

Quarterly Report

March 2010

HIGHLIGHTS

CORPORATE

- \$61M cash at bank at 31 March 2010
- Significant number of acquisition and/or development opportunities reviewed, with the objective of securing a near-production operation

A1 GOLD MINE

- Underground drilling and sampling commence at the 7 Level, strongly developed alteration system

EXPLORATION

- Drill testing nickel sulphide, gold, copper and base metal targets

KALGOORLIE NICKEL PROJECT

- KNP to be retained 100% by Heron

YERILLA NICKEL PROJECT

- Laboratory test work continuing through Shanshan in China



Coarse gold recovered from one of the commissioning samples from the gravity circuit of the A1 sample plant

A1 GOLD MINE

A1 GOLD MINE (HERON OPTION TO PURCHASE 100%)

SAFETY

To the end of March, the A1 site has operated for a total of 146 days loss time injury free. This is an excellent result for a start up underground mining operation and reflects a strong focus on safety from all employees, contractors and management. A strong safety management system is in place and subject to external independent audit. The first A1 Mines Rescue Team completed its training this quarter.

GEOLOGY AND DRILLING

GEOLOGY

The A1 gold mineralisation is hosted in a vertical dipping north plunging mafic dyke which outcrops intermittently through the leases. Mafic dyke hosted mineralisation is common in the Woods Point district of eastern Victoria and differentiates this district from the sediment-hosted saddle reefs encountered in central-western Victoria.

In the upper levels gold mineralisation has been worked over a strike of 150 metres between the A1 south shaft and the A1 main shaft, however by the 14 Level mineralisation was developed over a strike length of nearly 400m and the host dyke is up to 80m wide across strike. One of the key exploration targets is the upward continuation of the mineralisation above the 14 Level. Two styles of gold mineralisation are recognised. Firstly high grade reef mineralisation which was the focus of previous mining and secondly lower grade stockwork mineralisation which was below the lower cut off grade dictated by the inefficient antiquated mining methods employed when the mine last operated.

Heron believes the stockwork mineralisation may host gold at sufficient grade to be mined economically using modern small scale mechanised bulk mining methods and these stockworks are the main target of the current evaluation. Stockworks are reported from the 7, 10 and 14 Levels with those on the 14 Level reported as the highest grades from historic drilling. This historic drilling on the 14 Level includes hole DDH_138 with 10m @7g/t Au and 5m @11.2g/t Au, Hole DDH_139 with 10.5m @ 5.7g/t Au and DDH_140 with 5.4m @ 13g/t Au all from stockwork zones. There are no available drill records for stockworks on either the 7 or 10 Levels.

Access by Heron between the 7 and 4 Levels has confirmed the presence of stockwork on the 7 Level, with sampling having commenced to establish the potential grade of this zone. The zone is noted on the 6 Level and is reported from the 8 Level, providing good tonnage potential. This part of the mine was in closest haulage proximity to the old A1 mill and at times of constrained ore feed during the mine's 100 year history, 7 Level low grade and main A1 shaft mullock (grade around 2g/t Au) were the principle mill ore feeds.

Gold mineralisation in both stockworks and reefs is expected to be free milling with a large proportion recoverable from gravity processing. Commissioning of Heron's sample gravity circuit using underground "mullock" is already confirming free gold (refer photograph on front page).

DRILLING

Drill access was established late in the quarter, with a total of 337m of core drilling completed in 6 drillholes. Drill core was logged and sampled, with gold analysis being undertaken via one kilogram Leachwell analysis technique at On Site Laboratory Services' laboratory in Bendigo Victoria. The majority of results are pending. The Leachwell technique allows for a larger sample to be analysed in comparison to fire assay; in this case one kilogram as against 50 grams.

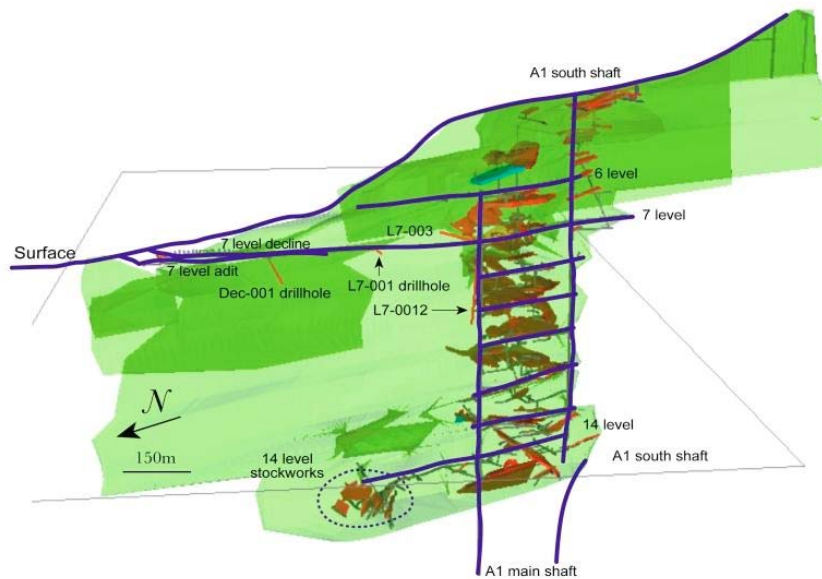
This larger sample minimises the impact of nugget effect on sample results providing a more representative assay result and is commonly used in deposits with coarse gold. Current orientation studies on samples from the A1 have indicated a move to 3kg Leachwell will further improve analytical estimates of gold grade.

