



HERON RESOURCES LIMITED

SEPTEMBER 2004 QUARTER HIGHLIGHTS

- **Kalgoorlie Nickel Project Independent Mineral Resource increased by 5% for the Quarter, now 903mt at 0.74% Ni and 0.05% Co, increase due to acquisition of Big Four Prospect from Placer Dome, and exploration success at the Highway Prospect.**
- **Completion of \$3.04 million in placements, with the capital raising to fund Pre-Feasibility Study drilling and metallurgical programs.**
- **The Kalgoorlie Nickel Project Pre-Feasibility Study is in place:**
 - **Drilling is continuing, with Metallurgical Characterisation drilling on an 800m x 80m pattern in all proposed pit areas, program completed at Highway and Goongarrie Hill, and current at Goongarrie South and Big Four. 3,774 metres completed during Quarter.**
 - **Screen Upgrade pilot-scale test work underway at SGS Lakefield Oretest in Perth, preliminary Screen Upgrade results from Highway Prospect very encouraging, at a 0.8% Ni Leach Feed Grade cut-off, the average Leach Feed Grade is 1.55% Ni, with metal recovery exceeding 65%.**
 - **Recruitment of senior technical management continues, with two key appointments.**
- **Confirmed market recognition of the potential of the Kalgoorlie Nickel Project:**
 - **Discussions continue through Corporate Advisor Argonaut Capital with nickel industry strategic investors.**
 - **Strong interest from several refiners in securing nickel-cobalt off-take.**
 - **Inco's "go-ahead" for the Goro nickel laterite project in New Caledonia is yet another re-affirmation of the viability of nickel laterite for world nickel supply.**
- **Divestment of non-core assets continues, with expressions of interest sought and offers received for various Heron-owned Nickel Sulphide assets.**
- **The Balladonia oil shale-sulphur Scoping Study is being reviewed, with commodity prices now more than double those prevailing at the time of the original Scoping Study. The Balladonia assets potentially generate significant operating cost benefits for the Kalgoorlie Nickel Project.**
- **Heron Shareholders received their free Pioneer Nickel Limited in specie share distribution during the Quarter. Pioneer has performed well since listing in December 2003, and it is Heron's objective to be able to continue to deliver additional value to Shareholders as a by-product of the nickel laterite acquisition strategy.**





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HERON RESOURCES LIMITED

1. SUMMARY

Corporate

Capital raisings totalling A\$3.04 million were successfully completed during August and September 2004, allowing commencement of the **Kalgoorlie Nickel Project** (KNP) Pre-Feasibility Study drilling and metallurgical testwork.

Heron continues to receive **expressions of interest** in respect of the KNP from major world nickel industry operators. An electronic data room has been prepared in order to facilitate project review.

Divestment of Heron's retained **Nickel Sulphide** assets is progressing. The Kalpini Nickel Sulphide Project has attracted particular interest.

During the Quarter, Heron commenced discussions with the various levels of Government in respect of the requirements for developing the KNP.

Nickel Laterite Feasibility Study

Heron commenced the KNP Pre-feasibility Study, this being the first milestone towards the ultimate commissioning of the KNP.

Independent Mineral Resource Estimates

The JORC-compliant independent Mineral Resource estimation continues to be up-dated by Snowden Mining Industry Consultants (Snowden). Latest resource estimate is:

JORC (1999) Resource Class	Tonnage Mt	% Ni	% Co
Measured	12	0.96	0.079
Indicated	154	0.83	0.055
Inferred	737	0.72	0.048
Total	903	0.74	0.050

Resource Increase

During the current Quarter Heron announced the purchase of the Big Four nickel laterite resource of 29.2mt grading 0.74% Ni and 0.05% Co, from Placer Dome. The acquisition, along with exploration success at the Highway Prospect, brings the resource base to 903mt grading 0.74% Ni and 0.05% Co.

Ore Types and Processing Options

The KNP nickel laterite mineralisation is located at the Magnesia Discontinuity within the laterite profile, with siliceous and goethite mineralisation immediately above the Discontinuity, and saprolite mineralisation immediately below the Discontinuity. The siliceous goethite averages 2.7% MgO, and will be treated by conventional Pressure Acid Leach (PAL). The saprolite averages 16.1% MgO, and will be treated by atmospheric pressure Saprolite Acid Leach (SAL).

There is a consistent "2/3 above-1/3 below" resource ratio of siliceous goethite to saprolite. The exception is Goongarrie, which is deficient in high magnesia saprolite ore (suggesting Goongarrie is under-drilled at depth).

In terms of resource concentration, Goongarrie is the premium location for the proposed KNP processing plant. Coincidentally, Goongarrie also has the optimum established infrastructure.

KNP Screen Upgrade

During the Quarter, Heron announced encouraging **screen upgrade** results from the KNP **Highway Prospect**, demonstrating that a 0.95% Ni in-situ grade can be increased to a Leach Feed Grade of 1.64% Ni through simple low-cost screening. The implication is that the KNP can be bulk mined as a low cost operation with minimal waste stripping, and screening used to convert bulk low grade siliceous ore into a high grade goethite leach feed. The implication for project economics is significant, in that the siliceous ore can be mined at low-cost with minimal grade control, and a high grade plant feed generated through screening.



