



HERON RESOURCES LIMITED

DECEMBER 2005 QUARTER HIGHLIGHTS

Nickel Laterite Development

- At the Kalgoorlie Nickel Project (KNP) farm-in and joint venture, manager Inco is a third of the way through the Step 1 confirmation diamond drilling. The drilling focus is upon Goongarrie-Siberia siliceous ore. Detailed sampling and preliminary metallurgical investigations are in progress.

To date, the lithologies in the diamond drill core appear to be comparable to those intersected in adjoining Heron RC drill holes. Initial head grade assays are expected shortly.

- Heron has agreed to purchase the 25% of the Highway Project owned by joint venture partner Helix. The Highway JORC-compliant resource is 96 million tonne at 0.7% nickel.
- The total JORC-compliant resource for KNP Goongarrie-Siberia siliceous dominant mineralisation is estimated to be 453 million tonne at 0.7% nickel (3.2 million tonne contained nickel). This is well in excess of resources attributed to similar nickel laterite operations being commissioned elsewhere in Australia and overseas.

Nickel Sulphide Exploration

- Tenure was granted over the Ghost Rocks gossan belt (rock chip samples assaying up to 0.4% Ni and 6.5% Cu, with anomalous PGMs). A program of soil geochemistry and mapping has been designed for testing the currently identified nickel sulphide targets, followed by EM survey.
- Significant nickel-copper-PGM soil geochemical anomalies have been generated at the Cowarna Downs Project, in the southern Silver Swan nickel belt. Heron's project generation and exploration of this belt has been funded by Heron through funds raised in the April 2005 Subscription Agreement with Inco, and as such, the target will be offered to Inco for farm-in and joint venture pursuant to the proposed nickel sulphide agreement.

Corporate

- At the October 2005 EGM, **Heron Shareholders voted overwhelmingly in support of the Inco KNP transaction.**
- **Ochre Resources Limited.** The iron ore Heads of Agreement between Heron / Ochre and Echelon Resources Limited was terminated. Ochre is now pursuing the grant of key tenements, notably the Poondano channel iron deposits at Port Hedland, to facilitate drill-testing prior to IPO or otherwise advancing the Company's iron ore assets.
- **Regent Resources Limited,** mapping and sampling of gold resource tenements commenced during the Quarter, as part of the prospectus report preparation.
- **Balladonia Energy Limited,** expressions of interest are being sought for the uranium exploration assets of Balladonia which are to be offered for sale or joint venture.





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HERON RESOURCES LIMITED

1. SUMMARY

Inco Nickel Laterite Farm-in and Joint Venture

On 30 July 2005, Heron Resources Limited signed a definitive farm-in and joint venture agreement with Inco Limited providing for the potential development of the Kalgoorlie Nickel Project (KNP). Inco will earn its interest in the Project by funding all evaluation and meeting certain evaluation milestones.

If the KNP proceeds to construction, Inco will be responsible for procuring 100% of the debt project finance and will fund all but 4.5% of Heron's equity funding required for the project, as a loan repayable from Heron's future project revenues.

There are currently 384 Heron tenements in the KNP Laterite Farm-in, located within the Goongarrie, Siberia, Bulong and Kalpini Projects.

Inco Nickel Sulphide Joint Venture

Heron and Inco are negotiating an agreement for a regional nickel sulphide farm-in and joint venture, whereby Inco may earn a 60% interest through sole funding exploration through to a Decision to Mine.

In the **KNP tenement area** covered by the Heron-Inco KNP Laterite Agreement, Inco nickel sulphide funding terms and conditions are intended to be identical to the Laterite Agreement. Heron's 40% share of any future development will be facilitated by project development loans from Inco, and Heron's equity contribution will be capped at 4.5% of the equity funding as per the Laterite Agreement.

Outside the KNP tenement area and within a Nickel Sulphide Area of Mutual Interest, or **AMI tenement area**, following a Decision to Mine by Inco, Heron will be required to fund its 40% share of development.

Regional nickel sulphide data bases have been acquired, and target ranking is current. Heron expects the initial focus to be Ghost Rocks and Kalpini (KNP tenement area) and Cowarna Downs and Mineral Patch Hill (AMI tenement area).