Drilling targeted the northern extensions of the host dyke on the 7 Level. Hole L7_0001 intersected 6m of bleached altered dyke some 120m north of the historical workings and returned 0.6m of dyke grading 3.68g/t Au. This intersection is important as it demonstrates the presence of the dyke 260m above the known 14 Level stockwork zone. Exploration will work to identify where the width of dyke increases from the observed 6m on 7 Level to the 80m mapped on 14 Level. Areas of wider dyke are believed to correlate with strong development of reefs and stockworks and consequently gold grades.

Stockwork zones were intersected from 8m to 13m in hole L7_0004 associated with strong bleaching and sulphide alteration, assays are pending for this hole. Currently there are two diamond drill rigs operating underground which will move to a double shift drilling roster in the coming quarter as additional drill sites become available through decline development. A schematic long section of the mine is shown on figure 1 showing the location and orientation of drilling completed as red coloured drill holes.

Access has been gained to the historic levels between the 7 and 4 Level and ground conditions observed are very good. Historic stopes are typically 2m to 3m in height and estimates of extracted tonnes of mineralisation are up to 13,000 tonnes per stope.

Mapping and face sampling has commenced on the 7 Level access and stopes with a total of 150 samples collected. A further 150 samples are planned to be collected from historic workings on the 7 Level. Samples were taken as chipped channels from the face, sampled to geological boundaries, samples weighed between 3 and 6 kg.



*Figure 1 - Location and orientation of drilling completed
(Green area - Dyke, Red/Brown - Areas of previous development, Blue lines – existing development)*

These were processed by 1kg Screen Fire Analysis. A total of 32 samples reported results above 1 g/t Au with a peak assay of 41.4g/t reported from a laminated quartz reef within a stope pillar (indicating the style of grade historically recovered). Anomalous mineralisation was identified over 100m of strike length in the 7L drive, with a best result of 1m @14.9g/t in an extensional quartz vein and 1m @ 7.5g/t in the stockwork zone. Bulk samples of the laminated reefs and stockworks will be collected in the coming quarter, for processing through the newly commissioned A1 gravity circuit. This will provide more quantitative grade estimates.

The 7 Level was the main access route to the mine for at least 100 years of operations. Levels above and including the 7 Level also had the lowest cost of ore extraction since no shaft haulage was required to get the ore to surface. Therefore identifying remnant ore on these upper levels is surprising and positive indication for finding additional remnant ore outside the main stockworks targets.

A zone of stockwork mineralisation was mapped and sampled over 80m along the 7 Level adit, returning results ranging from 0.2g/t to 7.5g/t. This stockwork has been observed on the 6 Level suggesting at least 30m of vertical extent. Historic records report the stockwork on the 8 Level extending it downwards for a further 30m. Drilling is planned to determine the cross strike dimensions of this zone along with a more detailed sampling program in the coming quarter. The confirmation of the first of the stockwork mineralisation zones is encouraging. Further work is being undertaken to accurately determine the grade of this zone.

The flow of drilling and face sampling results will increase during the coming quarter as further drill positions become available.

SAMPLE PREPARATION AND GRAVITY GOLD

To mitigate the effect of nugget gold impacting the estimation of grade a small crushing and gravity separation plant has been installed on site under the supervision of the company's metallurgists. To assist in estimation of grade a larger sample between 25 and 200kg is taken from the zone of interest underground and crushed to a nominal 0.6mm prior to processing through a small gravity circuit to remove the coarse gold for separate analysis. The coarse gold recovered from one of the 26kg commissioning samples from waste left in a 7 Level stope is shown on the cover photograph. By total assay of the gravity recovered fraction and analysis of the tail sample, the sample head grade is calculated and the adverse impact of small sample size and coarse gold is mitigated. This plant is capable of processing between 200 and 300kg of sample per day and will play an increasingly important role as drilling and face sampling identifies areas where coarse gold grade estimation is required.

SURFACE INFRASTRUCTURE

Site infrastructure was completed this quarter with connection of grid power and services connections. The sample preparation facility (for processing bulk samples to ameliorate coarse gold sampling issues) was installed and commissioned this quarter. Additionally a drill core preparation facility was commissioned.

DECLINE DEVELOPMENT

To the end of March a total of 292m of decline development has been achieved. Although water quality in the mine is generally close to potable standard, higher than expected contaminant levels in the mine water require the addition of a metals extraction water treatment plant which is currently going through permitting. Dewatering is now scheduled to re-commence at the end of August.

