

Quarterly Report

September 2008

HIGHLIGHTS

KALGOORLIE NICKEL PROJECT

- Pre-Feasibility Study (PFS) by an independent engineer on schedule for completion end of January 2009
- 85,000m of Reverse Circulation (RC) resource drilling completed during current PFS step
- Resource estimation completed for Highway and Goongarrie Hill, currently under review by external resource auditors
- Mining studies under way
- Baseline environmental studies commenced
- Ongoing liaison with Department of Industry and Resources and community groups to facilitate approvals process

YERILLA NICKEL PROJECT

- Positive Scoping Study completed into project producing 21,000t of contained nickel and 1,400t of cobalt per annum
- 18 year mine life based on increased resources
- Study commenced to address production optimisation opportunities highlighted by Scoping Study
- Expressions of interest from potential equity partners to be sought on completion of current study

LANGEY CROSSING PHOSPHATE PROJECT

- Tenements granted, heritage surveys completed
- Drilling and bulk sampling commenced
- Infrastructure review commenced
- Positive metallurgy results
- Further phosphate targets pegged
- Off-take options under review

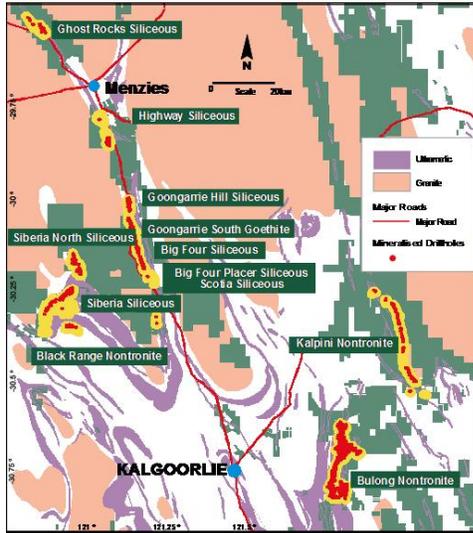
CORPORATE AND BUSINESS DEVELOPMENT

- Reviews of potential acquisition projects in gold, base metals, nickel sulphides and iron ore completed
- Cash balance of \$35m at September 30 2008 with Company well placed to capitalise on opportunities arising from current market turbulence
- Review of companies and projects for acquisition to continue, looking for synergies and value accretion

KALGOORLIE NICKEL PROJECT

KALGOORLIE NICKEL PROJECT (KNP) (HERON 100%, VALE INCO, A WHOLLY OWNED SUBSIDIARY OF VALE, EARNING 60%)

INTRODUCTION



The resource drilling and test-work program was concluded during the quarter, and Vale has confirmed it is on schedule to deliver the Pre-Feasibility Study report as required at the end of January 2009.

A total of 85,000m of RC drilling for mineralisation on the priority areas and 5,000m of sonic drilling for metallurgical test-work has been completed during the current PFS step which is Step 3 under the Farm-In Agreement between Heron and Vale. Beneficiation and High Pressure Acid Leach (HPAL) variability test-work was carried out in the four western priority areas being Highway, Goongarie Hill, Goongarie South and Siberia North.

Resource estimation using the new Step 3 drilling has been concluded for Highway and Goongarie Hill and is currently being reviewed by Vale's external resource auditors ahead of release. Mining studies for Highway, Goongarie South, Siberia North have commenced. It is expected to finish the mining studies for Goongarie Hill in October.

The engineering study has been focussed on process engineering and project set up. The preliminary phase Heap Leach Study progressed well. The capital and operational costs for Heap Leach will be estimated in the coming quarter. The prefeasibility process engineering commenced on 1 September 2008 and will be tackled in two parts. The HPAL – mixed hydroxide product option will be progressed first and the HPAL – mixed sulphide product option will be completed second.

Consulting group Golder Associates has been engaged to perform the baseline environmental assessment and URS to provide the logistics study and rail/road deviation in the Goongarie areas.

Regular meetings with DoIR to provide facilitation assistance for the Government Approvals process are ongoing.

Heritage (ethnographic and archaeological) evaluation is ongoing in the coming quarter.

