



HERON RESOURCES LIMITED

MARCH 2005 QUARTER HIGHLIGHTS

- The Kalgoorlie Nickel Project (KNP) has achieved a significant milestone. Inco Limited, the world's second largest nickel producer, has agreed with Heron to form a joint venture to evaluate and, subject to feasibility studies, develop the KNP:
 - ⇒ Inco has the right to sole fund evaluation programs to the completion of a Bankable Feasibility Study, to earn 25% in the KNP Tenements. Minimum estimated expenditure, subject to successful technical programs, is US\$68 million.
 - ⇒ Inco may commit to project construction including securing of project finance to earn 60% in the KNP Tenements.
 - ⇒ Inco will have a right to 100% of Heron's off-take rights on commercial terms.
 - ⇒ Heron's contribution to project funding prior to the KNP becoming cash-flow positive will be capped at 4.5% of total capital expenditure. Inco will provide loan funding for the remainder of Heron's equity funding obligations.
- Inco has agreed to negotiate with Heron a separate regional nickel sulphide joint venture. A term sheet is being finalised.
 - ⇒ Heron's extensive ultramafic tenement holding can now be explored by a single joint venture, with Inco able to develop both nickel laterite and any associated nickel sulphide mineralisation.
- A placement of 16.5 million Shares at A\$0.75 per Share was completed with Inco post reporting date, raising A\$12.375 million. Inco is now Heron's second largest Shareholder. The Heron cash position is particularly robust, with funds to provide working capital to:
 - ⇒ Generate Nickel Sulphide exploration projects.
 - ⇒ Explore for additional resources south of Goongarrie (Big Four to Vetersberg to Windanya), north of Goongarrie (Comet Vale to Highway to Ghost Rocks) and Bulong, for offering to Inco for potential inclusion in the KNP Feasibility Study.
- The KNP 800m x 80m pattern RC drilling was completed in all proposed mining areas. Significant drill results include 50m at 1.5% Ni and 50m at 1.4% Ni Leach Feed Grade.
- BHP Billiton acquired 15.9 million Heron Shares through a purchase from OMG Cawse Pty Limited. Following the Inco placement, BHP Billiton is now the third largest Shareholder.





21 Close Way, Kalgoorlie WA 6430
PO Box 1280, Kalgoorlie WA 6430

Phone 61 8 9091 9253
Facsimile 61 8 9091 9256
Email ibuchhorn@heronresources.com.au
Website <http://heronresources.com.au>

HERON RESOURCES LIMITED

1. SUMMARY

During the Quarter, following an extensive due diligence process, the Company was able to introduce Inco Limited (**NYSE: N, TSE: N**) (**Inco**) as the Kalgoorlie Nickel Project (**KNP**) evaluation and possible development partner.

Inco Nickel Laterite Joint Venture

On 25 March 2005, Heron signed a letter of intent to enter into a Joint Venture (**JV**) with Inco to develop the KNP nickel laterite resources. Final documentation is currently being completed.

The terms of the letter of intent provide that, subject to final documentation, Inco will fund the remainder of the KNP Pre-Feasibility Study (**PFS**), 100% of any Bankable Feasibility Study (**BFS**), procure all debt project financing required for the project, and cap Heron's equity funding obligations at 4.5% of capital expenditure.

Upon all milestones being met and the KNP being commissioned, Inco will earn a 60% interest in the project with Heron retaining a 40% interest. Inco will also be entitled to purchase 100% of Heron's KNP off-take on commercial terms.

Estimated feasibility expenditure by Inco, subject to successful completion of the planned technical programs, is at least US\$68 million.

Securing Inco as the JV partner completes one of the major milestones for the project. Heron has long viewed Inco as an ideal partner.

Inco is the second largest producer of primary nickel in the world, with a current market capitalisation of approximately US\$8 billion. The company has significant expertise in developing major nickel projects.

Inco views favourably the scale of the KNP and its established infrastructure in a politically stable location.

Inco's involvement delivers a clearly defined and properly funded pathway to Heron to advance the KNP towards becoming a major global nickel producer.

Inco Nickel Sulphide Joint Venture

Inco has also agreed to negotiate with Heron a separate regional nickel sulphide joint venture. A term sheet is being finalised.

Heron's role will be project generation, with Inco having the right to earn equity through ore discovery.

Having Inco as the single nickel laterite and nickel sulphide partner means Heron's nickel assets are now positioned to be developed to their full potential.

Inco Placement raising A\$12.4 million

Post reporting date, Heron completed an excluded placement of 16.5 million fully paid ordinary Shares at \$0.75 per Share to raise \$12.375 million (before costs) to Inco, its KNP JV partner. This placement cements Heron's partnership with Inco and results in Inco becoming a substantial Shareholder in Heron (10.2% of the expanded capital base).

A\$4.5 million of the funds raised from the placement will be applied to:

- Funding nickel sulphide project generation within Western Australia.
- RC drilling south of Goongarrie at Big Four to Vetersberg to Windanya, and north of Goongarrie at Comet Vale to Highway to Ghost Rocks (being resource targets still requiring drill-out prior to inclusion in Feasibility Studies).
- RC drilling of nickel laterite targets in the Bulong and adjoining area.
- Funding future environmental bonds for drill exploration within the KNP Sphere of Influence.
- Meeting contractual drill obligations for the Placer Dome Big Four acquisition within the KNP.

