b>Total</b>	<b>300</b>

### Reconciliation of cash

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

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	290	866
5.2 Deposits at call	1,225	1,225
5.3 Bank Overdraft		
5.4 Other (provide details) Environmental bonds	49	36
<b>Total: cash at end of quarter (Item 1.22)</b>	<b>1,564</b>	<b>2,127</b>

### Changes in interests in mining tenements

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

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

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

	Number Issued	Number quoted	Par value (cents)	Paid-up value (cents)
<b>7.1 Preference securities</b> (description)				
7.2 Issued during Quarter				
<b>7.3 Ordinary securities</b>	105,158,727	105,158,727		
7.4 Issued during Quarter				
<b>7.5 Convertible debt securities</b> (description)				
7.6 Issued during quarter				
<b>7.7 Options</b> (description)			Exercise Price	Expiry Date
	200,000	Nil	\$0.35	19/12/2002
	200,000	Nil	\$0.45	19/12/2002
	200,000	Nil	\$0.55	19/12/2002
	200,000	Nil	\$0.65	19/12/2002
	100,000	Nil	\$0.25	04/02/2004
	785,000	Nil	\$0.35	19/10/2004
	785,000	Nil	\$0.50	19/10/2004
	2,000,000	Nil	\$0.35	20/12/2004
	500,000	Nil	\$0.35	30/06/2005
	500,000	Nil	\$0.50	30/06/2005
7.8 Issued during Quarter	500,000	Nil	\$0.30	23/04/2006
7.9 Exercised during Quarter				
7.10 Expired during Quarter				
<b>7.11 Debentures</b> (totals only)				
<b>7.12 Unsecured notes</b> (totals only)				

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

1. Portman Limited has entered into an option to purchase the Bungalbin and Mount Jackson Project tenements for \$25,000 and at least \$250,000 of exploration expenditure. Heron will retain a FOB royalty on any Iron Ore sold from the tenements, and Heron will retain all other mineral rights.
2. Mount Burgess Mining NL has the right to earn a 70% interest of the non-nickel rights in the Perrinvale Joint Venture Project tenements through sole funding the initial \$500,000 of exploration expenditure.
3. Ramelius Resources Limited has the right to earn a 75% interest of the gold and tantalum rights of the Bullabulling and Larkinville Joint Venture Project tenements through sole funding the initial \$750,000 of exploration expenditure. Heron will retain 100% of all nickel rights and will be free carried until a Decision to Mine is made.
4. Central Exchange Limited/Juniper Resources Limited and their subsidiary Australian Mineral Investments Pty Ltd has the right to earn a 80% interest of the gold and other mineral rights (except nickel and associated minerals) of the Gidji and Mulgarrie North Joint Venture Project tenements through sole funding the initial \$250,000 of exploration expenditure. Heron will retain 100% of all nickel rights and will be free carried until a Decision to Mine is made.
5. Central Exchange Limited/Juniper Resources Limited and their subsidiary Australian Mineral Investments Pty Ltd has the right to earn a 50% interest of the Iron rights of the Mount Dimer and Aurora Ranges Joint Venture Project tenements through sole funding the initial \$200,000 of exploration expenditure. The Parties may contribute on a pro-rata basis, or dilute, with Heron retaining a gross production royalty should it elect to not participate. Heron will retain 100% of all nickel and gold rights.

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

<i>Tenement</i>	<i>Nature of Interest</i>	<i>% Begin Quarter</i>	<i>% End Quarter</i>
E24/117	Registered Applicant	100	0
E24/119	Registered Applicant	100	0
E25/269	Registered Applicant	100	0
E25/270	Registered Applicant	100	0
E27/251	Registered Applicant	100	0
E27/285	Registered Applicant	100	0
E27/287	Registered Applicant	100	0
E27/288	Registered Applicant	100	0
E27/289	Registered Applicant	100	0
E30/268	Registered Applicant	100	0
E31/399	Registered Applicant	100	0
E39/695	Registered Holder	100	0
E77/976	Registered Applicant	100	0
E77/1068	Registered Applicant	100	0
E77/1092	Registered Applicant	100	0
M27/305	Registered Applicant	100	0
M27/350	Registered Applicant	100	0
M29/230	Registered Applicant	100	0
M29/231	Registered Applicant	100	0
M29/274	Registered Applicant	100	0
P27/1474	Registered Holder	100	0
P29/1413	Registered Holder	100	0
P29/1734	Registered Applicant	100	0
P29/1735	Registered Applicant	100	0
P63/1114	Registered Holder	100	0
P63/1115	Registered Holder	100	0
P63/1116	Registered Holder	100	0
P63/1119	Registered Holder	100	0
P63/1122	Registered Holder	100	0

<b>Tenement</b>	<b>Nature of Interest</b>	<b>% Begin Quarter</b>	<b>% End Quarter</b>
P63/1123	Registered Holder	100	0

## 6.2 Interests in Mining Tenements acquired or increased

<b>Tenement</b>	<b>Nature of Interest</b>	<b>% Begin Quarter</b>	<b>% End Quarter</b>
E24/126	Registered Applicant	0	100
E25/273	Registered Applicant	0	100
E25/274	Registered Applicant	0	100
E27/290	Registered Applicant	0	100
E27/294	Registered Applicant	0	100
E31/615	Registered Applicant	0	100
E52/1660	Registered Applicant	0	100
E77/1123	Registered Applicant	0	100
E77/1129	Registered Applicant	0	100
E77/1130	Registered Applicant	0	100
M27/416	Registered Applicant	0	100
P24/3790	Registered Applicant	0	100
P24/3791	Registered Applicant	0	100
P24/3792	Registered Applicant	0	100
P24/3793	Registered Applicant	0	100
P25/1755	Registered Applicant	0	100
P25/1756	Registered Applicant	0	100
P25/1757	Registered Applicant	0	100
P28/990	Registered Applicant	0	100
P29/1783	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: \_\_\_\_\_  
for Company Secretary

Date: 31/10/02

Print name: Ian Buchhorn

## Notes

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