RC DRILLING

The budgeted drilling program has been completed, with resource drilling completed at Ghost Rocks, Windanya, Frances Lesley and Bulong. Further close spaced drilling to test Short Range Variability (SRV) of the resources was completed at Goongarie South and Kalpini. A second SRV drill program was completed at Highway using a "W" pattern, providing a range of drill hole spacings down to three meters.

The RC drilling on the regional tenements was aimed at satisfying a number of criteria including:

- Infill previous drill lines in prospective areas from 400 metre spacing to 160 metre line spacing.
- Close off medium-high grade nickel laterite zones recognised from previous drilling.

SONIC DRILLING

Sonic drilling is a new drilling method which provides high sample quality, similar to diamond drilling, at lower costs.

The sonic drill rig completed all the budgeted Step 3 work during this quarter finishing off with a number of twin holes at Siberia North, Goongarrie South and Kalpini as well as a program to obtain some test material for the pilot plant. A total of 25 holes for 1,208m were completed this quarter.

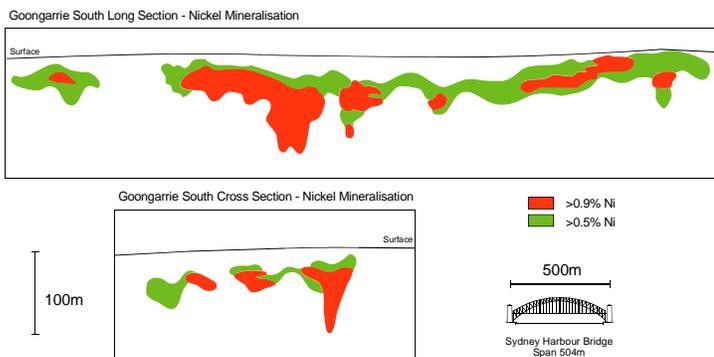
The twin hole program was designed to assess the validity of the RC drilling as a resource estimation tool. The twin hole process involves drilling a sonic drill hole in close proximity to the initial RC hole to check drilling method variability and short range variability.

This program checked RC drilling conducted by Vale and Heron along with a number of previously drilled diamond drill holes. Evaluation of results is underway.

RESOURCE ESTIMATION

The resource estimation work was undertaken for Highway and Goongarrie Hill this quarter. The block models were combined with the metallurgical algorithms to produce a GeoMet model used for the mine planning which is currently underway.

Resource estimation work at Goongarrie Hill is being reviewed by consultants Golders. Finalised reports on resource estimation are expected during the next quarter.



DENSITY

Results were compiled and density values assigned to the different regolith types for the individual resource areas.

Down hole density data using a gamma-gamma density probe has been obtained from over 100 drill holes in the KNP. This includes all the main resource areas of Goongarrie Hill, Goongarrie South, Highway and Siberia North. Results were compiled and density values assigned to the different regolith types for the individual resource areas.

These observed densities are higher than those used by Heron in their original 2004 resource estimation.

HERITAGE

Further heritage work is underway with consultants.

HYDROGEOLOGY / WATER EXPLORATION

Hydrogeology drilling has commenced to test Aquaterra and Vale hydrogeology targets. A study based on all of the work completed on hydrogeology and all other available information on potential water sources is underway.

Water exploration drilling was completed at Ghost Rocks, Comet Vale, Goongarrie East, Canegrass, Goongarrie West and Highway North during this quarter.

Drill targeting was based on previous explorers' data, field reconnaissance, location of historic bores, structural interpretation, surface drainage and topographic data.

METALLURGICAL TEST-WORK

Extensive metallurgical test-work programs covering beneficiation, HPAL, atmospheric leaching, rheology and heap leaching are nearing completion and on track for inclusion in the PFS.