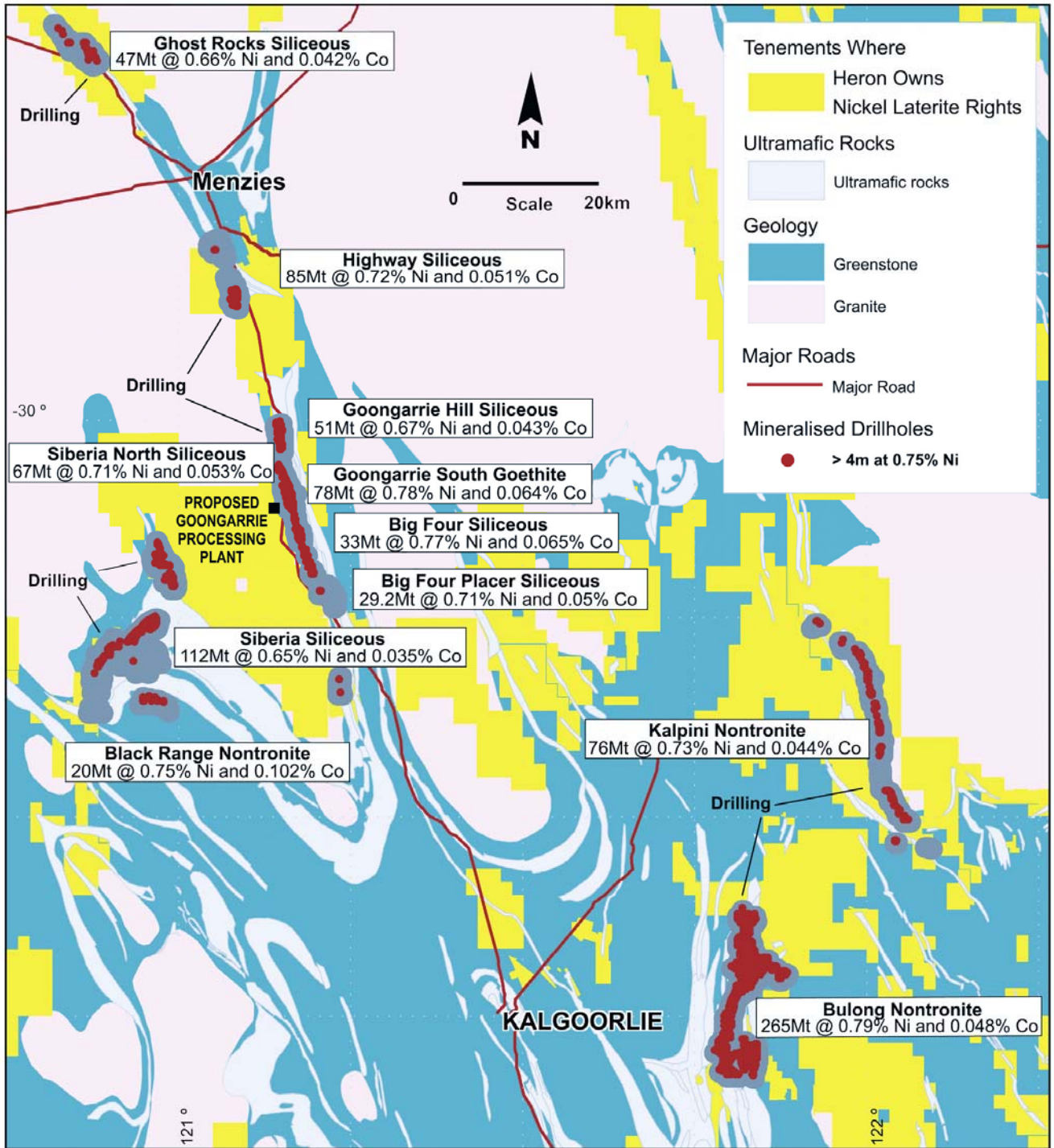


Figure 1 Kalgoorlie Nickel Project, distribution of drill holes and ore grade intercepts, with resource blocks.

2. OPERATIONS REVIEW

Screen Upgrade Study

Heron's Pre-Feasibility Study is directed to resource definition and metallurgy, specifically the screen upgrade characteristics of the mineralisation. Heron's July 2004 Scoping Study identified the screen upgrade as a determinant of the project's level of profitability.

Screening recognises that siliceous mineralisation is made up of two separate physical components - silica (which assays approximately 0.3% Ni and comprises around 60% of the mass) and nickel-bearing goethite (which assays approximately 1.6% Ni and comprises around 40% of the mass). If efficient screen separation occurs, by removing the silica, mineralisation originally assaying 0.8% Ni is beneficiated to 1.5% Ni or better.