To bring forward drill testing of the important 14 Level target zones and to obtain the best drilling orientation for the ore body, a drill drive is being established along the strike of the dyke on the 7 Level. This has a number of benefits including:

- not impeded by dewatering or decline development rates;
- providing a drilling angle which is better suited to the dip of the veins giving greater probability of maximising intercepts;
- drilling predominantly in dyke increasing the exploration value of the holes; and
- early drill positions are well suited to test the 14 Level northern dyke and stockworks earlier in the programme, which represent one of the better known targets.

At the end of April, the 7 Level drill drive access and first drill cuddy has been completed, and the drill drive is being pushed south along the dyke towards the main shaft.

STUDIES AND PERMITTING

A second round of community consultation for the project was held with the local communities of Gaffneys Creek, Woods Point and Jamieson/Kevington. Generally the local communities are very supportive of the project. The Company has greatly appreciated this community input.

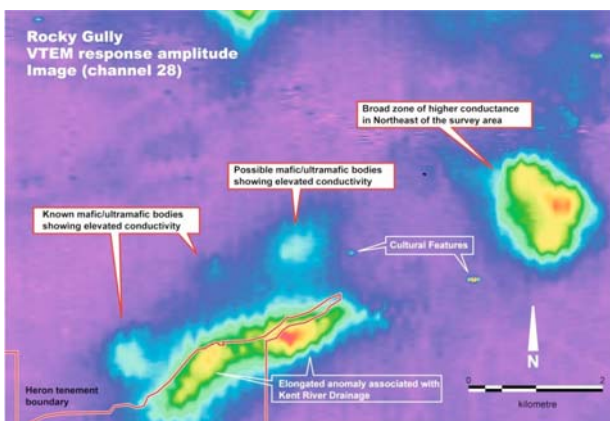
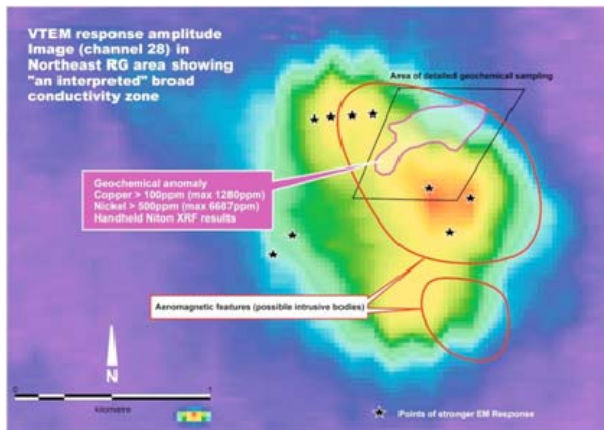
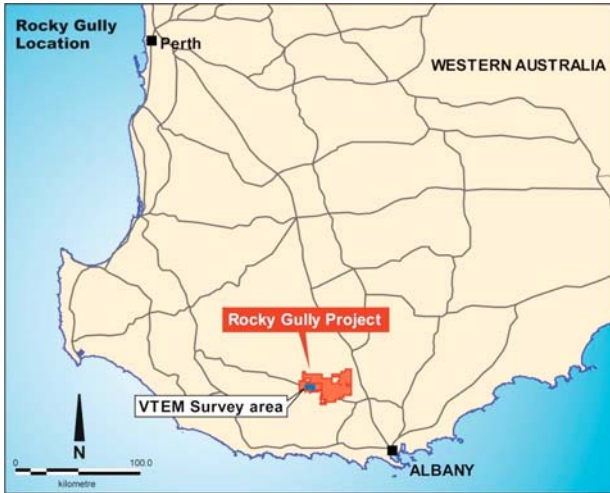
Ecology and flow modelling studies have been conducted for Raspberry Creek near A1 in support of the EPA water treatment plant Works Approval application.

Water treatment testwork has been completed by a number of vendors for the design and specification of a water treatment plant.

An option study analysing the relative benefits of two available sites for waste rock and tailings storage has been completed. Preliminary site surveys have been completed covering Aboriginal and European heritage, Flora and Fauna, with focus on the sites being investigated for future waste rock and tailings storage. No significant issues have been uncovered for either site, and evaluation of the favoured option is continuing based on technical merits.

EXPLORATION PROJECTS

ROCKY GULLY NICKEL PROJECT

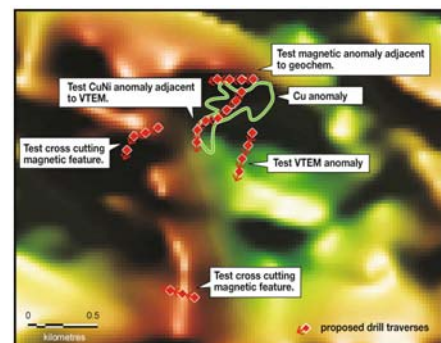


An RC drill program consisting of 21 planned holes commenced at the Company's Rocky Gully Nickel Project, located some 80km north-west of Albany, Western Australia. The primary target is a first order Versatile Time Domain Electromagnetic (VTEM) anomaly coincident with anomalous surface soil and laterite geochemistry and an aeromagnetic anomaly interpreted to represent a ultramafic intrusive. Surface sampling identified coherent anomalies of nickel to 836 ppm copper to 652 ppm and platinum and palladium to 8 ppb.

