

Quarterly Report

September 2009

HIGHLIGHTS

A1 GOLD MINE

- Approvals to commence decline development and access to the old mine workings expected in December Quarter.
- Site infrastructure and purchase of mining fleet 65% complete.
- Recruitment of key site team progressing.

KALGOORLIE NICKEL PROJECT

- Heron regained 100% management of the KNP and secured all PFS data.
- KPMG Perth and Satori Investments, Shanghai China, appointed to assist with partner search for the KNP.
- PFS optimisation studies progressing.

YERILLA NICKEL PROJECT

- Shanshan takes 4.7% placement in Heron.
- Pilot plant construction continuing.
- Front half of Pilot Plant commissioned.

EXPLORATION

- Nickel sulphide stringer zone intersected at Avoca Downs in core drilling from 60 to 65 metres.
- Core drilling to commence at Kalpini to test EM conductors along strike from Emu Nickel / Xstrata JV.

CORPORATE

- Mineral Resources Ltd and Lion Asia Pte Ltd launched competing takeover offers for Polaris Metals NL. As a result Polaris shares have increased from 30 cents before the first offer to a high of 76 cents in October.
- Value of Heron's interest in Polaris is approximately \$27M in shares and cash using current value of Mineral Resources Ltd takeover offer.
- Heron remains in a strong financial position with \$29M in cash after the Shanshan placement and no debt.

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A1 GOLD MINE



Figure 1 Location of A1 Gold Mine

On the 20th of August the Company entered into a 2 year option to purchase the A1 Gold Mine in Victoria. Consideration for the option was \$760,000 and the exercise price is \$240,000 and 20 million Heron Shares.

The mine is located 120km east north east of Melbourne in the State of Victoria, some 11km north of the small town of Woods Point. The mine is located 500m from the public road and is serviced by grid power. The population centres of Jamieson and Mansfield are located 40 and 70 minutes drive north of the mine respectively.

During the option period the Company will undertake a detailed evaluation of the geology, resource and metallurgy of the mine. The evaluation will include driving a decline from the surface adjacent to the 7 Level adit portal to the 14 Level, a lineal distance of some 2000 metres and a vertical distance of some 260 metres. In addition a diamond drill program of 18,000 metres is planned along with a mapping and bulk sampling program both aimed at establishing a JORC compliant resource for the mine.

A1 GOLD MINE GEOLOGY

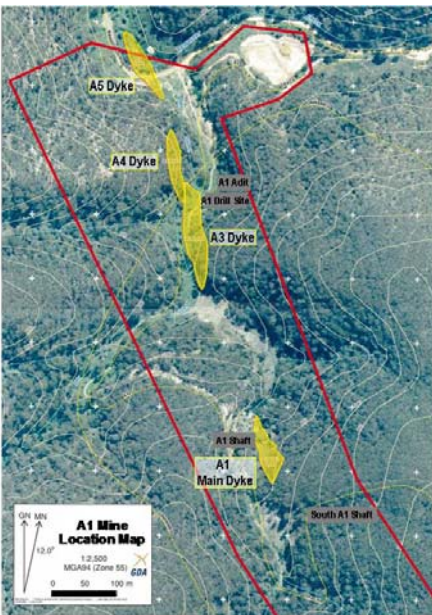


Figure 2 Site plan of A1, mining lease boundaries in red and dyke outcrops in yellow.

The A1 Gold Mine is hosted in a strongly altered mafic dyke of the Woods Point suite and has more in common with the dolerite hosted mineralisation found in the Eastern Goldfields of Western Australia than the saddle reefs of Bendigo and Ballarat. The dyke is hosted by Devonian sediments including sandstone and shales. The dyke has exploited a pre-existing regional shear zone, with evidence of early pre intrusion quartz veining present. Within in the district there are hundreds of dyke occurrences and approximately 70% of these are gold mineralised. Historically the largest producers in the district were the A1 mine that produced 450,000 ounces of gold over its life from 1861 to 1992 and the nearby Morning Star mine.