The conceptual SKM Scoping Study model used a 50% upgrade factor and assumed mining at a 0.75% Ni cut-off grade for a 1.0% Ni head grade screening to a 1.5% Ni Leach Feed Grade (LFG). At a 0.75% Ni cut-off grade in siliceous mineralisation, there would need to be "selective mining", to avoid excessive mining dilution when extracting the ore. The objective of the current Screen Upgrade Study is to evaluate cut-off grades less than 0.75% Ni, and ascertain the ability to generate a 1.5% Ni LFG through finer screening.

Having completed conceptual mining studies for the KNP, it was considered preferable to use "selective screening" as opposed to conventional "selective mining" to achieve the 1.5% Ni LFG target.

Conventional Bottle Roll Screening Results: The "bottle roll" methodology involves agitating the sample through bottle rolling in water and then screening the resultant slurry at minus 0.50mm to separate the mineralised goethitic fine fraction from the barren coarse siliceous oversize. Bottle roll testing for the Pre-Feasibility Study involves minus 0.075mm screening on 2 metre composite drill samples. Compared to minus 0.50mm laboratory screening, this more closely emulates the size fraction targeted by the operating plant at Cawse and BHP Billiton's proposed plant at Ravensthorpe.

The main processing conclusions derived from the existing KNP minus 0.50mm screen data base is:

- Manganiferous ore is not suited to screening, mainly due to cobalt loss. The mineralisation has high nickel-cobalt grades and is best treated through a dedicated Grind Circuit and direct fed to the PAL autoclave. Previous manganiferous mineralisation test-work confirms good rheology, which improves the PAL performance of blended "run-of-mine" siliceous mineralisation.
- Ferruginous ore is likely to be screened in the PAL circuit for an average upgrade of 13% for nickel and 11% for cobalt for a minus 0.50mm screen size.
- Siliceous ore can be screened in the PAL circuit for an average upgrade of 53% for nickel and 63% for cobalt for a minus 0.50mm screen size. This material is the dominant KNP feedstock and is the ore feed around which the provisional KNP flow-sheet has been designed.
- Saprolite ore can be screened in the SAL circuit for an average upgrade of 28% for nickel and 42% for cobalt for a minus 0.50mm screen size.

SGS Lakefield Orestest Screen Upgrade Pilot Study:

Heron commenced the Screen Upgrade Study at SGS Lakefield Orestest using bulk drill samples. The purpose of these studies is to demonstrate that a beneficiated Leach Feed Grade of better than 1.5% Ni can be achieved through bulk mining of siliceous ore, and that such grades are deliverable to the autoclave. The secondary purpose of the pilot tests is to provide calibration for the 5,549 bottle rolls previously completed by Heron under laboratory conditions, when compared with the current pilot-scale bulk screen samples.

Preliminary test work from the Highway Prospect demonstrates that mineralisation with a LFG cut-off of 0.8% Ni can be upgraded to 1.55% Ni LFG when screened at 0.075mm, recovering in excess of 60% of the contained nickel. Scrubbing and attritioning tests are to follow and are expected to further improve the recoveries. Combined screening and mining costs are expected to be less than A\$10 per tonne, while autoclave and processing costs are expected to be in the order of A\$70 per tonne.

Siliceous Resource: The dominant upgrade style of mineralisation is the Upper and Lower Siliceous mineralisation which is present throughout the Walter Williams Formation ultramafic unit, including the Siberia, Big Four, Goongarrie, Highway and Ghost Rocks resources, and to a lesser extent in the Bulong and Kalpini resources. The KNP resource base contains approximately 459mt of mineralisation classed as siliceous, of which 411mt is within 30 km of the proposed Goongarrie KNP processing plant.

The ability to wet screen siliceous ore and then pump slurry to the Goongarrie plant is important for Heron. Slurry pumping technology can be developed following ramp-up, with conventional load-haul-dump used initially for the project (since starter pits adjoin the Goongarrie locality). Slurry pumping of laterite is an accepted ore transportation method in New Caledonia.



Leach Feed Resource: Assuming a mass passing of 40% when attritioned and screened at minus 0.075mm, there is in the order of 184mt of potential leach feed converted from the KNP siliceous resources. Potential exists to increase the available leach feed through the current drill exploration in the Siberia and Goongarrie areas. Screening data in tables 2 to 5 demonstrates consistent behaviour across all Walter Williams Formation hosted resources for each of the ore types.

Future KNP resource estimates will include estimates of tonnes and grade of leach feed available based on bottle roll data and the results of the current bulk test work. The Pre-Feasibility Study contains a significant provision for diamond drilling and Caldwell large diameter drilling to provide additional bulk sample for metallurgical testwork. These testing programs will be designed on the results of the current drilling and should commence in 2005.

Preliminary comparison between minus 0.075mm and minus 0.50mm bottle roll data indicates an increase in bottle roll Leach Feed Grade within the finer screen size fraction.