The rocks of the Albany–Fraser mobile belt are Proterozoic in age (1350–1140 Ma) which is the same age as the rocks hosting the Voisey Bay nickel sulphide deposit in Canada (1333 Ma) in a similar geological environment. In 2005 the Company identified the presence of potential ultramafic intrusives and weakly anomalous laterite geochemistry from review of historical reports and regional datasets. Over the next few years the company built up a land package of some 1200km² covering the prospective zones and identified up to 13 potential ultramafic intrusives.

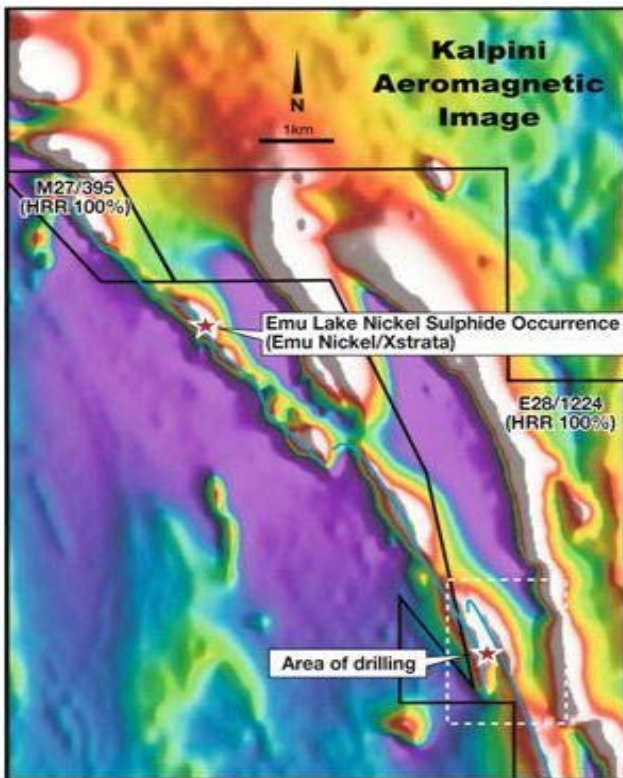
In late 2008 Heron drilled some 5km southwest from the current target. This drilling identified disseminated primary magmatic nickel sulphides within a mafic–ultramafic intrusive, demonstrating the fertility of this area for nickel sulphide mineralisation.

With the potential targets covering such a large area, surface-based electromagnetic methods were not practical and an airborne VTEM survey was commissioned covering some 574 line kilometres over an area of 55km². While the previously drilled targets were identified as weak VTEM anomalies, the current drill target stood out as an order of magnitude better conductor. This combined with the anomalous surface geochemistry and the presence of an interpreted intrusive clearly make this a high priority drill target. Drilling will be completed in the coming quarter.



Proposed drill traverses designed to test coincident VTEM, magnetic and geochemical anomalies at Rocky Gully

KALPINI NICKEL PROJECT



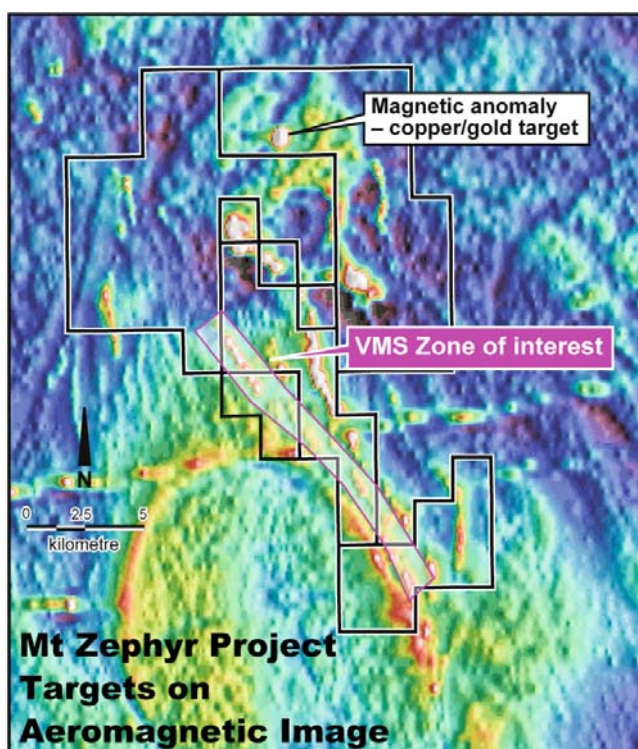
Two further diamond drillholes, KPDD0004–5, were completed for 665m at the Kalpini Nickel Project, located 70km north-east of Kalgoorlie. Both holes were targeting electromagnetic anomalies interpreted to be associated with nickel sulphide mineralisation along the footwall contact of the Emu Lake ultramafic horizon, in a similar stratigraphic position to where Xstrata Nickel Ltd and Emu Nickel Ltd have reported high grade nickel sulphide intercepts. The Kalpini project is situated in a similar geological setting as the rich Silver Swan mine to the northwest.