Previous mining noted extensive stock-work zones within the mine with gold grades between 5 and 15 g/t Au. These were uneconomic with the high cost antiquated mine infrastructure that was in use in the 1990's, when the mine last operated. With the decline access for ore haulage and modern rubber tyred mining fleet, mining costs will be significantly reduced. As a result of the reduced costs it is anticipated these stock-works will form an important ore source for small scale mechanised selective mining.

In addition to the stock-works, reef hosted gold is recognised throughout the mine and adjacent to existing development. It is expected this ore will be mined by hand held methods and will provide a high grade feed to complement the stock works mined by mechanised methods.



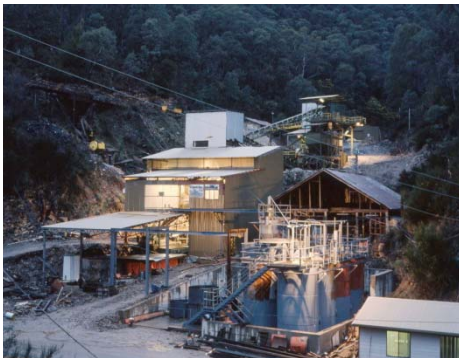
Sheeted and stock-works quartz veins

Alteration associated with gold mineralisation consists of minor pyrite and arsenopyrite along with carbonate. The iron carbonate ankerite is most proximal to the vein and changes to the magnesium carbonate dolomite and then onto calcite as one moves away from the mineralised veins. This carbonate provides a good vector to ore and this style of carbonate alteration zonation is well documented from gold deposits in the Eastern Goldfields of WA.

There are five individual dykes mapped within the A1 leases with only the main A1 dyke mined and developed to any great extent. Heron believes significant potential exists in these other dykes for further repetitions of the A1 mineralisation. The main dyke has a surface expression of 150 metres along strike and some 10 to 15 metres wide. On the 14 Level the dyke has a 400m strike and has expanded to some 50 to 80 metres wide.

It is possible to trace specific reefs over 200 metres of strike and across the full width of the dyke. Within individual reefs gold mineralisation is variable with extremely rich zones of free visible gold reported from previous mining. Stock-work zones are developed on a number of levels in the mine including the 2 Level, 7 Level and 14 Level. These are typically 10 to 20 metres wide, with strike lengths of some 40 to 50 metres and vertical extents exceeding 60 to 100 metres.

APPROVALS



A1 Gold Mine 1989, the last mill on site after 131 years of continuous operation. The site was rehabilitated during 1990 to 2000.

As the proposed work programme for Heron's evaluation involves decline development, this requires full mining approvals for the project. Since Heron became involved in the project, the approvals process has been accelerated and it is expected approvals to commence work will be granted in the December Quarter with the evaluation program commencing before Christmas.

Heron has engaged with all the authorities and stakeholders required to provide input to this process and has found a general support for the project at government, departmental and shire level. Presentations to the Mansfield Shire council were made where the councillors expressed support for the project and keen interest in the employment and commercial opportunities the project would bring to the district. Further presentations and public information sessions are being provided to the local community. The local community is generally supportive of the project and sees potential employment as a positive for the district.

Once approvals are granted for the evaluation programme, work will begin on the approvals process for the full production phase of the project. At this stage Heron does not expect approvals to delay the transition to production upon successful evaluation.

EVALUATION



The key parts of the evaluation are the development of the decline from the surface adjacent to the 7 Level adit and the 18,000 metre diamond drilling programme. These will be supported by extensive mapping and sampling including bulk sampling to determine resource grade. The Company is very fortunate as most of the development targets are located in developed areas of the mine providing good access to the mineralisation for evaluation and future exploitation.

Mining for the decline will be by small jumbo, truck and bogger operation with an owner fleet and contract miner labour force. Acquisition of the fleet is progressing well with jumbo and bidders sourced and a nationwide search for suitable underground trucks underway. The trucks are not required until 2010 and it is not expected to cause delays to development. Finalisation of the mining contract and drilling contract is progressing well.