Screening will ensure efficient resource utilisation for the KNP, allowing bulk mining in the pits and selective screening in the beneficiation plant, delivering a constant feed chemistry at better than 1.5% Ni to the autoclave. Conceptual studies on strip mining are under way to evaluate the potential for this mining method to maximise resource utilisation while minimising mining costs, the environmental footprint, tailings management and maximising water recycling. This mining method is commonly used in coal and mineral sands mining where large shallow ore bodies are exploited and pits are progressively backfilled and rehabilitated. The application of these techniques to mining large scale nickel laterite is not only socially and environmentally responsible, but makes good business sense through minimising operating costs.



Photograph: Highway sample HWMT03 during pilot-scale scrubbing tests at Oretest. After tumbling in the scrubber for 10 minutes with 50% water, the slurry of nickel bearing clays and coarse rejects are released from the barrel and pass onto the vibrating screen.



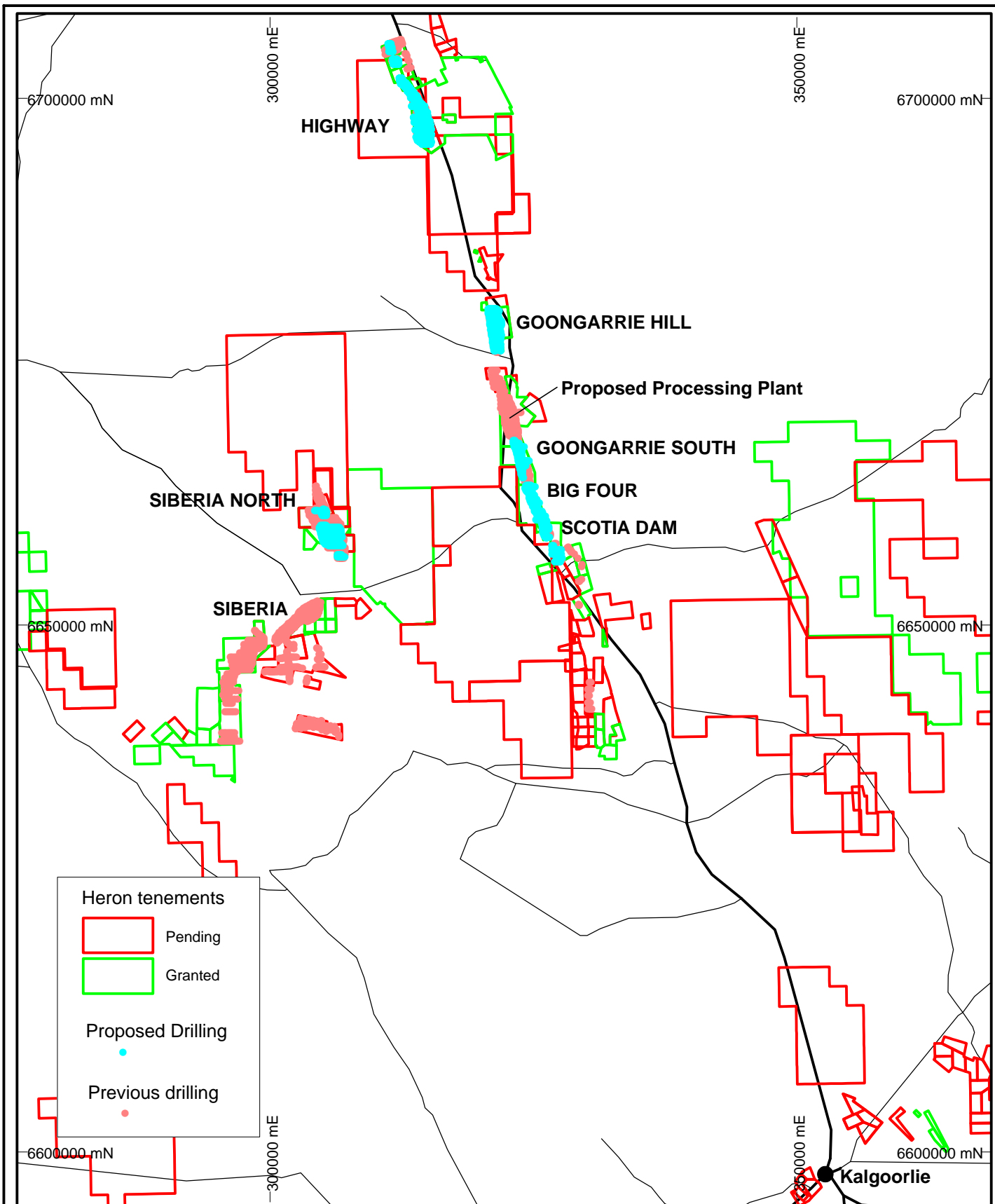
Photograph: The slurry is washed through the screens where the coarse reject remains on the top screen. The separation of slurry and coarse reject is clearly visible on the screen.



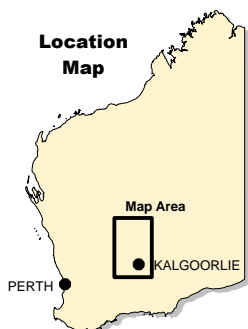
Photograph: Senior Geologist Dave Von Perger reviewing SGS Lakefield Oretest pilot plant.