The remainder of the funds are for working capital at Heron's sole discretion.

The new funds raised will also allow Heron with Inco to evaluate additional resource targets currently outside the KNP JV, for possible inclusion in the JV.



Change of Major Shareholders

Post reporting date, BHP Billiton Limited (**BHP**) announced a substantial Shareholding in Heron of 15.9 million Shares (11.2% at the time, now 9.9% following the Inco placement and expanded capital base). The Shares were purchased from previous second largest Shareholder, OMG Cawse Pty Limited.

BHP's decision to acquire the Heron stake further endorses the view of the Heron Directors that the KNP is a high quality strategic nickel asset.

Heron remains focused on advancing its KNP JV with Inco, and looks forward to working productively with the new Shareholders.

Divestments

The Company sold 6 million options held in former spin-off Avoca Resources Limited, to realise A\$712,000 for KNP funding. Heron's long established strategy is to divest non-core assets to optimise Shareholder value.

Nickel Laterite Feasibility Study

Heron commenced the KNP PFS in September 2004. During the Quarter, the initial 800 x 80m metallurgical sample drilling and batch-scale metallurgical beneficiation test-work was completed.

In results to date, the Company has announced encouraging screen upgrades from the KNP **Goongarrie Hill** and **Siberia Prospects**, demonstrating that typically a 0.8% Ni in-situ grade can be increased through screening to a Leach Feed Grade of 1.5% Ni. The KNP is best bulk mined to achieve operating efficiencies, with low cost screening used to convert bulk low grade siliceous mineralisation into a high grade goethite leach feed.

Feasibility work going forward is to be sole funded by Inco. A Management Committee and Technical Committee with equal Inco and Heron representation will manage the on-going feasibility process.

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

Independent Mineral Resource Estimate

The JORC-compliant independent Mineral Resource estimation continues, using the methodology developed for the KNP by Snowden Mining Industry Consultants.

There has been no decision as yet by Inco as to which of the KNP tenements will be included in Feasibility Studies. Accordingly, the final Feasibility Study Tenements need not utilise the full Table 1 resource.

Acquisitions

Acquisitions and follow up drilling is being funded by Heron through the Inco placement funds. After quantifying resources, the acquisitions will be offered for incorporation in the KNP JV, with expense reimbursement to Heron if accepted.

Bulong Prospect: Execution of formal documentation for the Tranche One Bulong tenements has been completed. Tranche One is 110 tenements in the eastern Bulong area surrounding the high grade Boulder Block laterite pit and Danae Resources Bulong East Prospect. Check sampling and metallurgical programs have commenced at Boulder Block.

Bulong East Prospect: The Danae Bulong East tenements have been transferred to Heron. A detailed review of the past drilling and resource model was undertaken for Bulong East, and a program of trenching was submitted for Ground Disturbance Approval (GDA). There is a significant gold mineralised system present, which is proposed for inclusion in the Regent IPO.

Big Four Placer Dome Prospect: The final documentation is being completed and GDA lodged.

Initial Public Offers

Heron's aim is to divest non-nickel assets through Initial Public Offers (**IPO**), and less likely, through farm-out.

Regent Resources: Gold and VMS assets acquired with the Heron laterites are to be divested through IPO.

Ochre Resources: The iron ore assets of Heron are to be divested through IPO, or less likely joint venture.

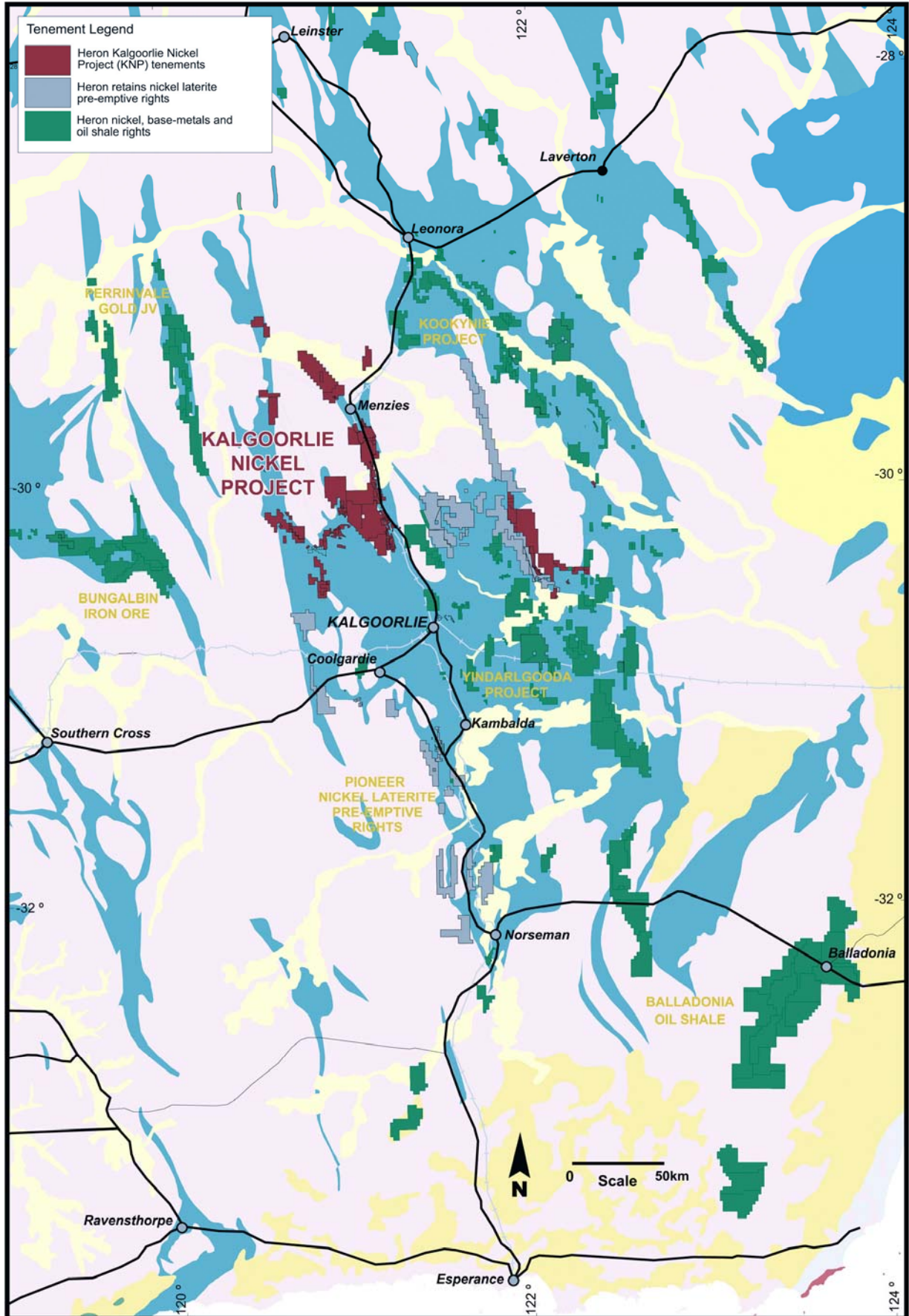
Additional resource tenements have been pegged at Poondano near Port Hedland. Robe River style detrital pisolite targets were pegged in the Ashburton Basin.