The Company has appointed a very experienced mining engineer as resident manager for the project. This role will oversee all aspects of site operation and will transition to general manager upon decision to progress to production. Recruiting for the other Heron roles is progressing well.

SITE INFRASTRUCTURE

Well supported infrastructure, power, road, water and social infrastructure.

The site is located within 500m of the public Mansfield to Woods Point road and has grid power passing by the access to the mine. A power supply agreement has been entered into with the regional distributor and sufficient power secured to cover the mining operation. Heron is hopeful that sufficient power is also available for the operation of the processing plant in the next stage.

Dewatering of the existing workings is expected to commence upon grant of approvals and based on historic mine water inflow data should proceed at approximately twice the rate of advance of the decline. Testing of water quality currently flowing naturally from the mine adit indicates high quality water suitable for drinking purposes.

Other site infrastructure will include site offices, workshops, core logging and bulk sample gravity test plant. Key components of this infrastructure have been purchased and awaiting transport to site and installation.

SUMMARY

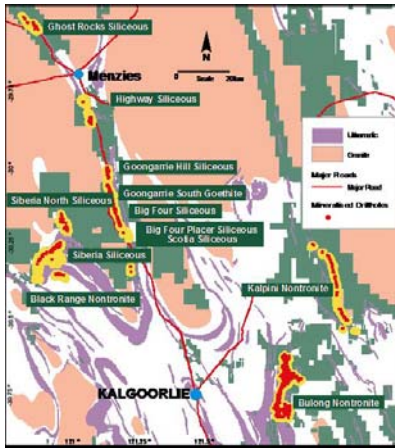
Expected to be brought into production within cash reserves, low capital cost, high potential margin and low cash costs.

The A1 Gold Mine is a low cost entry to a near production asset that can be evaluated and quickly brought to production within the Company's existing cash and cash equivalent reserves. It has low capital costs with high potential margin and low operating costs due to the presence of gravity recoverable gold, existing development access and the high grade nature of the ore.

The A1 Gold Mine is very different to most other Victorian mines, being hosted in the mafic dyke rather than structurally controlled in sediments. As such the mineralisation is less complex and more continuous. There are real opportunities for small scale mechanised mining. Development will focus on mining quality, keeping production expectations in line with the natural capabilities of the ore body.

KALGOORLIE NICKEL PROJECT

KALGOORLIE NICKEL PROJECT (KNP) (HERON 100%)



The Company secured 100% management of the Kalgoorlie Nickel Project in July. In excess of \$34 million was previously spent on exploration and development work as part of the pre-feasibility study. This data has been received by Heron and is progressively being compiled and assessed.

The Company has commenced a formal process to seek a new partner for the Kalgoorlie Nickel Project. To assist this process KPMG Perth and Satori Investments in Shanghai have been appointed as advisors to the Company.

HERON EVALUATION OF KNP – OPTIMISATION OF PROJECT CONTINUING

RESOURCES

Resource estimation is nearing completion, with the Company re-estimating five resources to provide the initial feed in the project mining and processing schedule. Further resources will be considered for the later years in the schedule to ensure the full potential of the project is realised.

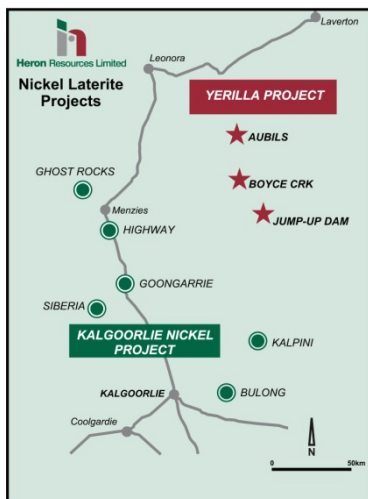
MINING PLAN

Engineering optimisation of individual mining pits will commence during November and is expected to be complete in the March Quarter along with mine and treatment scheduling. Detailed consideration of the beneficiation characteristics of each ore type is to be considered in assessing mining lower cut-off grades and schedules.