The work undertaken in the third quarter of 2008 included:

- Leaching tests of all 59 columns were completed at CSIRO in Perth. The final 12 columns are being washed, dried and sampled to evaluate the different ore performance for the heap leaching process;
- Beneficiation variability on 300 samples has been completed and correlations for the beneficiation tests have been generated for the main four western areas;
- HPAL variability was completed for Highway, Goongarrie Hill and Goongarrie South. Siberia North samples are still being submitted to evaluate Ni and Co extraction as well as the sulphuric acid consumption;
- Rheology and settling tests have been performed on selected samples from each prospect;
- HPAL and Atmospheric leaching test-work was completed on 36 samples at Vale Inco's Sheridan Park laboratories in Canada;
- Mineralogical analysis on head samples, beneficiated product and HPAL residue are in progress at CSIRO.

BENEFICIATION VARIABILITY

Highway, Goongarrie Hill and Siberia North have exhibited good beneficiation potential due to the rejection of barren coarse silica.

The beneficiation variability program was completed during this quarter. Highway, Goongarrie Hill and Siberia North have exhibited good beneficiation potential due to the rejection of barren coarse silica. Goongarrie South samples do not have the same beneficiation potential due to the predominantly goethitic ore type having lower silica but higher nickel head grades.

Highway has the highest Ni upgrade with the lower mass recovery and Goongarrie South presents the lowest Ni upgrade with higher mass recovery. Generally nickel upgrade is inversely proportional to mass recovery.

COLUMN LEACHING

All the 59 columns leaching have been terminated and the residues are in preparation to be analysed for chemistry and mineralogy.

HPAL VARIABILITY

The HPAL variability program has been completed for Highway, Goongarrie Hill and Goongarrie South. Acid consumption equations were calculated to be used in the mining studies and for operating cost estimation. Ni extractions above 92% have been obtained for all samples with acceptable free acid concentration at the end of the test and HPAL residence time will target 60 minutes.

Settling tests and rheology behaviour tests were undertaken on composite samples for clay upper and clay lower mineralisation with satisfactory results. Tests on different blends of clay upper and clay lower from Siberia North are in progress.

Acid consumption prediction equations for Highway, Goongarrie Hill and Goongarrie South resources based on the chemical composition of the autoclave feed were determined.

MINING STUDY

Mining studies for the four priority areas of Highway, Goongarrie Hill, Goongarrie South and Siberia North resources have started and are expected to be completed by the middle of October.

Golder Associates have been selected to conduct the external audit for the estimation and mining studies.

INDEPENDENT ENGINEERING

The first phase of the engineering work, Heap Leach evaluation, is progressing well.

SNC Lavelin has been appointed by Vale to complete the PFS engineering and cost estimates for KNP.

The first phase of the engineering work for Heap Leach evaluation is progressing well with the block flow diagram design criteria, mass balance and operating cost estimate essentially completed. Vale is verifying the flow sheet design, heap leach design and mass balance with assistance of their technical group in Brazil.

A trade-off study was conducted with input from Golder Associates to identify, quantify and compare the capital and operating costs of single and multiple leach pad options with a processing plant at Highway, as the mining progresses from the Highway Deposit to the Goongarrie Hill and Siberia North deposits.

The capital cost and operational cost estimates and report are being compiled.

HPAL WITH MHP OPTION

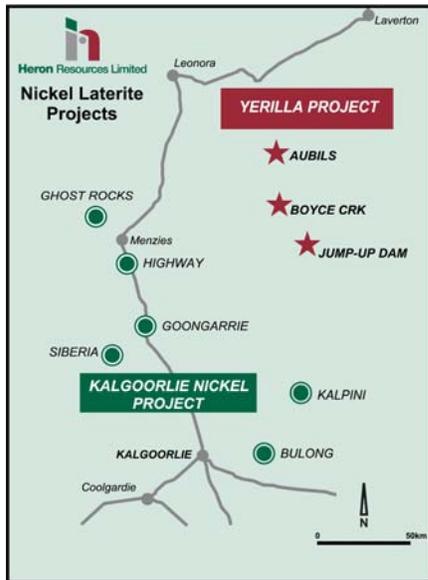
The second phase engineering studies, HPAL with Mixed Nickel-Hydroxide Product (MHP) has been initiated, and review of the beneficiation circuit flow sheet and the test work results on ore from difference deposits is underway. Two beneficiation circuits have been proposed by Vale, one for upgradeable ore and one for the non-upgradeable ore from Goongarrie South. The latter circuit includes a ball mill.