Balladonia Energy: The lignite - oil shale - sulphur review continues. A consultant project manager has been appointed for the Balladonia evaluation.

Additional resource tenements have been pegged in the Balladonia region, based on digital terrane models.



Figure 1 Kalgoorlie Nickel Project, Project Location and Tenement Holdings



2. OPERATIONS REVIEW

2.1 KNP Feasibility Study

The KNP PFS continues, focussing on resource definition and metallurgy, specifically the screen upgrade characteristics of the siliceous mineralisation located within the Kalgoorlie - Menzies district (Figure 1). Heron completed **14,349m in 311 RC drill holes** in the current PFS program.

Significant recent KNP drill results include **50m at 1.5% Ni** and **50m at 1.4% Ni** Leach Feed Grade (LFG).

Results reported to date confirm the ability to provide a 1.5% Ni LFG to a proposed KNP processing plant. The dominant upgrade style of mineralisation is the siliceous mineralisation which is present throughout the Walter Williams Formation ultramafic unit, including the KNP Goongarrie, Big Four and Siberia resources. Batch-scale screen upgrade results are encouraging, and in line with the known screen upgrade achieved at the Cawse laterite operation, and those predicted at Ravensthorpe (all being siliceous goethite ore types).

The KNP resource base contains some 446mt in mineralised areas classified as dominantly siliceous, of which some 357mt at 0.7% Ni is on 100% Heron-owned tenements in the Goongarrie-Big Four-Siberia region. This core resource is within 25km of a proposed central Goongarrie KNP plant site.

Subject to the KNP meeting all technical milestones and Inco electing to proceed at each step:

Inco will fully fund the PFS to completion:

- **Step 1:** A large diameter diamond drilling program to confirm Heron's assumption that the KNP contains 120 million tonnes or greater of material at a 1.5% Ni LFG or better.
- **Step 2:** In parallel with the completion of Step 1, the JV will consider flowsheet design based on batch and mini pilot plant testwork to further develop and refine the flowsheet development work already completed by Heron.
- **Step 3:** Confirmation of the mineral resources, chosen process and products, risk analysis, environmental studies and water quality, development of the capital and operating cost model and the recommended scope cost and schedule for the BFS.

Upon completion of the PFS, Inco will have spent an estimated US\$18 million and significantly advanced the KNP towards development. Heron will still retain 100% of the KNP to the completion of PFS.

Inco will fully fund a BFS to earn a 25% interest in the KNP Tenements:

The ultimate scope of the BFS will be based on the PFS results. At this preliminary stage, Heron and Inco estimate likely costs to complete a BFS to be in the order of US\$50 million. Upon completion of the BFS, Inco will have earned a 25% interest in the KNP Tenements.

If the BFS is bankable and the market conditions are favourable then Inco and Heron will proceed to final construction of the KNP within a reasonable period.

In the event development has not occurred within five years of completing the BFS then Inco's 25% interest will revert back to Heron for nil consideration and the JV will be at an end.

Upon Inco securing project financing, Inco will have earned a total 60% interest in the KNP Tenements and right to 100% of Heron's off-take:

- Heron will contribute 4.5% of the KNP's total capital expenditure (including any cost overruns) prior to the KNP entering production and becoming cash-flow positive.
- Inco will procure all remaining project financing requirements.
- Inco will carry Heron's remaining proportional share of the equity financing of the total capital expenditures.
- Heron will repay Inco's loan from the first 80% of its share of available KNP cash-flow.
- Inco will be entitled to purchase 100% of Heron's KNP off-take on a commercial basis to be agreed.