2. CORPORATE

Divestments

1. **Ochre Resources Limited**, holds significant iron ore mineralisation at Poondano, Pannawonica, Mount Bruce and Bungalbin, and exploration targets throughout WA. The previously reported Heads of Agreement with Echelon Resources Limited (Echelon) was terminated, and alternative corporate strategies are now under review.

Surface sampling of project areas was completed during the Quarter. Particular encouragement was returned from several of the Pilbara channel iron deposit (CID) targets and terrace deposits. Head grades as low as 50% Fe in terraces upgraded to shipping iron grades in bench-scale metallurgical test-work. The Company views that the preferred plan is to secure tenement grant for the key Pilbara Exploration Licence applications, after which the corporate strategy will be finalised.

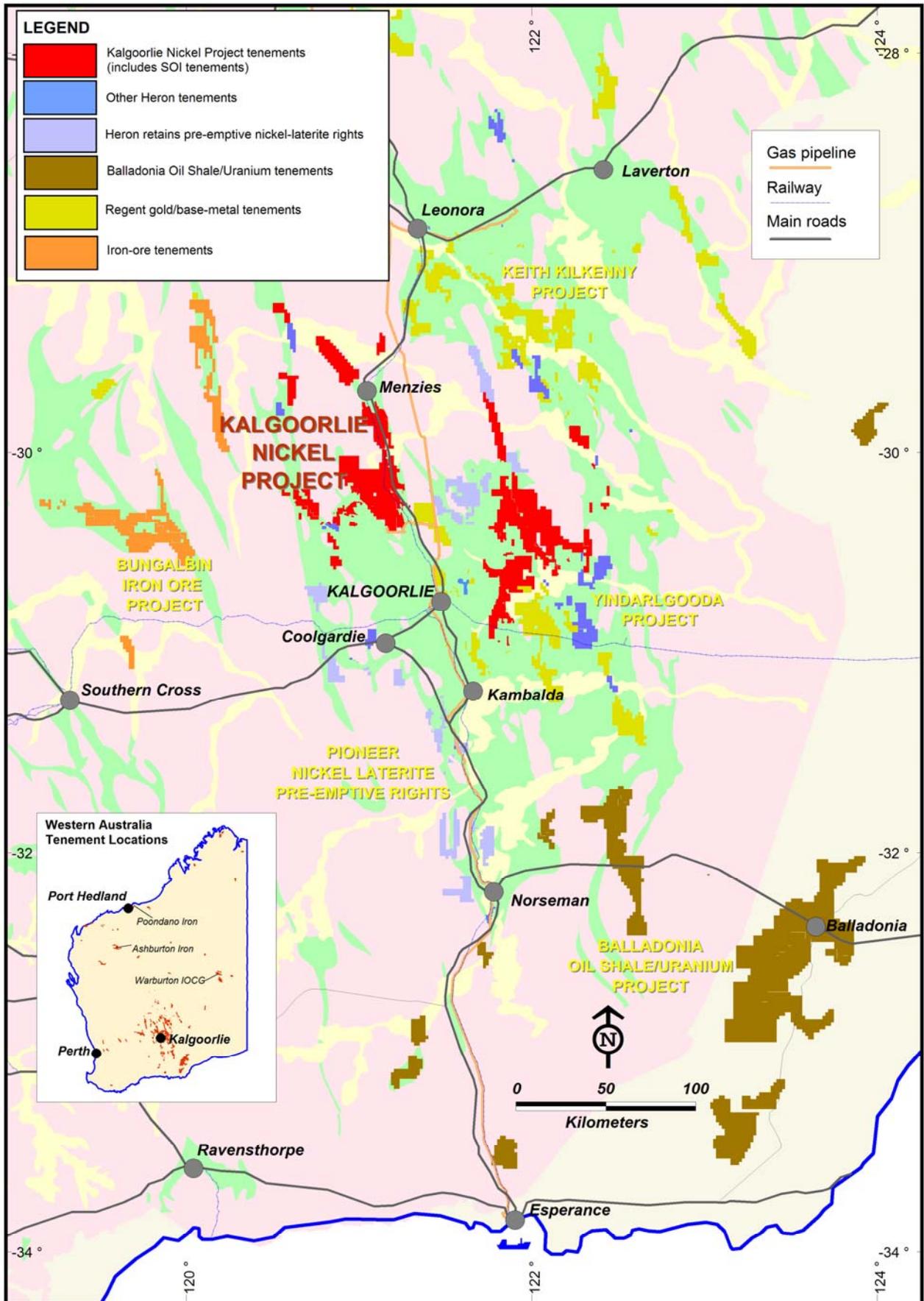
2. **Regent Resources Limited**, gold and base metal drill targets were acquired as a by-product of the Eastern Goldfields nickel laterite acquisitions. Inco is assessing various Regent tenements within the KNP Sphere of Influence and Area of Mutual Interest, and which the Regent tenement schedule will be finalised.