ENVIRONMENT

Long lead time environmental surveys are continuing to provide a solid foundation for statutory approvals of the future project. Miscellaneous licences for water exploration are moving toward grant as are a number of mining leases covering secondary future ore sources such as Black Range in the Ora Banda district.

YERILLA NICKEL COBALT PROJECT



Shanshan completed a 4.7% placement in the Company at the end of September which was undertaken at 22.5 cents per share. This price was calculated as 120% of the 15 day VWAP of the Company's share price leading to the announcement of the Shanshan Co-operation Agreement in May. Pursuant to the Shanshan Co-operation Agreement, Heron and Shanshan will investigate development of Heron's Yerilla Nickel Cobalt Project (Project) utilising technology sourced by Shanshan. The placement raised a further \$2.7 million and secures Shanshan as Heron's fourth largest single shareholder.

Under the Shanshan Co-operation Agreement, Shanshan has the option to take two further placements of up to 5% of the issued capital in the Company each at 110% of the 15 day VWAP. These additional options to take placements are respectively conditional on completion of the Project feasibility study and completion of construction of a commercial operation. Shanshan earns a 70% interest in the Project upon commissioning the plant to at least 50% of nameplate capacity.

THE PROCESS

The Project is located 130km north east of Kalgoorlie with resources located at Jump-up Dam, Boyce Creek and Aubils.

The technology involves segregation roasting to process the nickel ore. Segregation roasting heats finely ground ore in the presence of a reductant. The nickel iron and cobalt oxides reduce to their metallic state forming small particles of metal alloy. This metal alloy is recovered by further grinding and magnetic separation. The process forms a high quality iron nickel cobalt alloy concentrate, and recycles reagents to reduce costs. Concentrate grades of 10-12% nickel with recoveries in the region of 80% are targeted for Yerilla ores. Historical data and commissioning of the pilot plant have reported grades in excess of 20% nickel in the concentrate and up to 90% recoveries. Refinements to the technology were introduced by Chinese researchers with the objective of improving the efficiency of the process.

TESTING AND PILOTING

Construction of the pilot plant progressed during the Quarter with the front half of the plant undergoing hot commissioning on an alternative ore source. Piloting of Heron ore will begin when the plant is fully completed making it possible to measure the key process parameters for energy consumption, efficiency of reagent recycle and the volume and composition of the emissions from the process. This is key data to feed into the feasibility study which is expected during 2010.

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Heron is encouraged by the results obtained by Shanshan on nickel ores to date, however much more work is required to complete testing and determine the feasibility of the project. It is anticipated Yerilla ore will begin pilot testing during the December Quarter with results available later in the year. Subject to positive initial evaluation, these results will be fed into Shanshan's feasibility study which is expected to commence during 2010 subject to favourable Project evaluation at that point. Shanshan has not yet provided an expected capital cost for the project which will be determined by the feasibility study.

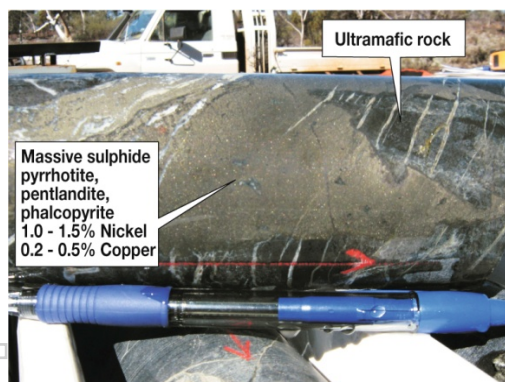
The eventual capital cost is expected to be considerably less than comparable hydrometallurgical nickel plants, due to the process being investigated and the ability to use Chinese manufacture of the key components of the plant.