LOGISTICS

URS has been contracted to perform rail and port studies and has had representatives on site for preliminary evaluations of road and rail diversions north of Kalgoorlie.

YERILLA NICKEL PROJECT

SCOPING STUDY



18 year mine life with annual production of 21,000 tonnes of nickel in mixed sulphide intermediate product and a further 1,400 tonnes of cobalt sourced from 2.5 Mt of leach feed

Heron is fortunate to have had the support of BHP Billiton in undertaking this study through the use of its Technology Centre and contributions from BHP Billiton's technical experts

Heron announced positive results from the Scoping Study for its Yerilla Project during the quarter. Heron delivered on its commitment to complete this Scoping Study on time and within budget.

Using a process based on Atmospheric Leaching Technology, the study has identified an 18 year mine life with annual production of 21,000 tonnes of nickel in mixed sulphide intermediate product and a further 1,400 tonnes of cobalt sourced from 2.5 Mt of leach feed grading 1.06% Ni and 0.07% Co.

The study was based on a combined resource of some 135.3 Mt at 0.77% Ni and 0.05% Co (details provided in Table 1).

The capital cost of the project was estimated at A\$1.2 billion and the financial payback is estimated to be 6.5 years.

Financial modelling for sensitivity analysis assumed a pre-tax 8% discount rate, US\$9.00/lb long term average nickel price and 0.75 A\$:US\$ exchange rate. The study used a long term sulphur price, based on expert studies by British Sulphur Consultants a division of international market forecasting consultancy CRU.

The level of detail contained in the scoping study was similar to the requirements of a pre-feasibility study, with some of the test-work conducted at BHP Billiton's testing facilities. Heron is fortunate to have had the support of BHP Billiton in undertaking this study through the use of its Technology Centre and contributions from BHP Billiton's technical experts. The study has provided Heron with confidence to proceed with more detailed test-work to further analyse the project's financial dynamics.

Heron will proceed to review the results of the study and determine the optimum development options for the Yerilla Project. Further studies will be undertaken to investigate opportunities for improvements in important aspects of the project, including resource beneficiation, leaching performance and water quality. The structured search for a project equity partner will commence on completion of this study.

The application of the BHP Billiton patented atmospheric leach technology to the expanded 135.3 Mt resource base which incorporates the Jump-up Dam, Boyce Creek and Aubils projects, has significantly improved the project's financial integrity in comparison to the stand-alone Jump-up Dam Heap Leach Project. Heron has access to the atmospheric leach technology through the Technology Sharing and Product supply agreement executed with BHP Billiton in January 2008.

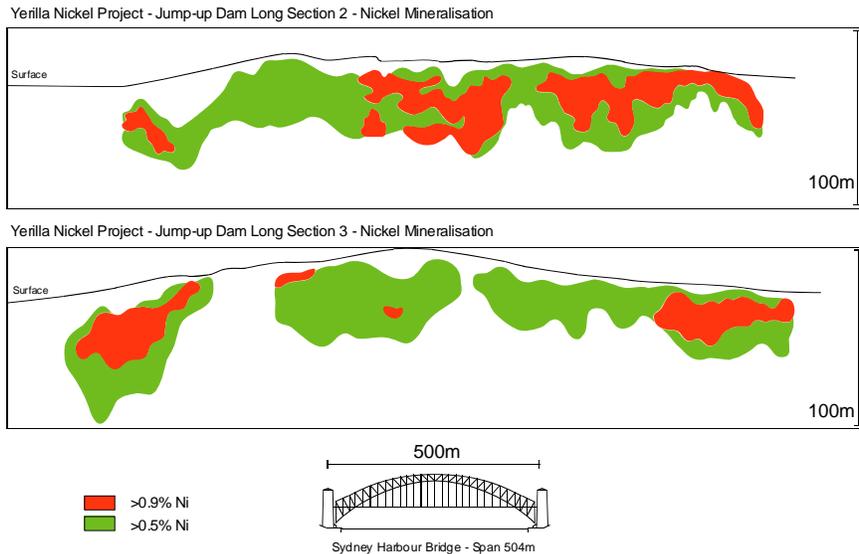
Expanded resource base and change to atmospheric leaching technology has allowed an increase in the production rate and the application of beneficiation to increase leach feed grade