With the current strength of the gold price, discussions are current in respect of development opportunities for gold resources held by Regent in the Bardoc Tectonic Zone and Bulong area. Aside from development areas, the exploration focus of Regent will be Olympic Dam style copper-gold targets in WA.

3. **Balladonia Energy Limited**, oil shale resources were initially pegged as a potential source of energy and sulphur for processing of the nickel laterite. A geological review at Balladonia identified potential uranium "roll front" geological settings. The Company also has uranium tenements in WA, NT and Queensland. Expressions of interest are to be sought for dealing in the uranium assets.



Figure 1 Kalgoorlie Nickel Project, Project Location and Tenement Holdings



3. OPERATIONS REVIEW

Nickel Laterite Feasibility Study

3.1 Kalgoorlie Nickel Project

Heron Nickel Rights, 100% for all tenements.
Inco right to earn 60%, sole fund BFS, secure finance.

The initial KNP work programs will focus on siliceous ore, of which some 453mt at 0.7% Ni is on 100% Heron-owned tenements in the Goongarrie-Siberia region.

The Step 1 confirmation diamond drilling program commenced during the Quarter, with drilling completed at Siberia South, and current at Siberia North.

Now that drill evaluation procedures are settled, it is intended to move to two drill rigs. Diamond drilling for Step 2 metallurgical programs will commence upon completion of Step 1 confirmation drilling, to supply undisturbed metallurgical bulk sample material.

3.1.1 Goongarrie – Inco Sole Funding

Goongarrie South

Diamond drill site collars were selected for 14 holes, and Department of Industry and Resources (DoIR) Ground Disturbance Authorisation (GDA) obtained ahead of diamond drilling.

3.1.2 Siberia – Inco Sole Funding

Step 1 Confirmation Diamond Drilling

Siberia South and Siberia North

Eight holes were completed for 451.2 metres. The core intersected to date appears comparable to that intersected in adjoining Heron RC drill holes. The material being tested represents difficult drilling conditions, but core recoveries have none-the-less been acceptable.

Siberia South

Hole 7010001	completed at 43.0m.
Hole 7010002	completed at 43.0m.
Hole 7010003	completed at 65.1m.
Hole 7010004	completed at 59.9m.
Hole 7010005	completed at 60.0m.

Siberia North

Hole 6010001	completed at 52.4m.
Hole 6010002	completed at 41.7m.
Hole 6010003	completed at 86.1m.

Half core has been despatched for head grade assay determination and screen upgrade metallurgical test-work. Results are awaited.

3.1.3 Bulong – Inco Sole Funding

A geological review of the historical Bulong data is under way, ahead of selecting targets for the Step 1 diamond drilling.

The Bulong region tenements were initially acquired as a potential source of saprolite neutralisation ore. However, intercepts of typical siliceous limonite mineralisation were recorded at Mt Magnetic in the September 2005 drilling program, indicating good potential for screen beneficiation upgrading. Beneficiation test-work has commenced. A full review will be completed once all results are to hand.

The ultimate role of Bulong within the KNP development will be determined by the Step 1 and 2 KNP flow sheet selection studies currently in train.

3.1.4 Kalpini – Inco Sole Funding

An experienced nickel laterite senior geologist has been appointed to complete a geological review of the Kalpini drill data base. Re-logging of previous Heron drilling has commenced, ahead of selecting targets for the Step 1 diamond drilling.

3.1.5 Ghost Rocks – Inco Sole Funding

Grant of the Ghost Rocks South Exploration Licence occurred, and GDA granted for commencement of drilling. Potential exists to double the current Ghost Rocks resource (from 47 million tonne) on the newly granted tenement area.

3.1.6 Highway – Heron Funding

Heron Nickel Rights, right to acquire 100% at Highway; 87.5% held at Highway Extended (Dalrymple JV).