New Projects for the KNP Feasibility Study

New projects identified and purchased or otherwise acquired within a Sphere of Influence by either Inco or Heron will be offered to the KNP JV. If the parties mutually agree to include such new projects in the KNP then all additional evaluation expenditures will be met by Inco during its earn-in period.

KNP Staffing

Heron has increased the KNP resident development team to seven geoscientists, who are managing the current resource and feasibility work. Four to five members are likely to be seconded to the KNP JV.

Additionally, senior Inco technical management are in Kalgoorlie to facilitate the parties setting up the Feasibility Study operating and management systems.



2.1.1 Highway

Heron 62% and 87.5%.
Nickel - gold.

A program of initial 160 x 80m resource definition drilling by Heron has been designed and approved. The Ground Disturbance Approval (GDA) was recently approved by the Department of Industry and Resources (DoIR), and planning has commenced to for the survey gridding and required drill line clearing.

2.1.2 Goongarrie

Heron 100%.
Nickel - gold.

Goongarrie South Pre-Feasibility Study Drilling

Drill results confirm a more extensive distribution of siliceous upgrade mineralisation than previously interpreted, with good upgrade characteristics. Best result is 54m at 1.5% Ni LFG (1% Ni LFG cut-off, screening at 75µm).

Big Four Pre-Feasibility Study Drilling

A broad zone of nickel laterite mineralisation has been confirmed by the drilling with better LFG results including 12m at 1.5% Ni, 8m at 1.9% Ni and 10m at 1.4% Ni (1% LFG cut-off, screening at 75 µm).

Big Four Placer Dome

A 6,000m RC drilling program has been approved for the area at Big Four purchased from Placer Dome. The mineralisation style is siliceous upgrade.

Scotia Dam Pre-Feasibility Study Drilling

A program comprising 724m of RC drilling covering 19 drill holes was completed at the Scotia Dam siliceous resource. Results confirm the known mineralised zone, which is a less siliceous ore type. Accordingly, the upgrade potential is lower. Better results include 6m at 1.5% Ni and 14m at 1.3% Ni (1% Ni LFG cut-off, screening at 75µm).

2.1.3 Siberia

Heron 100%.
Nickel.

Siberia Pre-Feasibility Study Drilling

A program comprising 6,225m of RC drilling covering 123 drill holes was completed at the Siberia North and South siliceous resource areas.

Significant recent drill results are tabulated follows in Table 2 and include 50m at 1.5% Ni and 50m at 1.4% Ni LFG (1% Ni LFG cut-off, screening at 75µm).