This expanded resource base and change to atmospheric leaching technology has allowed an increase in the production rate and the application of beneficiation to increase leach feed grade. It has also significantly reduced the production ramp-up period and the amount of nickel inventory in circuit. The atmospheric leach technology also eliminates the project risks associated with laterite heap leaching and facilitates treatment of a larger range of ore types.

The Yerilla Project proposes mining 3.2 Mt of ore per annum from shallow open pits located at Jump-up Dam, Boyce Creek and Aubils. A proportion of the ore is beneficiated through simple scrubbing, attritioning and size separation to produce 2.5 Mt per annum of upgraded leach feed material. The ore is classified into high and low iron streams which feed the primary and secondary leach circuits respectively. Leaching takes place in conventional agitated leach tanks with sulphuric acid at normal atmospheric pressure. The sulphuric acid is produced on site in a sulphur burning acid plant, which also provides all the project's power requirements via steam turbine generators. The nickel intermediate product is recovered from the leach solution after neutralisation and precipitation.

Table 1 Yerilla Resource based on 0.5% Ni Cutoff to 10mE x 10mN x 4mRL Blocks

		Mt	Ni%	Co%
Yerilla	Measured	3.9	0.94	0.05
	Indicated	67.5	0.79	0.05
	Inferred	63.9	0.73	0.06
	Total	135.3	0.77	0.05



LANGEY CROSSING PHOSPHATE PROJECT

INTRODUCTION

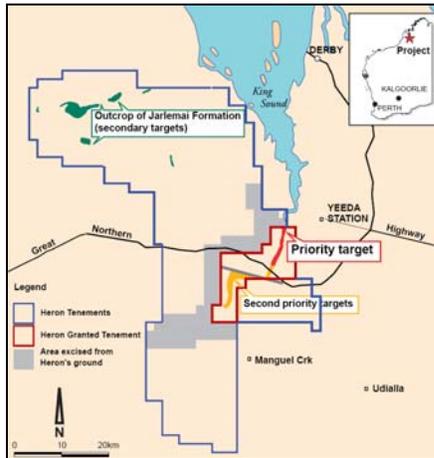


Figure 1 – Langey Crossing Location

The Company has obtained the key approvals and commenced exploration at its 100% owned Langey Phosphate project located some 40km south of Derby, Western Australia (Figure 1). Approvals include a Heritage Protection Agreement and Survey with the Nyikina Mangala Traditional Owners, facilitated through the Kimberley Land Council, plus the statutory Program of Works approval through the DOIR. The approved work programs provide for initial testing of the approximately 20 kilometres of prospective horizon, previously identified in the 1960's, to contain a near-surface nodular phosphate horizon.

Grid based reverse circulation drilling commenced in September and to date some 111 holes for 1,748m have been drilled. The drilling program has delineated the phosphate horizon over some 8 kilometres of strike with a further 6 kilometres still to be tested. The horizon comes to within a metre of the surface on the eastern side and then gently dips to the west for a distance of over one kilometre. The phosphate horizon consists of both scattered and more packed nodules within an approximately two metre thick host glauconitic unit. In addition to the focus on the phosphate, the company is also assessing the value of the glauconite which has been used in the past as a source of potash fertiliser.

Seven shallow costeans have been dug to date on the phosphate horizon to provide geological information and bulk metallurgical samples. Initial geological field work is also planned for the northern areas where the prospective Jurassic aged horizon has been identified.

METALLURGY



Initial sighter flotation test-work has been conducted on a single sample of Langey Crossing phosphate sourced from outcropping mineralisation. The sample tested had a head assay of 22% P₂O₅.