The current RC drilling program was completed at Highway with 198 holes for 10,842 metres. Drilling was suspended due to Heron having earned 75% in the Highway joint venture, to allow Helix to decide upon its future role at Highway.

After discussion, Heron reached agreement to purchase the Helix 25% Highway equity for A\$610,000, consisting of A\$150,000 cash and A\$460,000 worth of public-listed shares (Heron or other company shares).

Reverse Circulation Drilling (RC)

The 2005 Highway RC drilling has returned a consistent mineralised stratigraphy. From top to base of the profile, the regolith is Upper Limonite, Siliceous Limonite, Siliceous Ore, with Lower Magnesite-Silica at the base of mineralisation.



Most of the Highway profile is siliceous and appears to have some degree of upgrade potential. Screen beneficiation testing of selected intervals has commenced. A full review will be completed once all upgrade results are to hand.

Significant 2005 drill intercepts are presented in Table 1 as follows.

Hole ID	Depth from	Depth to	Metres	Ni %	Co %
HWRC0244	16	36	20	0.67	0.02
HWRC0260	10	30	20	0.93	0.05
HWRC0297	8	28	20	1.00	0.06
HWRC0365	14	34	20	0.60	0.05
HWRC0388	6	26	20	0.71	0.12
HWRC0307	28	50	22	0.59	0.02
HWRC0355	2	24	22	0.74	0.03
HWRC0243	18	42	24	0.67	0.05
HWRC0255	10	34	24	0.80	0.07
HWRC0264	6	30	24	0.62	0.04
HWRC0294	54	78	24	0.68	0.06
HWRC0316	10	34	24	0.54	0.04
HWRC0364	8	32	24	0.88	0.04
HWRC0351	2	28	26	0.79	0.03
HWRC0242	6	36	30	0.73	0.05
HWRC0216	28	60	32	0.80	0.13
HWRC0376	8	46	38	0.86	0.04
HWRC0284	2	44	42	0.82	0.05
HWRC0232	4	48	44	0.77	0.03
HWRC0377	8	52	44	0.78	0.06
HWRC0305	10	56	46	0.74	0.05
HWRC0295	8	62	54	0.70	0.06

3.2 Kalgoorlie Nickel Project – Sphere of Influence

Projects peripheral to the main KNP mineralised area are being funded and explored by Heron, using funds raised in the April 2005 Inco Subscription Agreement.

3.2.1 Comet Vale

Heron Nickel Rights, right to earn 70% (Reed JV).

No field programs were carried out.

3.2.2 Siberia Tank

Heron Nickel Rights, 90% (Impress JV).

Two diamond drill holes were completed to evaluate screen upgrade performance (refer section 3.1.2). No results are as yet available.

3.3 Regional Nickel Sulphide

3.3.1 KNP Tenement Area

Ghost Rocks

The Ghost Rocks gossan belt assays up to 0.39% Ni, 6.46% Cu, 25ppb Pt and 27ppb Pd. Gossans occur within olivine cumulate ultramafic in two areas 400 metres apart and along strike.

A review of previous exploration completed at the Ghost Rocks gossan area was undertaken. There has been no ground EM surveys completed and this should be the first priority of exploration. It is not certain whether the sulphide occurrences are part of the basal Walter Williams Formation, or correlate with a lower ultramafic that hosts the Snake Hill to Riverina nickel sulphide occurrences.

Wellington North

Heron completed systematic soil sampling at Wellington North. A well defined soil nickel anomaly is present at a 0.04% Ni threshold and peaking at 0.1% Ni. A ground TEM survey is required to define drill targets.

3.3.2 AMI Tenement Area

Cowarna Downs

Soil sampling of the Cowarna Downs komatiite flow has defined a high priority nickel sulphide target. Soil geochemical results include up to 1,390ppm Ni, 442ppm Cu and 24ppb PGM associated with interpreted komatiite channel structures. In-fill soil geochemistry is current, after which a ground TEM survey will be completed.

Jump Up Dam

Heron sampling returned up to 6,080ppm Ni and 80ppb PGM. The anomaly is located within a distinct thickening in an otherwise thin komatiite horizon. The prospect was previously explored as a nickel laterite. The elevated PGM content is of interest for nickel sulphide, however copper is low.

Snake Hill Nickel Sulphide

Initial sampling reconnaissance confirms favourable nickel sulphide settings. Snake Hill is north along strike of a competitor nickel sulphide discovery at Riverina.