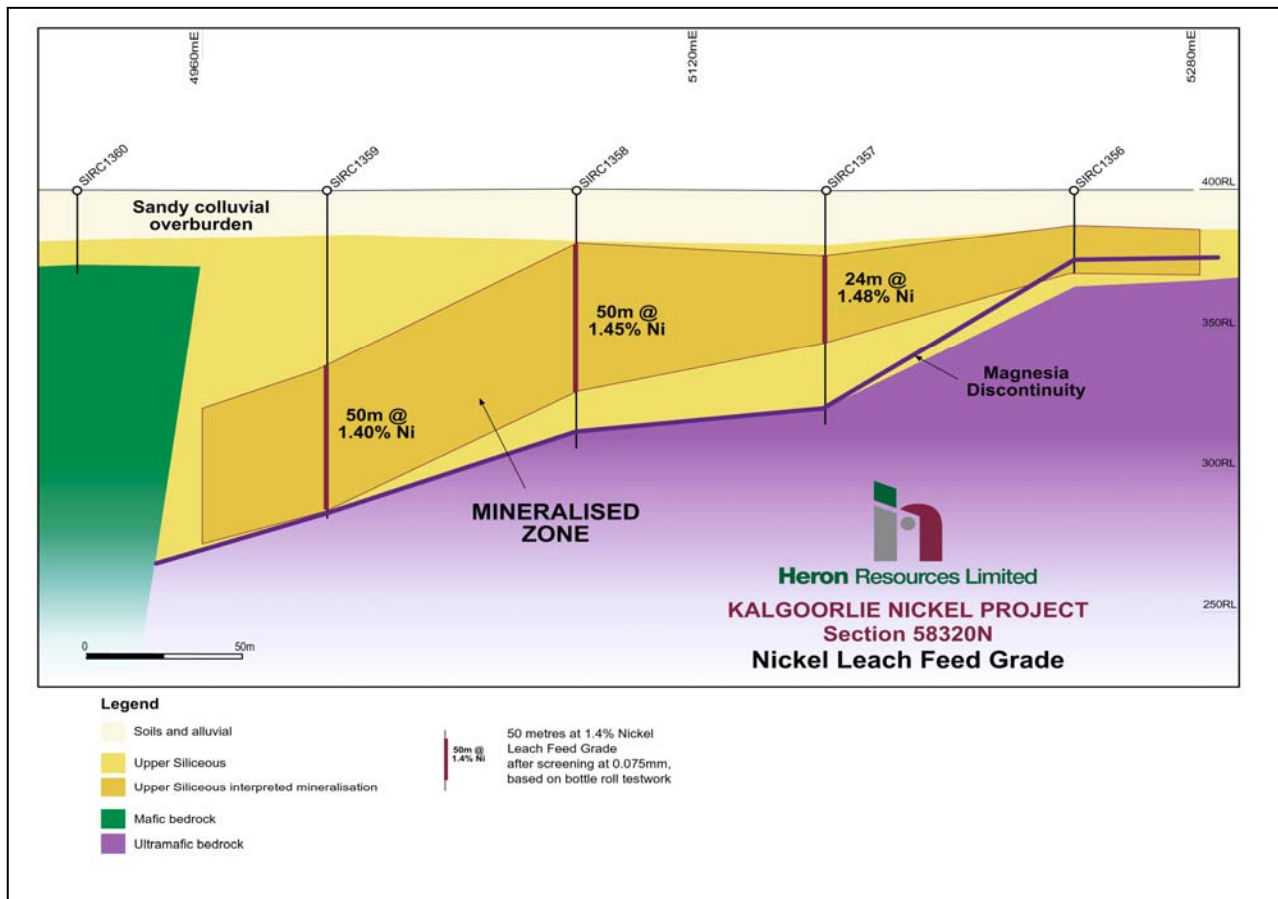


Table 2 Siberia Prospect, Significant Leach Feed Grade Intersections, February- March 2005 Drilling

Hole No	North	East	From	To	Width	Ni% LFG	Ni% Head	%Ni Recovery	%Ni Upgrade	Ore Type
SIRC1315	57440	6600	6	20	14	1.90	1.04	40.9	84.6	CUS
SIRC1316	57440	6520	6	12	6	2.06	1.18	36.2	66.9	CLS
SIRC1317	57440	6440	16	50	34	1.21	0.65	74.2	94.3	CUS
SIRC1331	56640	6720	4	20	16	1.25	0.71	66.4	82.4	CUS
SIRC1351	58320	5640	20	28	8	1.66	0.83	75.1	103.8	CLM
SIRC1352	58320	5560	12	18	6	2.18	1.38	55.8	64.9	CLS
SIRC1357	58320	5160	24	48	24	1.48	1.04	58.9	73.2	CUS
SIRC1358	58320	5080	22	72	50	1.45	1.12	75.6	37.4	CUS
SIRC1359	58320	5000	62	112	50	1.40	0.96	76.8	54.0	CUS
SIRC1366	59120	6120	22	26	4	1.80	0.63	83.5	183.1	CLS
SIRC1366	59120	6120	24	28	4	1.67	0.61	81.9	170.2	CLS
SIRC1374	59120	5480	30	42	12	2.88	1.33	62.2	159.9	CLS
SIRC1377	59120	5240	22	26	4	1.39	0.9	55.7	51.5	CLS
SIRC1379	59120	5080	20	28	8	1.93	0.89	51.0	120.2	CLS
SIRC1380	59120	5000	16	20	4	2.75	1.20	51.5	126.6	CLS
		<i>and</i>	24	28	4	1.29	0.59	48.3	120.1	CLS
SIRC1395	51920	4440	30	38	8	1.28	0.53	87.5	141.3	CUS
SIRC1396	51920	4360	28	40	12	1.28	0.65	70.2	104.4	CUS
SIRC1402	51920	3880	24	34	10	1.22	1.17	83.5	5.7	CLS
SIRC1403	51920	3800	34	40	6	1.27	0.67	68.5	92.7	CUS
SIRC1418	49335	1504	16	32	16	1.81	0.78	68.6	141.7	CUS
SIRC1422	49563	1279	28	32	4	1.42	0.83	74.6	78.7	CLS
SIRC1426	50190	2345	26	32	6	2.00	1.42	90.1	38.1	CLS

Explanatory Notes to Head Grade and Leach Feed Grade Intersections

- Nickel Leach Feed Grade (% Ni LFG) is an agitated “*bottle roll*” sample screened at a 75µm screen size and is an estimate of the grade following screening through a beneficiation circuit of nickel laterite likely to be available to the Pressure Acid Leach (PAL) autoclave. All assays are based on XRF analysis of 2m RC drill samples.
- Nickel Head Grade is the unscreened assay for the interval, and represents as-mined material prior to screening.
- Nickel Recovery is the percentage of nickel in as-mined material which reports to the screened leach feed for the autoclave. In “*bottle rolls*”, there is far less agitation than for a batch-scale bulk sample, so the above “% Ni Recovery” is felt to be a conservative estimate.
- Nickel Upgrade is the percentage amount the nickel grade has increased in the Leach Feed compared to the as-mined Head Grade.
- Ore Type is the metallurgical style of the mineralisation;

CUS = Upper Siliceous, for screening prior to feeding to the PAL autoclave.

CLS = Lower Siliceous (magnesitic), for screening prior to feeding to a possible Saprolite Acid Leach reaction vessel.