Photograph: The coarse sand like silica reject is clearly visible on the top screen after all the clay bearing ore slurry has washed through the screen.



Location Map



0 10 20

Kilometers



HERON RESOURCES LTD
ABN 30 068 263 098

**Kalgoorlie Nickel Project
Initial Prefeasibility Drilling**

Author: Heron

Date: Oct 2004

Drawn: Kalgoorlie

Revised:

Dwg No.:

Report No.:

Projection: MGA Zone 51

Scale: 1:500,000

Table 2 Highway Prospect Minus 0.50mm Screen Upgrade Results for All Samples (no cut-off)			
Ore Type	Treatment Method	Ave Ni Upgrade %	Ave Co Upgrade %
Manganiferous	PAL Grind	7.2	-23.1
Ferruginous	PAL Screen	13.0	11.2
Siliceous	PAL Screen	51.0	52.3
Saprolite	SAL Screen	20.4	43.7

Table 3 Goongarrie Hill Prospect Minus 0.50mm Screen Upgrade Results for All Samples (no cut-off)			
Ore Type	Treatment Method	Ave Ni Upgrade %	Ave Co Upgrade %
Manganiferous	PAL Grind	15.6	5.0
Ferruginous	PAL Screen	17.4	14.8
Siliceous	PAL Screen	57.6	61.8
Saprolite	SAL Screen	32.5	43.2

Table 4 Goongarrie South Prospect Minus 0.50mm Screen Upgrade Results for All Samples (no cut-off)			
Ore Type	Treatment Method	Ave Ni Upgrade %	Ave Co Upgrade %
Manganiferous	PAL Grind	2.1	-15.0
Ferruginous	PAL Screen	8.0	7.2
Siliceous	PAL Screen	50.3	76.3
Saprolite	SAL Screen	30.3	37.7

Table 5 Highway Prospect 0.75% Ni Lower Cut-off					
Ore Type	Head Grade	Minus 0.50mm		Minus 0.18mm	
		Ni % LFG	Ni Upgrade%	Ni % LFG	Ni Upgrade%
Manganiferous	0.99	1.11	12.5	1.15	15.8
Ferruginous	0.92	1.02	10.7	1.09	17.4
Siliceous	0.95	1.44	50.6	1.64	72.2
Saprolite	1.05	1.26	20.9	1.35	29.1

Tables 2 - 4 show the similarities in screen behaviour of the siliceous mineralisation between each resource area. Table 5 shows the increase in grade for the Highway Prospect from unscreened head grade, to 0.5mm, to 0.18mm screen sizes.

Based on the Highway bottle roll results, a 0.75% Ni cut-off has a head grade of 0.95% Ni, and screens to 1.44% Ni at minus 0.50mm, and 1.64% Ni at minus 0.18mm.

Based on a LFG cut-off of 0.8% Ni, the average Highway Leach Feed Grade is 1.55% Ni. Assuming a nickel price of US\$3.50, US/A\$=0.65, 80% total nickel recovery, and total leaching and processing costs of A\$70/t, then the break-even KBP Leach Feed Grade is 0.74% Ni (Co credits ignored).