3.4 New Acquisitions and Projects

Kalpini Nickel Sulphide

Additional ground was acquired at Kurnalpi, extending the Kalpini nickel sulphide target stratigraphy. Reconnaissance soil sampling has defined several new areas of Ni-Cu-PGM anomalism.



4. OCHRE IPO

The Echelon Resources Limited Heads of Agreement to sell Heron's iron ore assets was terminated during the Quarter. Ochre is pursuing the grant of key tenements, notably the Poondano channel iron deposits at Port Hedland, to facilitate drill-testing prior to IPO or otherwise advancing the iron ore assets.

4.1 Bungalbin Iron Ore

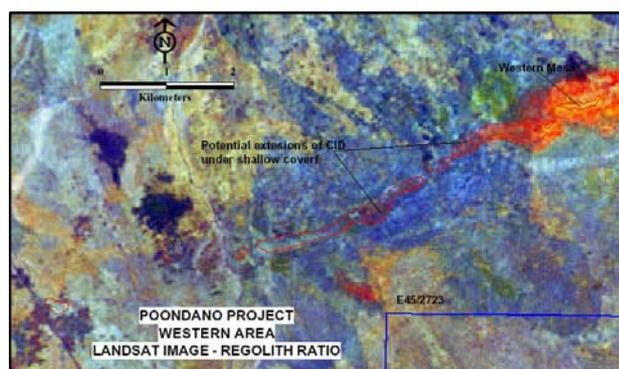
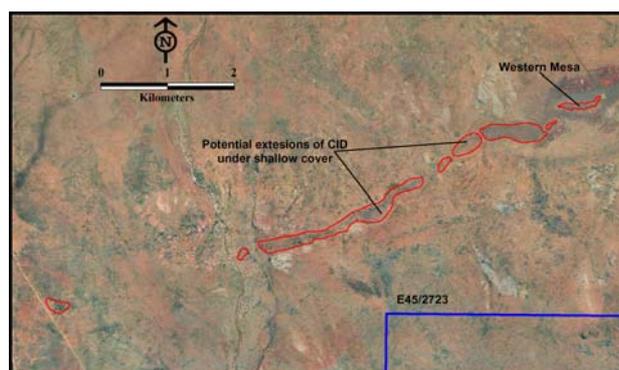
By an Agreement between Portman Mining Limited and Heron, Heron sold the rights to explore and mine for iron ore at Bungalbin. Heron has a royalty based on tonnes of iron ore sold by Portman. The Agreement allowed five years to Portman to commence mining operations (which it has not done), but also provided for a two year extension of that period. Heron is continuing negotiations with Portman as to the basis on which Portman will be required to advance development.

Heron previously reported encouraging iron results with production potential from the **J4 and J5 Prospects**.

4.2 Poondano Iron Ore

The project covers a significant iron ore occurrence located 30km southeast of the iron ore shipping centre of Port Hedland. Reconnaissance rock-chip sampling by Heron returned average grades of 58% iron which is in line with other CID mineralisation in the Pilbara.

Figure 2 Poondano Iron Ore Project, Western Area, Potential Ore Zones on Air Photo



Acquisition of Poondano aerial photography and Landsat imagery during the Quarter has revealed a probable extension of the CID under shallow cover to the west of the main mesas. If preserved under cover, the CID on this western side could add considerably to the potential tonnage available from the prospect.

4.3 Ashburton Channel Iron Deposits

There is a high proportion of iron-rich material in raised gravel terrace beds, most likely derived in part from the Paraburdoo iron-ore deposits to the immediate north. Large tonnages of detrital material are present and it will be evaluated as to whether a suitable iron-rich product can be extracted through gravity separation.

Initial test-work has returned encouraging gravity separation results from five shallow reconnaissance sample pits of channel deposit material. For the +4.075mm fraction the 3.3SG sink product averaged **60.4% Fe, 6.3% SiO₂, 2.25% Al₂O₃ and 0.09% P** for the five samples.

Given the small number of samples and the large area involved, it is clear further work is required to properly assess the prospect. Nevertheless, the results of this initial testwork show there is potential to produce a marketable iron product from the terrace deposits.

4.4 Pannawonica Channel Iron Deposits

The Ochre project area is east of town and surrounds the Pannawonica mining areas. The outcropping CID mesas are excised from Ochre tenure and have been partly mined out, although potential still exists on Ochre ground for several million tonnes of CID resources.