YERILLA NICKEL COBALT PROJECT RESOURCE TABLE

Project	Prospect	Million tonnes	Ni%	Co%	Ni tonnes	Co tonnes	Cut-off Ni %	Category	Estimation Method
Yerilla	Jump-up Dam	3.9	0.94	0.048	37,000	1,900	0.5	Measured	Recoverable
Yerilla	Jump-up Dam	43.2	0.78	0.043	337,000	18,600	0.5	Indicated	Recoverable
Yerilla	Jump-up Dam	20.2	0.63	0.034	127,000	6,900	0.5	Inferred	Recoverable
Yerilla	Boyce Creek	24.3	0.81	0.059	197,000	14,300	0.5	Indicated	Recoverable
Yerilla	Aubils	43.8	0.78	0.066	342,000	28,900	0.5	Inferred	Recoverable
Total Yerilla		135.4	0.77	0.052	1,040,000	70,600			

EXPLORATION PROJECTS

Nickel Sulphide Exploration

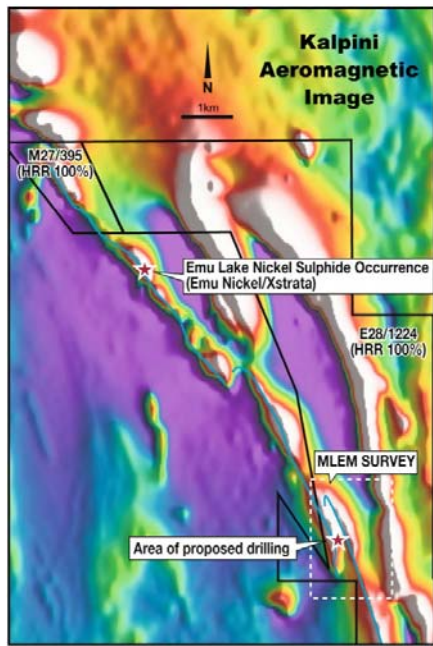


Example of Nickel Sulphide Bands in Avoca Downs Core

Avoca Downs Nickel Project

The Company completed a three hole (414m) diamond drilling program at its Avoca Downs prospect, located some 80 kilometres due east of Kalgoorlie. The program was designed to test an historical (1971) nickel-sulphide occurrence associated with a nickel/copper/platinum gossan horizon. The drilling intersected a sequence of massive to moderately sheared ultramafic, intermediate and felsic rocks. In hole AUD002 the ultramafic rock has thin (1-5cm) wide bands of nickel sulphides grading between 0.8 and 2.2% nickel (assays are from a Niton XRF device and require laboratory confirmation). The intersection of these nickel sulphides confirms the prospectivity of the ultramafic sequence. Further work is required to determine whether economic massive sulphides are present. The three holes will be used as a platform for down-hole electromagnetic surveys to directly target massive sulphide conductors. Further surface electromagnetic surveys are planned to assist with drill targeting.

This nickel sulphide occurrence is located in a 10km belt of ultramafic/mafic and felsic rocks, held by Heron, that have been only lightly explored for nickel in the past. Utilising modern exploration methods the Company is now in a position to explore this belt in detail.

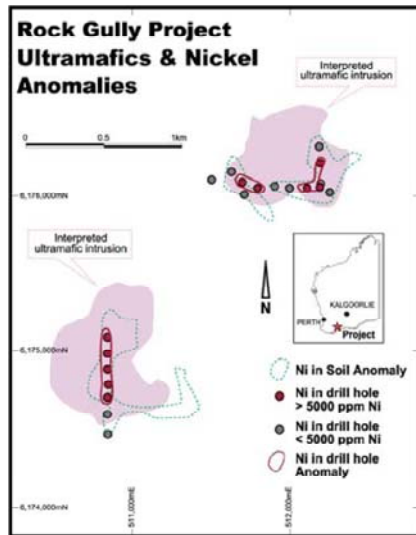


Kalpini Nickel Project

In the coming Quarter the Company will drill three diamond core holes at its wholly owned Kalpini project some 65km north east of Kalgoorlie. These holes will be targeting a fertile ultramafic horizon that hosts the Emu Lake nickel sulphide occurrence held in joint venture between Emu Nickel Limited and Xstrata Nickel Limited. Heron's drilling is designed to test electromagnetic and geochemical anomalies along this fertile horizon some 6km south of the Emu Lake occurrence.