The first hole (KPDD0004) targeted a subtle downhole electromagnetic anomaly identified from hole KPDD0001. Drilling intersected six zones of disseminated iron sulphides in the footwall ultramafic unit between 95.5m and 270.6m down hole.

The second hole targeted and intersected an embayment-shaped feature identified in the detailed aeromagnetics over the eastern basal contact of the Emu Lake ultramafic unit. Minor stringer veins of pyrrhotite and chalcopyrite were intersected in felsic volcanic rocks stratigraphically directly below the ultramafic contact. These sulphides pre-date the ultramafic event and provide an excellent source of sulphur to facilitate the deposition of nickel sulphides within overlying flows. Six minor zones of magmatic disseminated sulphides consisting of pyrrhotite and minor chalcopyrite were intersected in the footwall ultramafic unit as well as one zone of stringer veins. The intersection of zones of disseminated and stringer mineralisation along the footwall contact of the Emu Lake ultramafic horizon is encouraging, which in combination with results reported previously by Xstrata Nickel Ltd and Emu Nickel Ltd on their adjacent tenements clearly demonstrates the nickel sulphide prospectivity of the belt. A soil-sampling program comprising 981 samples was conducted over the prospective horizon, along 11km of strike that Heron controls. This survey has identified two zones of anomalous surface geochemistry with nickel up to 1350 ppm, copper up to 124 ppm and platinum and palladium to 33 ppb, coincident with the footwall contact in areas previously not surveyed.

A surface moving loop electromagnetic survey comprising 137 stations over 12.5 line kilometres was completed targeting extensions of the basal contact. The Company is currently reviewing the results of the diamond drilling, regional soil geochemistry and surface electromagnetic surveys prior to conducting further drill testing.

MT ZEPHYR BASE METAL PROJECT



A conductive anomaly over 400m of strike has been identified at the Mt Zephyr volcanogenic massive sulphide (VMS) Project, located 65km north west of Leonora.,

Heron's exploration target is a high-grade VMS deposit similar to those being mined by Jabiru Metals Limited some 60km to the west of this prospect at Jaguar and their recent discovery at Bentley, in a very similar sequence of rocks.

Sulphide mineralisation associated with VMS style deposits is typically moderately conductive (conductivity is one of the parameters measured by EM surveys) and thus an anomaly of short strike associated with the target horizon is particularly interesting. Conductive zones of longer strike length may be related to stratigraphic conductors such as graphitic black shale horizons of no economic importance. This target with only a 400m strike length is not likely to be due to black shales.

The anomaly is located some 200m to the west of the historical "ESSO VMS Horizon" in an area of dominantly shallow colluvial cover.

Detailed mapping and geochemical sampling using the Niton handheld XRF analyser has identified subcrop within the colluvial plain of gossanous (the weathered product of sulphides) iron-rich rocks with elevated base metals further upgrading the prospectivity of this anomaly.

Drill testing is planned for early in the coming quarter. A total of four second-order EM anomalies were generated.

The ESSO VMS Horizon is an 8km long, north-westerly trending sequence of felsic volcanic rocks and related sediments with a number of VMS related copper, lead and zinc occurrences defined by mineral explorer ESSO in the 1980s.

MT ZEPHYR GOLD-COPPER PROJECT

Diamond core drilling intersected some 85m (from 190m depth) of strongly altered basaltic and granitic rocks associated with a discrete magnetic anomaly. The target is located in the far north of its Mt Zephyr Project area, some 80km north-east of Leonora. The alteration consists dominantly of magnetite and epidote with lesser, hematite, diopside and biotite. Such alteration can be described as "skarn-type" related to the high-temperature intrusion of the granitic unit. Some minor copper sulphides (chalcopyrite) were observed lower down in this zone at around 250m depth where biotite becomes the more dominant alteration phase.

The hole is being fast-tracked through the laboratory to provide gold, copper and other metal assays.

The first hole into this anomaly is an encouraging result and demonstrates that a potentially mineralising system is present. With other iron-oxide and skarn systems the economic mineralisation is often off-set from the main magnetic anomaly and therefore, the Company is currently fast tracking electromagnetic and gravity surveys to identify optimum follow-up drill positions.