4.5 Mt Bruce Channel Iron Deposits

Reconnaissance mapping and sampling was completed of outcropping CID mineralisation, returning an average of 56% Fe. This is comparable to the pre-screened head grades of operating Pilbara iron mines.

Mount Bruce Project CID outcrop



5. REGENT IPO

The proposed IPO will consist of Heron's gold and VMS base metals assets in Western Australia.

The currently proposed Regent IPO assets are:

1. Warburton IOCAD.
2. Bulong / Yindarlgooda gold / base metals.
3. Bardoc Tectonic Zone gold.
4. Keith Kilkenny Tectonic Zone gold.
5. Nuninga Springs Proterozoic base metals.

Tenement selection is current, and discussions are required with Inco in respect of their nickel sulphide rights under the proposed Sulphide Agreement.

Heron geoscientists are currently compiling historical data and field sampling for prospectus preparation.

Management appointments are being reviewed.

5.1 Warburton IOCAD

The Company has acquired Olympic Dam-style Iron Oxide Copper-Gold Deposit (IOCAD) prospects in the Warburton area, designated the **Gunbarrel Project**. Recent copper-gold exploration successes for this style of deposit have been reported within the equivalent South Australian geological province, the Stuart Shelf, at Prominent Hill (2001) and at Carrapateena (2005). In particular the Company believes that 3D modelling of geophysical data has advanced considerably since the Warburton area was previously explored, and can accurately target the IOCAD style of mineralisation.

The Gunbarrel Project complements the Company's adjacent Warburton Copper Project, where widespread copper and silver mineralisation is associated with hematite-epidote-albite alteration in the host volcanics.

In addition to the Gunbarrel Project, the Company has acquired several other IOCAD targets in Western Australia, based on a review of regional geophysical and geological datasets. Each of these will be reviewed in turn with modern geophysical techniques and if warranted drill tested.

5.2 Bulong / Yindarlgooda Gold / Base Metals

Several resource targets have been identified, and discussions are current with local gold processing plants. At Queen Lapage Project, the old pit is recorded to have produced 35,000t at 9.3g/t and has a reported remnant resource of 130,000 t at 4.0g/t.

Additional tenements have been applied for, with in excess of 1,100km² of contiguous tenure now held within an area of extensive gold workings and poorly tested VMS base metal targets.

5.3 Bardoc Tectonic Zone Gold

Several resource targets have been identified, and discussions are current with local gold processing plants.

The main areas of interest are the **Windanya, Kings Reef, Vetersberg, Baden Powell** and **Lady Goongarrie** gold mining centres.

5.4 Keith Kilkenny Tectonic Zone Gold

At the old **Nils Desperandum** workings, dump material assayed 0.7 to 5.7g/t Au, confirming good bulk tonnage potential.

At **Leonora East**, old gold workings have a strong arsenic signature up to 2190ppm, with antimony up to 31ppm.

The **Redcastle** gold mining area has been soil sampled, with results pending.

Additionally, the **Yilgangi, Yerilla** and **Aubils** gold mining areas, which Heron holds as nickel prospects, have been assessed for their precious metal potential. Results are awaited.

5.5 Nuninga Springs

Initial mapping and sampling at Nuninga Springs returned up to 11.4% Cu along with anomalous Au, U, As, Sb, Bi and Pd. Copper occurrences are present along the major Neds Creek Fault Zone on the contact between sediments and massive basalt/dolerite. The geological and structural setting is comparable to that occurring in NW Queensland. Further work will consist of soil geochemistry over the main structures.



Nuninga Springs copper workings

5.6 New Acquisitions and Projects

Several new opportunities were pegged during the Quarter and evaluated as suitable Regent IPO projects (refer page 14 this Quarterly Report).



6. BALLADONIA ENERGY

The Balladonia Energy projects include:

- . Balladonia lignite / oil shale.
- . Balladonia mineral sands.
- . Balladonia uranium.
- . Queensland, Northern Territory and WA uranium.

6.1 Balladonia Project

The Balladonia region oil shale resources are swamp deposits formed in Eocene-aged paralic lake valleys at the western edge of the Eucla Basin sea. From previous work, there is potential for several hundred millions of tonnes of oil-bearing lignite / brown-coal resources in the region.