Leonora West Nickel Project

The Company's wholly owned Leonora West Nickel Project is located 35km west north west of Leonora and some 40km to the south-south-east of Xstrata's Sinclair nickel deposit on a granted exploration licence. Recent sampling in the area has revealed a gossanous zone with XRF Niton results up to 1,124ppm Nickel and 1,986ppm copper close to a mafic/ultramafic contact. The Company is planning a moving loop electromagnetic survey to determine whether drill targets can be generated.



Rocky Gully Nickel Project

Geophysical consultants are designing a suitable moving loop electromagnetic survey over the prospective horizons at the Company's wholly owned Rocky Gully nickel project, located 80km north west of Albany Western Australia. The surveys are designed to generate direct drilling targets that can be tested in the December Quarter. The Rocky Gully Nickel Project is located in the Albany Fraser Proterozoic gneiss terrane and is prospective for mafic/ultramafic hosted nickel sulphide deposits in the style of the Voisey Bay deposit.

During the Quarter Mineral Resources Ltd launched a takeover bid for Polaris Metals NL a company in which Heron is a significant shareholder, holding 39,243,244 shares (22.34%) and 14 million options with a strike price of 28.1 cents.

As a precursor to the bid by Mineral Resources going ahead Heron entered a pre-bid agreement covering 19.9% of the issued capital of Polaris leaving the Company with 2.44% of the issued capital in Polaris and 14 million options uncommitted to the Mineral Resources offer.

Since the initial offer was made Lion Asia Pte Ltd has made a counter offer for the shares and both Lion and Mineral Resources have revised their offers upwards.

Heron may participate in the highest offer for its uncommitted holding of shares and options and participates in any improved offer Mineral Resources makes for the 19.9% of committed shares.

Since the initial Mineral Resources offer was made, significant value has been generated by the corporate activity, with the Polaris share price rising from 30 cents before the initial Mineral Resources Offer was made to touch highs of 76 cents during the course of October.

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.

About Heron

Heron is a Nickel and Gold focused development Company with interests in the Eastern Goldfields of Western Australia and Eastern Victoria.

Heron's gold focus is at the A1 Gold Mine in Victoria where it is developing a decline to evaluate reopening this large historic mine. Heron's interest in the A1 Gold Mine is through a two year option to purchase. The A1 Gold Mine offers the opportunity for near term cash flow developed through the Company's cash reserves and with low capital and operating costs and competitive entry cost.

The Kalgoorlie Nickel Project (KNP) is one of the largest undeveloped nickel laterite projects in the world. Heron is currently seeking a partner to assist developing this project. Heron is assisted in its partner search by KPMG Perth and Satori Investment Shanghai. The KNP has a large resource, good infrastructure, low sovereign risk and extensive studies.

The Yerilla Nickel Cobalt Project is located 140km north east of Kalgoorlie, where Heron's partner Shanshan Ningbo is undertaking piloting of Shanshan's technology as part of a feasibility study into developing the Project.

Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HERON RESOURCES LIMITED

ABN

30 068 263 098

Quarter ended (current quarter)

30 September 2009

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	(1,832)	(1,832)
(b) development	(32)	(32)
(c) production		
(d) administration	(986)	(986)
1.3 Dividends received		
1.4 Interest and other items of similar nature received	266	266
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other -GST & sale of data	91	91
Net Operating Cash Flows	(2,493)	(2,493)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(776)	(776)
(b) equity investment		
(c) other fixed assets	(159)	(159)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investment		
(c) other fixed assets	2	2
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
Net Investing Cash Flows	(933)	(933)
1.12 Total operating and investing cash flows (carried forward)	(3,426)	(3,426)

1.12 Total operating and investing cash flows (brought forward)	(3,426)	(3,426)
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	(3,426)	(3,426)
1.19 Cash at beginning of quarter/year	29,557	29,557
1.20 Exchange rate adjustments		
1.21 Cash at end of quarter	26,131	26,131

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	324
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, bonus and superannuation (A\$308,400). Provision of office accommodation by director-related entity (A\$15,500).

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	2,400
4.2 Development	600
4.3 Production	
4.4 Administration	1,000
Total	4,000

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	150	194
5.2 Deposits at call	25,350	28,730
5.3 Bank Overdraft		
5.4 Other (provide details)		
Property Rental bond	63	48
Environmental bonds	497	514
Escrow Accounts	71	71
Total: cash at end of quarter (Item 1.21)	26,131	29,557

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				

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7.6 Options
(description and conversion factor)

		<i>Exercise Price</i>	<i>Expiry Date</i>
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
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. 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.
2. 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.
3. Epsilon Energy Limited may earn a 51% interest in all Mineral Rights for tenements in the Balladonia West area through expenditure of \$275,000 including \$75,000 on drilling to test lignite as well as securing a partner to develop the lignite resources.
4. 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.
5. 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.

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>
E15/00899	Registered Holder	100	0
E28/01187	Registered Holder	100	0
E28/01413	Registered Holder	100	0
E28/01606	Registered Holder	100	0
E28/01860	Registered Holder	100	0
E28/01890	Registered Holder	100	0
E29/00613	Registered Holder	100	0
E30/00247	Registered Holder	100	0
E31/00576	Registered Holder	100	0
E31/00628	Registered Holder	100	0
E31/00735	Registered Holder	100	0
E31/00838	Registered Holder	100	0
E31/00840	Registered Holder	100	0
E31/00854	Registered Holder	100	0
E39/00907	Registered Holder	100	0
E80/03391	Registered Holder	100	0
E80/04102	Registered Holder	100	0
M24/00926	Registered Holder	100	0
P15/04760	Registered Holder	100	0
P24/03764	Registered Holder	100	0
P24/03952	Registered Holder	100	0
P24/03953	Registered Holder	100	0
P24/04000	Registered Holder	100	0
P24/04001	Registered Holder	100	0
P25/01994	Registered Holder	100	0
P25/01995	Registered Holder	100	0
P25/01996	Registered Holder	100	0
P26/02909	Registered Holder	100	0
P26/03286	Registered Holder	100	0
P26/03298	Registered Holder	100	0
P26/03299	Registered Holder	100	0

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<i>Tenement</i>	<i>Nature of Interest</i>	<i>% Begin Quarter</i>	<i>% End Quarter</i>
P26/03300	Registered Holder	100	0
P26/03308	Registered Holder	100	0
P26/03309	Registered Holder	100	0
P26/03498	Registered Holder	100	0
P26/03687	Registered Holder	100	0
P26/03688	Registered Holder	100	0
P27/01966	Registered Holder	100	0
P27/01967	Registered Holder	100	0
P27/01968	Registered Holder	100	0
P27/01969	Registered Holder	100	0
P27/01970	Registered Holder	100	0
P27/01971	Registered Holder	100	0
P27/01972	Registered Holder	100	0
P39/04410	Registered Holder	100	0

6.2 Interests in Mining Tenements acquired or increased

<i>Tenement</i>	<i>Nature of Interest</i>	<i>% Begin Quarter</i>	<i>% End Quarter</i>
E15/01157	Registered Applicant	0	100
E15/01163	Registered Applicant	0	100
E31/00879	Registered Applicant	0	100
E31/00887	Registered Applicant	0	100
E45/03478	Registered Applicant	0	100
E77/01689	Registered Applicant	0	100