A total of eight flotation tests have been performed examining grind size and deslime size using a fatty acid collector reagent regime. Best performance achieved to date is an overall recovery of 81% into a concentrate of 31% P₂O₅. Further work is required to confirm these flotation conditions are optimal, using representative samples obtained in the current exploration phase.

Based on this initial test-work, a preliminary plant design and costing has been undertaken by Heron's in house project team to assist with project evaluation.

BUSINESS DEVELOPMENT AND CORPORATE

Opportunities continue to be assessed in gold, nickel sulphide, phosphate and to a lesser extent iron ore. The Company with its robust cash position views the current market uncertainty as a time of opportunity to acquire good quality assets.

The Company is well positioned with a skilled project development team to assess and develop opportunities further complementing the work of exploration and business development.

The Company will continue its evaluations against a background of many mining assets valued by the market below their fundamental value. Heron made good use of the previous mining downturns to build the tenement and resource base that now comprises the KNP. This is a clear demonstration of the Company's counter cyclical growth strategy.

This strategy is well supported by cash of \$35m. Cash is being prudently managed to allow the Company to potentially make use of the current downturn to build an even stronger asset base.

JORC Compliance Statements



Mathew Longworth
Managing Director

The information in this report that relates to Mineral Resources is based on information compiled by James Ridley who is a Member of the Australasian Institute of Mining and Metallurgy. James Ridley is a full time employee of Heron Resources Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the resource estimation activities undertaken to qualify as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. James Ridley consents to the inclusion in this report of the matters based on his information in the form and context that it appears. Note that Mineral Resources that are not Ore Reserves do not have demonstrated viability.

The information in this report that related to Exploration is based on information compiled by David von Perger who is a member of Australasian Institute of Mining and Metallurgy. David von Perger is a full time employee of Heron Resources Limited. David von Perger has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the exploration activity that he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David von Perger consents to the inclusion in this report of the matters based on his information in the form and context that it appears.

Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HERON RESOURCES LIMITED

ABN

30 068 263 098

Quarter ended (current quarter)

30 September 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current Qtr \$A'000	Year to Date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(1,637)	(1,637)
(b) development		
(c) production		
(d) administration	(1,170)	(1,170)
1.3 Dividends received		
1.4 Interest and other items of similar nature received	703	703
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)-GST	20	20
	(2,084)	(2,084)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(65)	(65)
(b) equity investment		
(c) other fixed assets	(5)	(5)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investment		
(c) other fixed assets	32	32
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
	(38)	(38)
Net Investing Cash Flows		
1.12 Total operating and investing cash flows (carried forward)	(2,122)	(2,122)

1.12 Total operating and investing cash flows (brought forward)	(2,122)	(2,122)
Cash flows related to financing activities		
1.13 Proceeds from the issue of shares, options, etc.		
1.14 Proceeds from the sale of forfeited shares		
1.15 Proceeds from borrowings		
1.16 Repayment of borrowings		
1.17 Dividends paid		
1.18 Other (provide details if material)		
Net financing cash flows	-	-
Net increase (decrease) in cash held		
1.19 Cash at beginning of quarter/year to date	36,910	36,910
1.20 Exchange rate adjustments		
1.21 Cash at end of quarter	34,788	34,788

**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
1.22 Aggregate amount of payments to the parties included in item 1.2	263
1.23 Aggregate amount of loans to the parties included in item 1.10	

1.24 Explanation necessary for an understanding of the transactions

Directors fees, salaries and superannuation (A\$247,088). Provision of office accommodation by director-related entity (A\$15,500). Provision of legal advice by director-related entity (A\$485).
--

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

--

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	2,000
4.2 Development	0
Total	2,000

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	123	290
5.2 Deposits at call	34,020	36,096
5.3 Bank Overdraft		
5.4 Other (provide details)		
Property Rental bond	48	48
Environmental bonds	530	409
Escrow Accounts	67	67
Total: cash at end of quarter (Item 1.22)	34,788	36,910

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				
Ordinary securities	240,938,847	240,938,847		
7.3 Changes during Quarter *				
(a) Increases through share issues				
(b) Decreases through returns of capital, buybacks				
7.4 Convertible debt securities (description)				
7.5 Changes during Quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				