In addition to the lignite and mineral sand potential there is considerable potential for Mulga Rock style uranium mineralisation. The Mulga Rock uranium deposit is located some 260km north of Balladonia within a palaeochannel and is hosted by carbonaceous sediments. Mulga Rock has a reported resource of 10.8 million tonnes grading 0.12% uranium.

The lignites at Balladonia represent an ideal carbonaceous host or reactive-trap for uranium mineralisation, and gamma logs from previous drilling show radioactive enrichment in the same stratigraphic position as the Mulga Rock mineralisation.

Sale or joint venture will be sought for the Ida Valley and Mt Phillips projects, to allow a greater focus on the Balladonia regional uranium targets. The writer has previously worked in the Langer Heinrich uranium province in Namibia, and just as for Langer Heinrich, Balladonia is interpreted as a genuine regional scale uranium mineralising system.

6.2 Ida Valley

The Ida Valley Project was visited. It would appear that much of the mineralisation in calcrete is covered by a thin veneer of alluvium making surface prospecting slightly more difficult. Aircore drill traverses are proposed for initial target evaluation.



*Ida Valley Project
Typical view of lake cover in area of reported carnotite*

6.3 Mt Phillips

The Mt Phillips Project was sampled. Typical carnotite mineralisation was found in old pits in the Minindi Creek area (see photo below) where a resource exists just outside the Balladonia tenement. There is excellent potential to extend this resource area north into Balladonia's tenure. The calcrete is covered by a thin veneer of alluvium, requiring shallow costeaning. It was noted that higher background radiation was present on the mesas outside the valley. Sampling returned assays up to 0.03% U.



*Mt Phillips Project
Carnotite mineralisation on calcrete – Minindi Creek*

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 32 years experience as an exploration geologist including 2 years specialising in calcrete-hosted uranium in Namibia, 24 years experience as a mineral economist, and 9 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.



1.13 Total operating and investing cash flows (brought forward)	(996)	(1,855)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.	687	737
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	0	0
Net financing cash flows	687	737
Net increase (decrease) in cash held		
	(309)	(1,118)
1.20 Cash at beginning of quarter/year to date	11,522	12,331
1.21 Exchange rate adjustments		
	11,213	11,213
1.22 Cash at end of quarter		

**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	209
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\$111,249). Provision of office accommodation by director-related entity (A\$15,000). Provision of legal advice by director-related entity (A\$83,620).

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	700
4.2 Development	0
Total	700

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	505	185
5.2 Deposits at call	10,262	10,989
5.3 Bank Overdraft		
5.4 Other (provide details)		
Environmental bonds	227	213
Escrow Accounts	176	135
Total: cash at end of quarter (Item 1.22)	11,213	11,522

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	163,544,600	163,544,600		
7.4 Changes during Quarter *				
(a) Increases through share issues	730,000 215,000 200,000	730,000 215,000 200,000	\$0.25 \$0.25 \$0.255	\$0.25 \$0.25 \$0.255
(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>
	2,000,000	Nil	\$0.20	31/12/2005
	1,300,000	Nil	\$0.33	31/07/2006
	4,243,172	Nil	\$0.25	30/06/2007
	2,905,000	Nil	\$0.25	16/12/2007
	3,000,000	Nil	\$0.25	31/12/2007
	175,000	Nil	\$0.25	31/12/2008
	450,000	Nil	\$0.60	30/06/2009
7.8 Issued during Quarter	450,000	Nil	\$0.25	30/06/2009
7.9 Exercised during Quarter	730,000 215,000	Nil Nil	\$0.25 \$0.25	16/12/2007 16/12/2007
7.10 Expired during Quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				