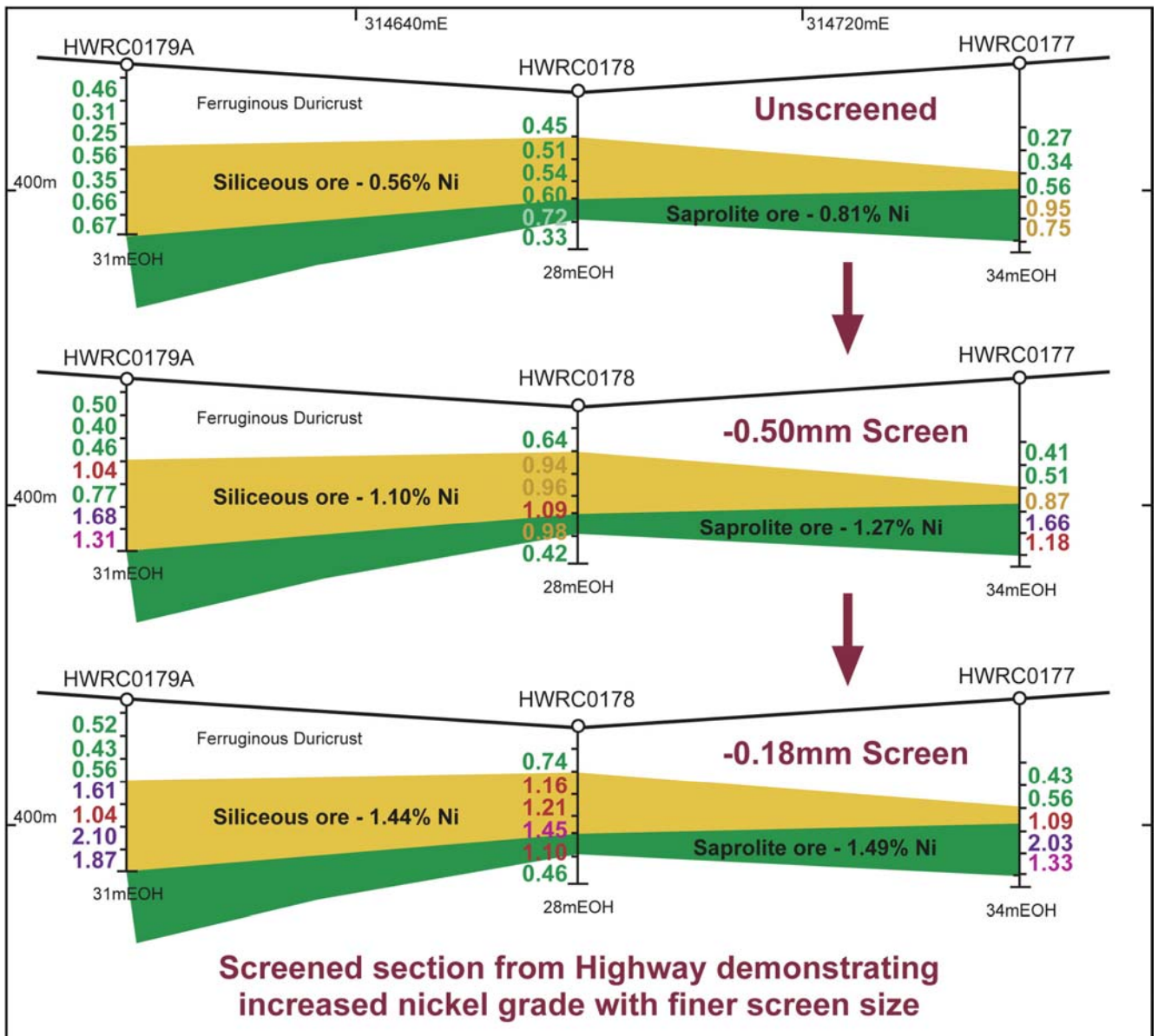


Figure 2 Section 669 6960N from the Highway Prospect demonstrating the increase in grade between unscreened “head grade”, minus 0.50mm and minus 0.18mm screen sizes. Heron’s test work indicates at the finer screen size of 0.075mm grades increase further, achieving a better than 1.5 % Ni LFG result. It is worth noting the second sample in drill-hole HWRC0179A (on the left) which starts with a head grade of 0.35% Ni and screens to in excess of 1% at the minus 0.18mm screen. Screening is so effective because the main nickel bearing minerals are present as very fine clay-sized particles forming smooth fine slurries when mixed with water, and the main barren mineral is silica which forms coarse angular particles many times the size of the clay particles and easily rejected by the screens.

The above “sub-grade 0.35% Ni” example is illustrative of the mining methodology proposed for the KNP. It is preferable to include this “sub-grade” within the ore sent to the screening circuit (and generate a 1.04% Ni LFG), rather than attempt to exclude this material through high cost “selective mining”.

Pre-Feasibility Study Technical Programs

During the Quarter, Heron appointed a Senior Resource Geologist to be able to complete resource estimation and mine scheduling in-house. The initial task will be to update resource estimates from the current RC drilling, and develop the methodology for the future estimation of leach feed resources.

Independent QAQC studies have been completed, and drill procedures modified to accommodate the recommendations of the QAQC reports.

Total RC drilling required for the Pre-Feasibility Study is in the order of 150,000 metres. This drilling is required to increase confidence in the resource estimates. It is anticipated that the Pre-Feasibility Study will be based predominantly on Indicated Mineral Resource. The resources will be used to estimate probable reserves upon which to base pit designs and ore scheduling.

2.1.1 Goongarrie

Heron 100%.
Nickel - gold.

RC drilling commenced during the Quarter at the Goongarrie Hill siliceous resource. Drilling is being conducted on initial 800m x 80m lines to firstly assess in detail the upgrade characteristics of each of the mine areas. To date 84 holes have been drilled for 3,774m. The first batch of results will be available in November.

The RC drill sample material is being used for bulk samples for the minus 0.075mm bottle roll tests, screen upgrade, and other metallurgical test work. Mineralogical studies will be used for understanding of mineral behaviour during screening and processing.

2.1.2 Siberia

Heron 100%.
Nickel - gold.

Validation re-logging was completed. A uniform mine stratigraphy is present, consisting from surface to end-of-hole of transported laterite, brown siliceous ore, white-yellow magnesitic footwall and variable green and white magnesitic saprolite. Logging was based on material available at the Siberia Bag Farm, with some 65 holes logged.

Leach feed evaluations using mineralogical normative equations have been trialled for the data from Siberia, as there is a lack of previous bottle roll work. Multiple Linear Regression equations developed for the Walter Williams Formation will be also trialled for Siberia.

Composite samples from the Siberia Bag Farm have been submitted for bottle roll tests, with results to date encouraging. The data is being supplemented with pilot plant scale simulations.

Siberia Resource Potential: At Siberia North, old gold exploration drill holes reveal a strongly developed goethite ore profile in an area where Heron has not yet drilled. Good potential exists to significantly increase the Siberia resource inventory from this new zone. Initial lines on this target will be undertaken as part of the 800m spaced lines of metallurgical drilling.