3. REGENT IPO

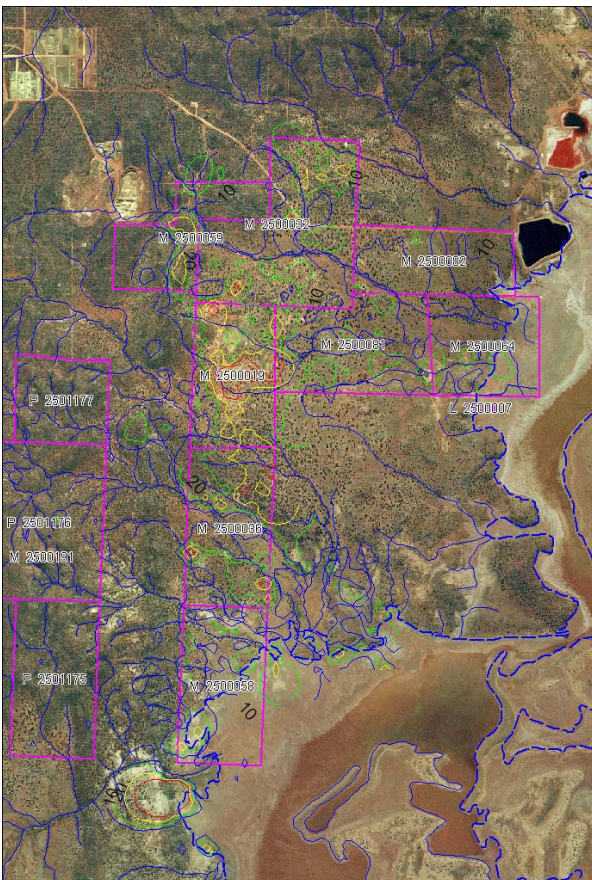
The proposed IPO is likely to feature Heron's gold and VMS base metals assets in Western Australia. The proposed Regent IPO projects are:

- Bulong gold.
- Yindarlgooda VMS base metals and gold.
- Bardoc Tectonic Zone gold.
- Keith Kilkenny gold (possibly as a joint venture).
- Wildara gold.
- Warburton copper.

3.1 Bulong Gold

The project area consists of tenements purchased from the Bulong Companies (Tranche One), Danae (Bulong East) and Supersorb (Taurus). The merged holding consolidates a contiguous zone of historical gold workings associated with quartz-veined felsic volcanics.

Initial work has commenced with a detailed data compilation. Initial field mapping was completed, and on this basis, GDA lodged for costeaning of the target areas (100ppb Au soil geochemistry), to determine mineralisation styles and vein densities.



Aerial photograph with contoured Gold-in-Soil; green contour 20ppm Au, yellow contour 50ppb Au and red contour 100ppb Au.

3.2 Yindarlgooda VMS and Gold

The Yindarlgooda massive pyrite and supergene gold occurrences confirm the potential for VMS style Cu-Zn-Au deposits. The Yindarlgooda sulphides represent potential strategic sulphuric acid resources for the KNP laterite, so Heron will seek to retain sulphur off-take.

The main gold target is Queen Lapage. A previous pit is recorded to have produced 35,000t at 9.3g/t Au, and has a remnant resource stated by the previous operator at 130,000t at 4.0g/t Au, probably as refractory ore.

Initial Queen Lapage ironstone / meta-sediment sampling 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 geological pathfinder for VMS "Footwall Alteration". The results confirm that exhalative VMS models apply at Yindarlgooda. Numerous historical gold workings are present in the project area, in addition to Queen Lapage.

3.3 Bardoc Tectonic Zone Gold

The Bardoc Tectonic Zone is part of the Boorara-Menzies and Boulder-Lefroy fault systems, one of the major structures controlling gold mineralisation in the Eastern Goldfields. Gold mining centres from south to north that occur within the Bardoc Tectonic Zone and associated splays include Paddington, Broad Arrow, Wendy Gully, Windanya, Bardoc, Goongarrie, Comet Vale, Menzies and Ghost Rocks.

Regent is to acquire gold rights over the eastern portion of Heron's Windanya to Goongarrie to Ghost Rocks nickel projects, covering Siberia Formation basalt and dolerite overlying and east of the Walter Williams Formation olivine adcumulate ultramafic (WWF). Gold deposits owned by Heron include the Baden Powell and Goongarrie Lady open-cuts. The WWF hosts all of the Heron KNP nickel laterite deposits, and is fully excluded from the proposed Regent IPO.

3.4 Keith Kilkenny Tectonic Zone Gold

The Keith Kilkenny Tectonic Zone is a major crustal rift hosting significant historical gold mining centres from south to north at Carasue Dam, Porphyry, Yerilla and Sons of Gwalia. As a rift setting, there are discrete ultramafic units which Heron has previously acquired and drilled as nickel laterite targets (not included in Heron's JORC-compliant inventory). In the course of nickel exploration, Heron has identified the gold targets.

Additionally, Heron has mineralised systems at **Banjo** (55,000t at 2.0g/t Au), **Yarri** (240,000t at 2.6g/t Au) and **Nils Desperandum** (267,000t at 2.4g/t Au), as reported by previous tenement holders (not JORC compliant).



3.5 Wildara Gold

Wildara is located 20km north along the structural trend of the Thunderbox gold mining centre.

Heron has completed soil auger sampling across regional gold and nickel targets. The sampling is on a nominal 1,000 x 100m regional grid. Infill sampling of target areas on 500m spaced lines with 50m spaced samples was completed, identifying two significant anomalies:

- Three line gold-in-soil anomaly with peak value of 482ppb Au, and 87ppb support. An infill sampling program has been designed. This is a high priority target for geochemical follow up and drilling.
- A significant nickel-in-soil anomaly is present peaking at 0.306% Ni, with 0.23%, 0.14% and 0.18% Ni on adjacent lines on a mapped ultramafic. Low order coincident anomalism of up to 63ppm Cu with 9 to 18ppb Pt and 6ppb Pd is present, indicating a potential nickel sulphide setting.