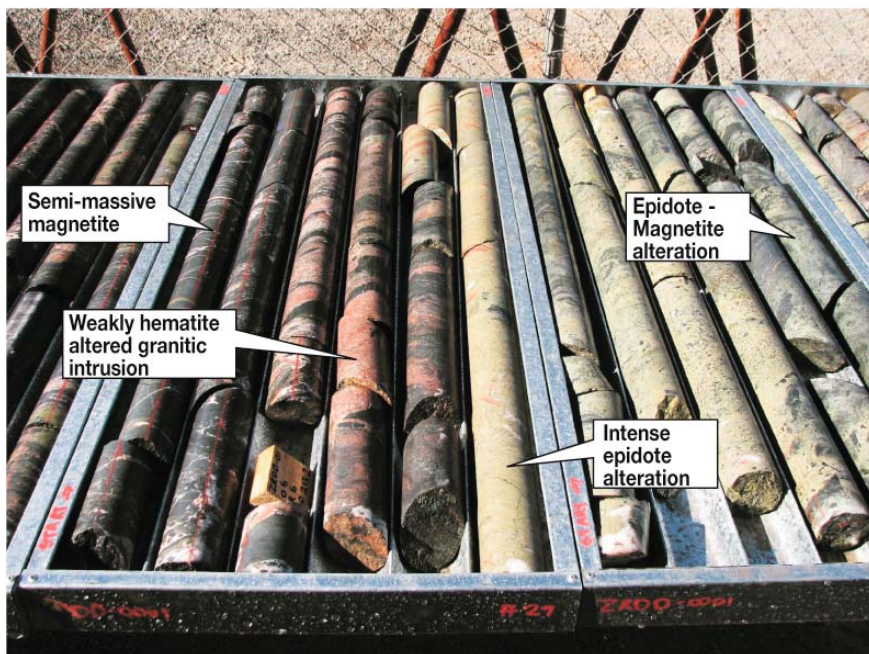


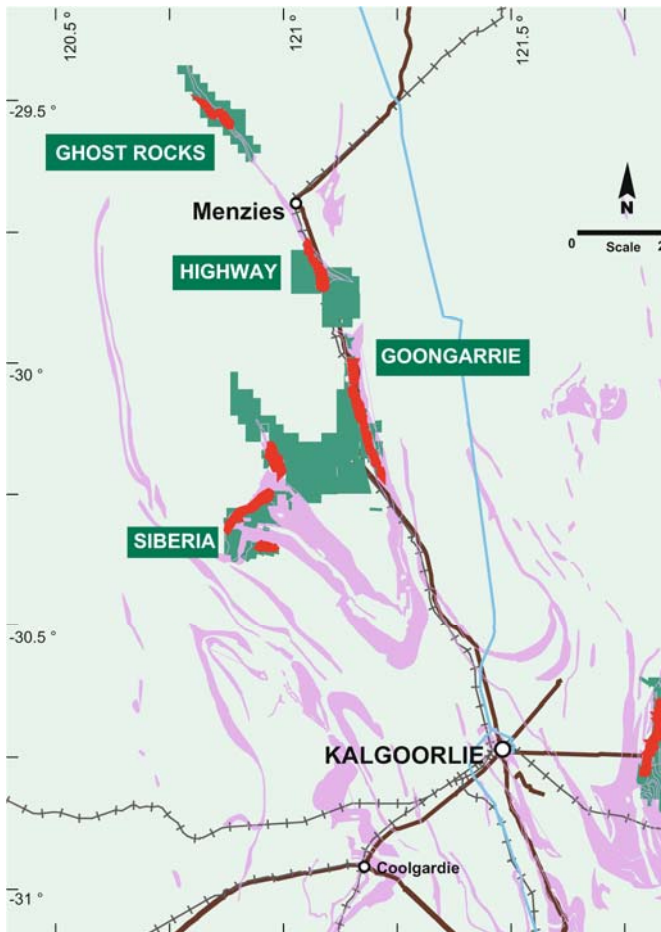
Photo of Diamond Core ZRDD01 209 - 220m



Photo of Diamond Core ZRDD01 245 - 251m

KALGOORLIE NICKEL PROJECT

KALGOORLIE NICKEL PROJECT (KNP) (HERON 100%)



Kalgoorlie Nickel Project- location and deposits

Following a partner search aimed at introducing a development partner to the Kalgoorlie Nickel Project (KNP), no proposals acceptable to Heron were received. The Board resolved to maintain its 100% unencumbered ownership of the project, and keep the project under constant review as the nickel price continues to improve and technical developments for nickel laterite projects continue to evolve.

The Project has well documented advantages based on good local infrastructure, low sovereign risk, access to a skilled labour pool, low environmental risk for tailings disposal, and supportive government, environment agencies and community. The previous farm-in partner noted that the KNP is one of the most prospective nickel laterite tenement packages in the world, containing a significant resource of contained nickel metal.

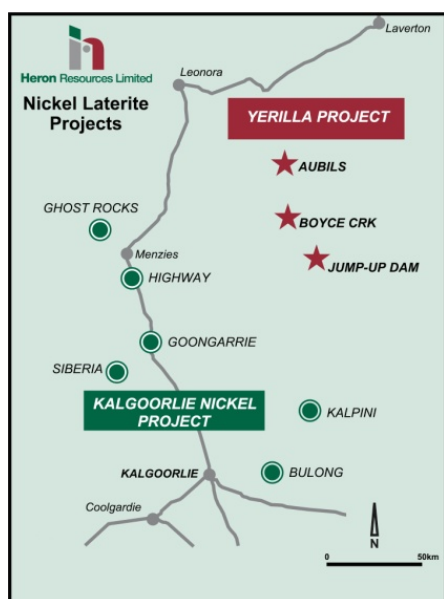
Heron has since late 2009 restructured the KNP tenement holding to retain key resource tenements, with tenements considered highly prospective for mineralisation other than nickel, such as gold, now divested. Heron retains the nickel rights on a number of these tenements. The Pre-feasibility Study completed in mid 2009 had an expenditure of AU\$34.5M (fully funded by the previous partner), further ensuring the Project tenements' minimum expenditure commitments are met and are maintained in good standing.