Snowden has re-estimated the resources for the Siberia portion of the KNP, drill collars are being surveyed, and identification of critical leases for grant has been completed.

2.1.3 Highway

Heron 51% and 87.5%.
Nickel - gold.

The updated resource estimation was received from Snowden which included the June 2004 Quarter drilling results. Snowden estimated the Inferred Mineral Resource to be some **96.2mt grading 0.74% Ni** using a 0.5% Ni cut-off. This represents a 12% increase in the resource tonnes from the previous historical drilling estimate.

2.1.4 Bulong

Heron right to acquire 100% of all mineral rights.
Nickel - gold - base metals.

Preparation of sale agreements has been completed, with the Parties having settled upon the final form agreement for the first tranche of tenements.

Additional tenements have been acquired through pegging in the east Bulong area. Several nickel sulphide and gold targets have been identified in this area.

Massive sulphide gossans at Bulong East are being reviewed as possible sulphur sources for the proposed KNP acid plant.

2.1.5 Kalpini

Heron 100%.
Nickel - gold.

With additional saprolite ore being located in current drill exploration at Siberia, Goongarrie and Highway, Kalpini has been somewhat downgraded as a future source of SAL saprolite ore for the KNP. Accordingly, Kalpini is now being assessed as a source of low grade on-site heap leach ore, as well as tenements being considered for the Nickel Sulphide divestment.

Bulk metallurgical samples were prepared for assessment as part of a heap leach study based on Kalpini saprolite.



2. NICKEL SULPHIDE DIVESTMENT

Heron is evaluating various Nickel Sulphide divestment opportunities.

Heron has one of the largest ultramafic footprints in the Kalgoorlie Goldfields, through the land holding accumulated over the last eight years in the search for nickel laterite mineralisation. The divestment is part of the strategy to focus on the development of the KNP laterite project.

Kalpini Nickel Sulphide

The Jubilee Mines-Image Resources JV has documented high grade nickel sulphide intersections at their Emu Lake prospect. Heron controls all surrounding tenements, being termed the Wellington North Prospect. The target zone has had no previous deep drilling, there being only a single percussion drill hole within the entire zone. There is outcropping serpentinite with boxwork gossan float.

Heron completed gossan float sampling at Wellington North, with peak **gossan assay 0.57% Ni, 0.09% Cu, 364ppb Pt, and 674ppb Pd**. This is an unequivocal boxwork gossan derived from the weathering of nickel sulphides. Wellington North reconnaissance soil sampling was completed, with peak **soil assay 939ppm Ni, 61ppm Cu and 6ppb Pt**, supporting the gossan sampling results.

Mineral Patch Hill Nickel Sulphide

PGM sampling of drill pulps has confirmed a continuous PGM anomaly extending over 3.0km within the central ultramafic (analogous to Mt Keith). Petrological assessment is current, with initial results confirming the presence of chalcopyrite and other fresh sulphides.

3. OIL SHALE

The September 2004 Quarter saw a dramatic appreciation in the oil price to in excess of US\$50 per barrel. The KNP is somewhat insulated from the oil price due to the proposal to have an on-site acid plant, and the availability of natural gas from the Goldfields Gas Transmission pipeline adjacent to the proposed plant location. Heron has in fact significant upside from the escalating oil price through its Oil Shale project. The tenements are continuing to progress to grant.



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 (AusIMM) and has 30 years experience as an exploration geologist, 20 years experience as a mineral economist, and 7 years experience in evaluating nickel laterite mineral resources, and has the appropriate relevant qualifications, experience and competence to be considered as a "Competent Person" as defined in the JORC Code.

4. REGENT IPO

4.1 Onslow Iron Sands

The Heron project area is located 10km along the coast south-west of Onslow. A modest sized iron-sand deposit was delineated in the early 1970s, however, a scoping study at the time found it to uneconomic. Given the much improved infrastructure, power supply and higher iron ore prices it was considered by Heron that the area warranted a renewed assessment.

Preliminary Heavy Mineral analysis results have been received for the six samples submitted. Essentially the following conclusions can be made:

- The grain size of the samples is uniformly in the 0.075mm to 1.00mm range.
- Between 5 and 51 percent by weight is reporting in the >3.3 Specific Gravity heavy fraction through heavy media separation.
- The heavy fraction is made up of dominantly goethite (35 – 50%) and hematite (30 – 45%), with some magnetite (5%), ilmenite (10%) and non-opaques (5-10%).
- The total Fe content of the samples ranges from 44.6% to 55%.
- There is possibly some potential to produce a higher grade iron product by attempting to separate out the various components of the heavy mineral fraction.
- Ilmenite comprises a significant portion of the Heavy Minerals in the sands.

4.2 Bungalbin Iron Ore

Option holder Portman Mining has pegged Mining Lease applications over the Portman Bungalbin resource areas.

Joint venture negotiations are current in respect of the adjoining Bungalbin Aurora Iron Ore rights.