3.6 Warburton Copper

The area was explored for copper in the late 1960s and early 1970s by WMC, who recorded over 150 copper occurrences and successfully intersected high-grade copper mineralisation in a number of diamond drill-holes. The WMC copper exploration wound down with their discovery in 1975 of Olympic Dam in South Australia.

Heron conducted further research on old WMC drill core now housed at the GSWA core library in Kalgoorlie. Samples were taken from various rock types and alteration styles for petrological examination to determine the style of copper-silver mineralisation. Other samples from the core helped to confirm the high grade copper mineralization, with results including 14m at 1.26% Cu from 86m, including 4m at 2.78% Cu.

The most striking feature of the core is the pervasive red hematite alteration occurring in most rock types. The dominant rock types are massive mafic to intermediate volcanics and a pebbly porphyry clast breccia / conglomerate. This style of volcanism is commonly present in Iron Ore Copper-Gold Deposit geological settings (IOCAD).



Musgrave breccia and haematitic alteration

4. OCHRE IPO

The currently proposed iron ore IPO projects are:

- Bungalbin Portman Option iron ore.
- Bungalbin Aurora iron ore.
- Poondano iron ore.
- Ashburton detrital iron ore.
- Perrinvale iron ore and VMS.
- Bandicoot Range iron ore joint venture.
- Onslow iron sand (possibly as a joint venture).
- Jamieson iron-titanium-vanadium-PGM.

4.1 Bungalbin Iron Ore Option

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

Portman has reported for exploration on the Option Agreement leases completed during 2004. Work included mapping of the Mt Jackson J4 and J5 deposits, RC drilling of 7 holes for 768 meters at J4, geological interpretation, botanical surveys and aerial photographic survey of the Bungalbin Range. Best drill results were 45m at 58.7% Fe and 53m at 59.2% Fe.

4.2 Bungalbin Aurora Iron Ore

The two excellent Algoma-style iron ore occurrences, one in-situ haematite and the second kanga (near transported and enriched) have been identified from previous Heron helicopter-based sampling programs. Several outcropping iron ore occurrences returned shipping grade iron assays, which have been followed up with vehicle-based mapping and sampling.

4.3 Poondano Iron Ore

The project covers a significant iron ore occurrence 30km SE of the iron ore shipping centre of Port Hedland. Previous work indicates that Robe River-style pisolite iron deposits outcrop over a 6km strike length at Poondano with grades up to 59% Fe.

Additional ground was acquired during the Quarter which has the potential for further occurrences of this detrital style of iron ore mineralisation.

There is good potential for a mining operation to exploit the Poondano occurrences and provide an early cash-flow for Ochre. The proximity to transport infrastructure is most important.

4.4 Ashburton Detrital Iron

Landsat and digital terrane modeling has identified several detrital iron ore target areas in the northern Ashburton Basin directly south downstream from the Paraburdoo iron ore deposits. Three Exploration Licences were pegged by Ochre targeting interpreted iron-rich raised terraces / channels.

4.6 Bandicoot Range Iron Ore

The Bandicoot Range project is located directly west of Kununurra and 50km from the Port of Wyndam. The tenement contains a number of iron occurrences that were evaluated in the 1970s. Previous reports indicate rock-chip assays of up to 65% Fe which will provide a focus for initial exploration in the area. Joint venture documentation is being drafted with Mt Anketell.

4.5 Perrinvale Iron Ore and VMS

Mt Burgess Mining withdrew from the Perrinvale joint venture during the Quarter. Data was returned and the project reviewed in light of its iron ore potential. Digital terrane models, detailed aeromagnetics and mapped geology confirmed the presence of significant strike lengths of BIF within all tenements. Unfortunately none of the previous sampling included iron assays. Accordingly, Heron completed a significant mapping and rock chip sampling program of the BIF horizons through all tenements. Results are awaited.

4.7 Onslow Iron Sands

The 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 be uneconomic. Given the much improved iron ore prices it was considered by Heron that the area warranted a renewed assessment.

Joint venture discussions for Iron Sands are current.

4.8 Jamieson Iron-Titanium-Vanadium-PGM.

The prospect is located in the Musgrave Province and is a layered mafic complex with banded magnetite-hosted titanium and vanadium mineralisation. As well as magnetite mineralisation, potential exists for PGMs.

5. BALLADONIA OIL SHALE / MINERAL SANDS

Lignite / Oil Shale

A joint venture or IPO for the Balladonia Energy lignite / oil shale / mineral sand assets is under review. A consultant project manager has been retained for Balladonia Energy. If an IPO proceeds, the Balladonia Energy projects would include:

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

The potential of the Balladonia Project has increased markedly due to the buoyant oil price projections, now well exceeding US\$50 per barrel.

The Balladonia tenements are continuing to progress to grant. Oil shale, lignite and heavy mineral sand targets are available for immediate magnetic-gravity survey followed by drill testing.

The oil shale resources are swamp deposits formed in Eocene-aged paralic lake valleys at the edge of the Eucla Basin sea. As a result of a later rise in sea level, the swamps were buried and the shoreline shifted westward forming coastal beaches and dune systems (strandlines, with documented heavy mineral sands).