Since mid 2009, Heron's KNP work has focused upon mineral resource estimation, and optimising the metallurgical flow-sheet. These are largely desk studies, aimed at further optimising the vast amount of physical testing programs completed during the 2005-2009 Pre-feasibility Study.

The former farm-in partner estimated in their January 2009 PFS a cash cost for KNP nickel production of US\$4.42 per pound, which compares favourably to the current nickel prices in excess of US\$11.50 per pound (US\$25,000+ per tonne). The Company has a significant option value in the KNP, with its nickel resource base, and will seek to crystallise this option value as the nickel price recovers from global financial crisis imposed lows.

The Company expects that with the continued strength in the nickel price and a number of laterite projects about to be commissioned which will further validate the technical feasibility of laterite nickel production, the Project's significant value will be preserved and enhanced, for the benefit of Heron Shareholders.

YERILLA NICKEL COBALT PROJECT



In May 2009 Shanshan Ningbo (Shanshan), a company listed on the Shanghai Stock Exchange entered into an agreement where they could earn 70% in the Yerrilla Project by completing construction and commissioning of a mining and processing operation on site at Yerrilla. Shanshan are funding all test work, including feasibility and construction, should this be warranted.

Shanshan has introduced new technology which involves segregation of the nickel and cobalt into its metallic form through kiln roasting. The nickel and cobalt are recovered by a series of magnetic separation steps. This has been successfully completed at the laboratory scale. The grade of concentrate and recovery are very sensitive to the atmospheric conditions in the kiln. With the change in equipment from laboratory to pilot scale, strategies are being developed to manage the pilot kiln to endeavour to replicate the optimised laboratory test work conditions.

Shanshan are conducting a series of laboratory tests to determine the best process to manage kiln gas conditions. This work is ongoing.

Piloting of Heron ore is unlikely to commence until these laboratory tests are completed successfully and required modifications are made to the pilot plant.

CORPORATE

CASH POSITION

The company realised the monetary value of its Polaris holding early in the quarter as previously announced. Heron is now strongly placed with \$61 million cash, to realise business development opportunities.

BUSINESS DEVELOPMENT

Business Development activity accelerated during the quarter with due diligence commenced on selected high quality opportunities. The increased effort in this area combined with the very strong cash position is the best way of identifying and transacting an opportunity that delivers value to Heron Shareholders.

BULONG LITIGATION

The Western Australian Supreme Court proceedings commenced by Heron against Norilsk Nickel Avalon Pty Ltd, LionOre Mining International Ltd and the Receivers of the Bulong Group of the Companies (**Receivers**) as announced to the ASX on 14 December 2007 (**Bulong Litigation**) continues to progress.

The parties are in the process of finalising witness statements and other evidentiary matters which Heron anticipates will be complete by the end of May 2010. As soon as those matters are complete the parties will likely be required to attend a court appointed mediation in an attempt to resolve the matter prior to trial. If the matter cannot be resolved, Heron anticipates that the court would list the matter for trial on a date in the 4th quarter of 2010 or 1st quarter of 2011.

Heron has expended significant resources in the prosecution of the Bulong Litigation. As part of the Bulong Litigation Heron has agreed to release and indemnify the Receivers in relation to the Receivers' reasonable legal costs in the Bulong Litigation and in respect of any claims made by Norilsk Nickel Avalon Pty Ltd and LionOre Mining International Ltd against the Receivers (if made). Heron will incur further liabilities if it is unsuccessful in the Bulong Litigation.

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 Australian 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.

The information in this report that related to A1 is based on information compiled by Mathew Longworth who is a member of Australian Institute of Mining and Metallurgy. Mathew Longworth is a full time employee of Heron Resources Limited. Mathew Longworth 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'. Mathew Longworth 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)

31 March 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current Qtr \$A'000	Year to Date (9 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) exploration and evaluation	(1,761)	(5,507)
(b) development	(865)	(1,073)
(c) production		
(d) administration	(862)	(2,729)
1.3 Dividends received		
1.4 Interest and other items of similar nature received	365	845
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other -GST & sale of data	16	(1)
Net Operating Cash Flows	(3,107)	(8,465)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(7)	(802)
(b) equity investment	-	(3,934)
(c) other fixed assets	(512)	(1,552)
1.9 Proceeds from sale of: (a) prospects	40	213
(b) equity investment	38,434	43,332
(c) other fixed assets	-	5
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
Net Investing Cash Flows	37,955	37,262
1.12 Total operating and investing cash flows (carried forward)	34,848	28,797

1.12 Total operating and investing cash flows (brought forward)	34,848	28,797
Cash flows related to financing activities		
1.13 Proceeds from the issue of shares, options, etc.	-	2,711
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	-	2,711
Net increase (decrease) in cash held	34,848	31,508
1.19 Cash at beginning of quarter/year	26,217	29,557
1.20 Exchange rate adjustments		
1.21 Cash at end of quarter	61,065	61,065