7.6 Options
(description and conversion factor)

		<i>Exercise Price</i>	<i>Expiry Date</i>
125,000	Nil	\$0.2364	31/12/2008
250,000	Nil	\$0.5864	30/06/2009
1,450,000	Nil	\$0.6864	1/06/2010
5,000,000	Nil	\$0.6864	7/09/2010
1,050,000	Nil	\$0.6864	1/11/2010
5,000,000	Nil	\$0.6864	7/09/2016
2,750,000	Nil	\$1.4864	31/12/2015
500,000	Nil	\$0.8864	2/01/2011
250,000	Nil	\$0.8864	9/01/2011
1,000,000	Nil	\$0.9864	2/01/2013
1,250,000	Nil	\$0.9864	9/01/2013
1,000,000	Nil	\$1.4864	2/01/2013
1,000,000	Nil	\$1.4864	9/01/2013
500,000	Nil	\$1.4864	19/03/2013
750,000	Nil	\$1.9864	19/03/2013
750,000	Nil	\$2.4864	19/03/2013
100,000	Nil	\$1.38	30/06/2011
100,000	Nil	\$1.48	30/06/2011
100,000	Nil	\$1.54	30/06/2011
1,500,000	Nil	\$2.00	16/03/2013
1,500,000	Nil	\$2.50	16/03/2013
1,500,000	Nil	\$1.00	05/06/2012
3,500,000	Nil	\$1.50	05/06/2013
7,500,000	Nil	\$2.00	05/06/2013
12,250,000	Nil	\$2.50	05/06/2014
100,000	Nil	\$1.48	02/01/2012
100,000	Nil	\$1.50	02/01/2012
1,000,000	Nil	\$2.00	02/01/2012
1,000,000	Nil	\$2.50	02/01/2012
7.7 Issued during Quarter			
7.8 Exercised during Quarter			
7.9 Expired during Quarter			
7.10 Debentures (totals only)			
7.11 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. Vale Inco a subsidiary of Vale 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.
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. This agreement has been assigned to A1 Minerals Limited.
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. Epsilon Energy Limited may earn an initial 51% interest in Mineral Sands Rights for tenements in the Balladonia area through expenditure of \$150,000 including a minimum of 2,500 metres of drilling in the first year. Thereafter, Heron has the right to contribute or Epsilon can earn up to a 70% interest in the Mineral Sands Rights by expending a further \$250,000 in the following year.

6.1 Interests in Mining Tenements transferred, relinquished, reduced or lapsed. (includes tenements that have lapsed and/or expired that may have subsequent Heron tenement in place)

<i>Tenement</i>	<i>Nature of Interest</i>	<i>% Begin Quarter</i>	<i>% End Quarter</i>
E15/00718	Registered Holder	100	0
E24/00111	Registered Holder	100	0
E28/00927	Registered Holder	100	0
E28/01309	Registered Holder	100	0
E28/01840	Registered Holder	100	0
E31/00785	Registered Holder	100	0
E36/00554	Registered Holder	100	0
E38/02099	Registered Holder	100	0
E39/01254	Registered Holder	100	0
E39/01255	Registered Holder	100	0
E39/01256	Registered Holder	100	0
E77/01353	Registered Holder	100	0
E80/03592	Registered Holder	100	0
M16/00513	Registered Holder	100	0
M16/00514	Registered Holder	100	0
M16/00515	Registered Holder	100	0
M24/00780	Registered Holder	100	0
M24/00783	Registered Holder	100	0
M25/00263	Registered Holder	100	0
M26/00820	Registered Holder	100	0
M26/00821	Registered Holder	100	0
M26/00822	Registered Holder	100	0
M26/00823	Registered Holder	100	0
M27/00371	Registered Holder	100	0
M27/00372	Registered Holder	100	0
M27/00383	Registered Holder	100	0
M27/00386	Registered Holder	100	0
M27/00432	Registered Holder	100	0
M29/00171	Registered Holder	100	0
M29/00173	Registered Holder	100	0
M29/00209	Registered Holder	100	0
M29/00226	Registered Holder	100	0
M29/00227	Registered Holder	100	0
M29/00323	Registered Holder	100	0