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

1. Inco Limited, as general partner of Inco Australia Limited Partnership and Inco Resources (Australia) Pty Limited may earn a 60% interest in the Kalgoorlie Nickel Project tenements through completing a Feasibility Study and procuring finance to build a nickel laterite mining and processing operation, with the cost of feasibility estimated to be \$90,000,000 (US\$68,000,000 assuming an exchange rate of 0.75).
2. Bronzewing Gold NL (Bronzewing) may earn a 70% interest in precious metals from Heron's King of Creation Project through expending \$250,000 within four years.
3. Jackson Gold Limited (Jackson) may earn a 70% interest in gold and silver minerals through expending \$300,000 within four years. Once Jackson earns its equity, Heron may at its sole discretion contribute on a pro-rata basis, or convert to a 20% free-carried equity to the completion of a Bankable Feasibility Study that recommends commencement of mining, or convert to a 2.5% royalty for recovered metal.
4. Mt Anketell Pty Ltd (Mt Anketell) may earn an initial 60% interest in the mineral rights of the Bandicoot Range Project by the expenditure of \$200,000 within two years of the grant of the tenement. Mt Anketell will pay Regent \$40,000. Heron or its nominee may then elect to contribute to expenditure on a pro-rata basis or Mt Anketell can spend a further \$200,000 to earn a further 20% interest. Upon earning an 80% interest, Mt Anketell will pay Heron or its nominee a further \$100,000 and free-carry Heron's interest through to a Bankable Feasibility Study (should Mt Anketell so proceed).
5. Yilgarn Mining Limited (YML) may earn a 70% interest in the Kanowna South Project by expenditure of \$700,000 within three years of the grant of the Kanowna South Project tenements. YML will reimburse Heron for certain expenses (\$30,000). Upon earning the 70% interest, YML will free carry Heron's 30% interest through to a Decision to Mine (should YML proceed to that position).
6. By an Agreement between Portman Mining Limited and Heron dated 31 May 1999, Heron sold to Portman the rights to explore and mine for iron ore at Bungalbin, and also agreed to sell the Bungalbin tenements as mining leases to Portman. Heron has a royalty based on tonnes of iron ore sold by Portman. The Agreement allowed five years to Portman to commence mining operations (which it has not done), but also provided for a two year extension of that period.



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

Tenement	Nature of Interest	% Begin Quarter	% End Quarter
E16/277	Registered Applicant	100	0
E16/299	Registered Applicant	100	0
E28/976	Registered Applicant	100	0
E28/1512	Registered Applicant	100	0
E39/1115	Registered Applicant	100	0
E69/1933	Registered Applicant	100	0
E69/1934	Registered Applicant	100	0
E69/1935	Registered Applicant	100	0
P25/1832	Registered Applicant	100	0
P26/3337	Registered Applicant	100	0
P27/1649	Registered Applicant	100	0

6.2 Interests in Mining Tenements acquired or increased

Tenement	Nature of Interest	% Begin Quarter	% End Quarter
E15/906	Registered Applicant	0	100
E15/907	Registered Applicant	0	100
E28/1600	Registered Applicant	0	100
E31/706	Registered Applicant	0	100
E31/708	Registered Applicant	0	100
E37/842	Registered Applicant	0	100
E39/1178	Registered Applicant	0	100
E80/3592	Registered Applicant	0	100
M16/513	Registered Applicant	0	100
M28/340	Registered Applicant	0	100
M28/341	Registered Applicant	0	100
P16/2308	Registered Applicant	0	100
P16/2309	Registered Applicant	0	100
P16/2310	Registered Applicant	0	100
P25/1004	Registered Holder	0	100
P25/1005	Registered Holder	0	100
P25/1006	Registered Holder	0	100
P25/1842	Registered Applicant	0	100
P25/1843	Registered Applicant	0	100
P25/1844	Registered Applicant	0	100
P25/1845	Registered Applicant	0	100
P26/3331	Registered Applicant	0	100
P26/3332	Registered Applicant	0	100
P26/3333	Registered Applicant	0	100
P26/3334	Registered Applicant	0	100
P26/3335	Registered Applicant	0	100
P26/3336	Registered Applicant	0	100
P26/3338	Registered Applicant	0	100
P26/3339	Registered Applicant	0	100
P26/3340	Registered Applicant	0	100
P26/3341	Registered Applicant	0	100
P26/3342	Registered Applicant	0	100
P26/3343	Registered Applicant	0	100
P28/1050	Registered Applicant	0	100
P28/1051	Registered Applicant	0	100
P28/1052	Registered Applicant	0	100
P29/1870	Registered Applicant	0	100
P29/1871	Registered Applicant	0	100
P29/1872	Registered Applicant	0	100
P29/1873	Registered Applicant	0	100
P29/1874	Registered Applicant	0	100



Tenement	Nature of Interest	% Begin Quarter	% End Quarter
P36/1525	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.

Sarah Helen Calvert

Sign here: _____ Date: 31/01/06
 Company Secretary

Print name: Sarah Helen Calvert

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.