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	281
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\$263,165). Provision of office accommodation by director-related entity (A\$15,500). Provision of legal advice by director related entity (A\$2,098)

Non-cash financing and investing activities

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

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

See attached schedule

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	2,600
4.2 Development	1,100
4.3 Production	
4.4 Administration	750
Total	4,450

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	231	180
5.2 Deposits at call	60,189	25,389
5.3 Bank Overdraft		
5.4 Other (provide details)		
Property Rental bond	62	65
Environmental bonds	510	510
Escrow Accounts	73	73
Total: cash at end of quarter (Item 1.21)	61,065	26,217

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	252,985,787	252,985,787		
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>
950,000	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
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	\$1.00	05/06/2012
2,500,000	Nil	\$1.50	05/06/2013
3,500,000	Nil	\$2.00	05/06/2013
5,250,000	Nil	\$2.50	05/06/2014
100,000	Nil	\$1.48	02/01/2012
100,000	Nil	\$1.50	02/01/2012
4,818,776	Nil	\$0.30	09/06/2014
2,600,000	Nil	\$0.25	25/06/2012
4,200,000	Nil	\$0.425	25/06/2014
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. Southern Gold Limited may earn an initial 51% interest in three tenements comprising Heron's Bulong South Project through expenditure of \$120,000 over a two year period from October 2009.
2. Ningbo Shanshan Co Ltd, may earn a 70% interest in the Company's Yerilla Project by sole funding construction and commissioning of the Project to an agreed capacity following a positive feasibility outcome. The agreement is subject to Australian and Chinese regulatory approvals.
3. Metaliko Resources Ltd has purchased an option to Heron's gold tenements with Heron keeping the rights to nickel. The option will be deemed to have been exercised immediately upon Metaliko listing on the ASX.

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)

Tenement	Nature of Interest	% Beginning of Quarter	% At end of Quarter
P25/01724	Registered Holder	100	0
P25/01725	Registered Holder	100	0
P24/03642	Registered Holder	100	0
P24/03776	Registered Holder	100	0
E27/00243	Registered Holder	100	0
E28/01985	Registered Holder	100	0
E39/00831	Registered Holder	100	0
E28/01832	Registered Holder	100	0
P15/05306	Registered Holder	100	0
E36/00576	Registered Holder	100	0
E38/01727	Registered Holder	100	0
E38/01911	Registered Holder	100	0
P36/01525	Registered Holder	100	0
E28/01909	Registered Holder	100	0
E29/00527	Registered Holder	100	0
E29/00544	Registered Holder	100	0
E04/01814	Registered Holder	100	0
E04/01821	Registered Holder	100	0
E57/00772	Registered Holder	100	0
E51/01286	Registered Holder	100	0
E39/01269	Registered Holder	100	0
M25/00019	Registered Holder	100	0
M25/00032	Registered Holder	100	0
M25/00036	Registered Holder	100	0
M25/00058	Registered Holder	100	0
M25/00064	Registered Holder	100	0
M25/00081	Registered Holder	100	0
M25/00082	Registered Holder	100	0
M25/00149	Registered Holder	100	0
E31/00879	Registered Holder	100	0
E28/01986	Registered Holder	100	0
E15/01118	Registered Holder	100	0
P26/03283	Registered Holder	100	0
P26/03284	Registered Holder	100	0
P26/03285	Registered Holder	100	0
E28/01607	Registered Holder	100	0
P28/01121	Registered Holder	100	0

P28/01122	Registered Holder	100	0
P28/01123	Registered Holder	100	0
P28/01124	Registered Holder	100	0
E38/01696	Registered Holder	100	0
E24/00149	Registered Holder	100	0
E24/00157	Registered Holder	100	0
E31/00729	Registered Holder	100	0
E63/01174	Registered Holder	100	0
P63/01715	Registered Holder	100	0
P63/01716	Registered Holder	100	0
P63/01717	Registered Holder	100	0
P63/01718	Registered Holder	100	0
P63/01719	Registered Holder	100	0
P63/01720	Registered Holder	100	0
P63/01721	Registered Holder	100	0
P63/01722	Registered Holder	100	0
E29/00575	Registered Holder	100	0
E57/00791	Registered Holder	100	0
E77/01610	Registered Holder	100	0
P77/03971	Registered Holder	100	0
P77/03972	Registered Holder	100	0
E04/01878	Registered Holder	100	0
P24/03772	Registered Holder	100	0
E31/00575	Registered Holder	100	0

6.2 Interests in Mining Tenements acquired or increased

Tenement	Nature of Interest	% Beginning of Quarter	% At end of Quarter
E28/02034	Registered Applicant	0	100
P24/04488	Registered Applicant	0	100
P26/03757	Registered Applicant	0	100
P26/03758	Registered Applicant	0	100
P26/03759	Registered Applicant	0	100
P26/03760	Registered Applicant	0	100
E63/01393	Registered Applicant	0	100
E28/02051	Registered Applicant	0	100
E28/02050	Registered Applicant	0	100