1.13 Total operating and investing cash flows (brought forward)	(1,501)	(1,501)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.	1,000	1,000
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)		
- Refundable Bond	(20)	(20)
- Capital Raising Expenses	(34)	(34)
Net financing cash flows	946	946
Net increase (decrease) in cash held	(555)	(555)
1.20 Cash at beginning of quarter/year to date	1,379	1,379
1.21 Exchange rate adjustments		
1.22 Cash at end of quarter	824	824

**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	175
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\$112,000). Provision of office accommodation by director-related entity (A\$15,000). Provision of legal advice by director-related entity (A\$48,000).

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



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	800
4.2 Development	0
Total	800

Reconciliation of cash

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

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	143	62
5.2 Deposits at call	436	923
5.3 Bank Overdraft		
5.4 Other (provide details)		
Environmental bonds	109	109
Escrow Accounts	136	286
Total: cash at end of quarter (Item 1.22)	824	1,380

Changes in interests in mining tenements

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



Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (\$)	Amount paid up per security (see note 3) (\$)
7.1 Preference securities (description)				
7.2 Changes during Quarter				
(a) Increases through share issues				
(b) Decreases through returns of capital, buybacks, redemptions				
7.3 Ordinary securities	133,139,600	133,139,600		
7.4 Changes during Quarter *				
(a) Increases through share issues	1,000,000 200,000	1,000,000 200,000	\$0.25 \$0.26	\$0.25 \$0.26
(b) Decreases through returns of capital, buybacks				
7.5 Convertible debt securities (description)				
7.6 Changes during Quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)			<i>Exercise Price</i>	<i>Expiry Date</i>
	785,000	Nil	\$0.339556	19/10/2004
	785,000	Nil	\$0.489556	19/10/2004
	2,000,000	Nil	\$0.35	20/12/2004
	500,000	Nil	\$0.339556	30/06/2005
	500,000	Nil	\$0.489556	30/06/2005
	4,243,172	Nil	\$0.25	30/06/2007
	2,950,000	Nil	\$0.25	16/12/2007
	1,300,000	Nil	\$0.33	31/07/2006
7.8 Issued during Quarter	1,300,000 800,000	Nil Nil	\$0.33 \$0.25	31/07/2006 16/12/2007
7.9 Exercised during Quarter				
7.10 Expired during Quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

* Under the terms of a mandate entered into with Argonaut Capital, the Company has undertaken to pay a success fee satisfied through the issue of shares on the attainment of certain milestones related to share price.



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 (Portman) 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 (Mount Burgess) 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. Bronzewing Gold NL (Bronzewing) may earn a 70% interest in precious metals from Heron's King of Creation Project through expending \$250,000 within four years.
4. Jackson Gold Limited (Jackson) may earn a 70% interest in gold and silver minerals through expending \$300,000 within four years. Once Jackson earns its equity, Heron may at its sole discretion contribute on a pro-rata basis, or convert to a 20% free-carried equity to the completion of a Bankable Feasibility Study that recommends commencement of mining, or convert to a 2.5% royalty for recovered metal.

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

<i>Tenement</i>	<i>Nature of Interest</i>	<i>% Begin Quarter</i>	<i>% End Quarter</i>
E28/1350	Registered Applicant	100	0
E80/2890	Registered Holder	100	0
E80/2952	Registered Applicant	100	0
P28/990	Registered Applicant	100	0

6.2 Interests in Mining Tenements acquired or increased

<i>Tenement</i>	<i>Nature of Interest</i>	<i>% Begin Quarter</i>	<i>% End Quarter</i>
E15/869	Registered Applicant	0	100
E16/181	Registered Holder	0	100
E16/195	Registered Holder	0	100
E16/275	Registered Holder	0	100
E25/301	Registered Applicant	0	100
E28/1503	Registered Applicant	0	100
E28/1511	Registered Applicant	0	100
E28/1512	Registered Applicant	0	100
E29/569	Registered Applicant	0	100
E38/1724	Registered Applicant	0	100
E38/1726	Registered Applicant	0	100
E38/1727	Registered Applicant	0	100
E39/1100	Registered Applicant	0	100
E39/1101	Registered Applicant	0	100
E39/1742	Registered Applicant	0	100
E53/1131	Registered Applicant	0	100
M26/801	Registered Applicant	0	100
M28/304	Registered Applicant	0	100
P15/4782	Registered Applicant	0	100
P25/1832	Registered Applicant	0	100
P26/3286	Registered Applicant	0	100
P26/3292	Registered Applicant	0	100
P26/3293	Registered Applicant	0	100
P26/3298	Registered Applicant	0	100
P26/3299	Registered Applicant	0	100
P26/3300	Registered Applicant	0	100
P28/1501	Registered Applicant	0	100
P39/4348	Registered Applicant	0	100



Compliance Statement

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



Sign here: _____
Director

Date: 31/10/04

Print name: Ian Buchhorn

Notes

1. The Quarterly Report is to provide a basis for informing the market how the entity's activities have been financed for the past Quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of Interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