Based on 1980s drilling, the Heron lignite resources have a high oil yield, being up to 190 litre per tonne. The oil yields are comparable to oil shale deposits in Queensland, which underwent trial production. Heron is intending to retain sulphur off-take.

Heavy Mineral Sands

Heavy mineral sands occur in transgressive strandlines west of the Balladonia oil shales. High zircon is recorded in previous mineral sand drilling.

Uranium

The Company has pegged several uranium properties in WA, NT and Queensland with documented radiometric anomalies. A consulting geologist has been retained to conduct open-file studies.



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 31 years experience as an exploration geologist, 23 years experience as a mineral economist, and 8 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.



Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HERON RESOURCES LIMITED

ABN

30 068 263 098

Quarter ended (current quarter)

31 March 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current Qtr	Year to Date (9 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(785)	(2,350)
(b) development		
(c) production		
(d) administration	(201)	(763)
1.3 Dividends received		
1.4 Interest and other items of similar nature received	14	45
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)-GST Paid	40	0
- Sale of Rights	0	30
- Sale of Data	0	9
- Option Fee	5	28
	(927)	(3,001)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(156)	(621)
(b) equity investment		
(c) other fixed assets	(9)	(27)
1.9 Proceeds from sale of: (a) prospects	14	14
(b) equity investment - options	720	720
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	569	86
Net Investing Cash Flows		
1.13 Total operating and investing cash flows (carried forward)	(358)	(2,915)



1.13 Total operating and investing cash flows (brought forward)	(358)	(2,915)
Cash flows related to financing activities		
1.14 Proceeds from the issue of shares, options, etc.	162	3,254
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	0	(20)
- Capital Raising Expenses	(0)	(107)
Net financing cash flows	162	3,127
Net increase (decrease) in cash held	(196)	212
1.20 Cash at beginning of quarter/year to date	1,787	1,379
1.21 Exchange rate adjustments		
	1,591	1,591
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	124
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\$97,000). Provision of office accommodation by director-related entity (A\$15,000). Provision of legal advice by director-related entity (A\$11,600).
--

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	144	135
5.2 Deposits at call	1,134	1,358
5.3 Bank Overdraft		
5.4 Other (provide details)		
Environmental bonds	156	109
Escrow Accounts	157	185
Total: cash at end of quarter (Item 1.22)	1,591	1,787

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	141,999,600	141,999,600		
7.4 Changes during Quarter *				
(a) Increases through share issues	500,000	500,000	\$0.22	\$0.22
(b) Decreases through returns of capital, buybacks	200,000	200,000	\$0.25	\$0.25
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>
	500,000	Nil	\$0.339556	30/06/2005
	500,000	Nil	\$0.489556	30/06/2005
	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
	4,350,000	Nil	\$0.25	16/12/2007
	3,000,000	Nil	\$0.25	31/12/2007
	375,000	Nil	\$0.25	31/12/2008
7.8 Issued during Quarter	2,000,000	Nil	\$0.20	31/12/2005
	1,400,000	Nil	\$0.25	16/12/2007
	3,000,000	Nil	\$0.25	31/12/2007
	375,000	Nil	\$0.25	31/12/2008
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. 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 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).

6.1 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>
E31/668	Registered Applicant	100	0
E37/782	Registered Applicant	100	0
M27/430	Registered Applicant	100	0
P26/3310	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>
E08/1511	Registered Applicant	0	100
E08/1512	Registered Applicant	0	100
E08/1513	Registered Applicant	0	100
E09/1195	Registered Applicant	0	100
E09/1196	Registered Applicant	0	100
E16/315	Registered Applicant	0	100
E25/313	Registered Applicant	0	100
E26/115	Registered Applicant	0	100
E29/575	Registered Applicant	0	100
E29/582	Registered Applicant	0	100
E39/1111	Registered Applicant	0	100
E39/1115	Registered Applicant	0	100
E39/1120	Registered Applicant	0	100
E40/209	Registered Applicant	0	100
E45/2723	Registered Applicant	0	100
E77/1268	Registered Applicant	0	100
E77/1272	Registered Applicant	0	100
L25/007	Registered Holder	0	100
M16/493	Registered Applicant	0	100
M16/494	Registered Applicant	0	100
M16/495	Registered Applicant	0	100
M24/912	Registered Applicant	0	100



Tenement	Nature of Interest	% Begin Quarter	% End Quarter
M25/019	Registered Holder	0	100
M25/032	Registered Holder	0	100
M25/036	Registered Holder	0	100
M25/058	Registered Holder	0	100
M25/059	Registered Holder	0	100
M25/064	Registered Holder	0	100
M25/081	Registered Holder	0	100
M25/082	Registered Holder	0	100
M25/191	Registered Holder	0	100
M25/226	Registered Holder	0	100
M29/388	Registered Applicant	0	100
M39/928	Registered Applicant	0	100
P24/3956	Registered Applicant	0	100
P25/1175	Registered Holder	0	100
P25/1176	Registered Holder	0	100
P25/1177	Registered Holder	0	100
P25/1179	Registered Holder	0	100
P26/3308	Registered Applicant	0	100
P26/3309	Registered Applicant	0	100
P26/3310	Registered Applicant	0	100
P29/1849	Registered Applicant	0	100
P29/1850	Registered Applicant	0	100
P29/1851	Registered Applicant	0	100
P29/1852	Registered Applicant	0	100
P29/1853	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: _____
Company Secretary

Date: 29/04/05

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.