Tenement	Nature of Interest	% Begin Quarter	% End Quarter
M29/00337	Registered Holder	100	0
M29/00395	Registered Holder	100	0
M29/00396	Registered Holder	100	0
M31/00141	Registered Holder	100	0
M31/00281	Registered Holder	100	0
M31/00310	Registered Holder	100	0
M37/00728	Registered Holder	100	0
M37/00730	Registered Holder	100	0
P15/03767	Registered Holder	100	0
P15/03873	Registered Holder	100	0
P16/02249	Registered Holder	100	0
P16/02250	Registered Holder	100	0
P26/03114	Registered Holder	100	0
P28/01001	Registered Holder	100	0
P28/01152	Registered Holder	100	0
P29/01362	Registered Holder	100	0
P29/01363	Registered Holder	100	0
P29/01364	Registered Holder	100	0
P29/01365	Registered Holder	100	0
P29/01366	Registered Holder	100	0
P29/01367	Registered Holder	100	0
P29/01368	Registered Holder	100	0
P29/01369	Registered Holder	100	0
P29/01681	Registered Holder	100	0
P29/01682	Registered Holder	100	0
P29/01850	Registered Holder	100	0
P29/01851	Registered Holder	100	0
P29/01852	Registered Holder	100	0
P29/01853	Registered Holder	100	0
P29/01964	Registered Holder	100	0

6.2 Interests in Mining Tenements acquired or increased

Tenement	Nature of Interest	% Begin Quarter	% End Quarter
E15/01112	Registered Applicant	0	100
E16/00366	Registered Applicant	0	100
E28/01885	Registered Applicant	0	100
E28/01886	Registered Applicant	0	100
E28/01889	Registered Applicant	0	100
E28/01890	Registered Applicant	0	100
E29/00710	Registered Applicant	0	100
E30/00369	Registered Applicant	0	100
E31/00844	Registered Applicant	0	100
E39/01398	Registered Applicant	0	100
E39/01399	Registered Applicant	0	100
E39/01400	Registered Applicant	0	100
E47/01983	Registered Applicant	0	100
E47/02010	Registered Applicant	0	100
E51/01286	Registered Applicant	0	100
E57/00772	Registered Applicant	0	100
E63/01258	Registered Applicant	0	100
E74/00424	Registered Applicant	0	100
E77/01610	Registered Applicant	0	100

E77/01614	Registered Applicant	0	100
E77/01615	Registered Applicant	0	100
E77/01616	Registered Applicant	0	100
E77/01617	Registered Applicant	0	100
P15/05283	Registered Applicant	0	100
P15/05284	Registered Applicant	0	100
P15/05285	Registered Applicant	0	100
P15/05286	Registered Applicant	0	100
P15/05306	Registered Applicant	0	100
P15/05307	Registered Applicant	0	100
P15/05308	Registered Applicant	0	100
P24/04395	Registered Applicant	0	100
P24/04396	Registered Applicant	0	100
P24/04397	Registered Applicant	0	100
P24/04398	Registered Applicant	0	100
P24/04399	Registered Applicant	0	100
P24/04400	Registered Applicant	0	100
P24/04401	Registered Applicant	0	100
P24/04402	Registered Applicant	0	100
P24/04403	Registered Applicant	0	100
P24/04404	Registered Applicant	0	100
P24/04405	Registered Applicant	0	100
P25/02050	Registered Applicant	0	100
P26/03687	Registered Applicant	0	100
P26/03688	Registered Applicant	0	100
P27/01966	Registered Applicant	0	100
P27/01967	Registered Applicant	0	100
P27/01968	Registered Applicant	0	100
P27/01969	Registered Applicant	0	100
P27/01970	Registered Applicant	0	100
P27/01971	Registered Applicant	0	100
P27/01972	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: _____
Company Secretary

Date: 30/10/08

Print name: _____
Robert George Klug

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.