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3 September 2001

The Company Announcement Officer  
Australian Stock Exchange Limited  
Post Office Box H224 - Australia Square  
SYDNEY NSW 2000

facsimile 1300 300 021

Dear Sir / Madam

### PLACEMENT

Heron Resources Limited ("Heron") wishes to announce that it has agreed the terms and conditions of a private placement to Resource Capital Fund II L.P. ("RCF").

Under the terms of the placement, RCF will subscribe for 10 million ordinary shares in the capital of Heron at 30 cents per share, to raise A\$3.0 million, together with 10 million three year options to subscribe for Heron shares at 35 cents per share (issued for no consideration).

RCF is a private equity fund dedicated to investing in the resource sector and is -based in Denver Colorado. RCF specialises in arranging and providing financial and technical support for emerging resource companies which are seeking to advance projects from exploration, to feasibility study and finally through to project commissioning.

Heron views RCF's involvement in Heron as a major endorsement for its Goongarrie Nickel Project, and looks forward to advancing Goongarrie to full-scale production status with RCF's support. The A\$3.0 million raising is intended to be substantially allocated to feasibility studies and the continued drill-out of the Goongarrie Nickel Project to measured mineral resource status.

To assist with project management and reviewing current opportunities in the Nickel Laterite sector, RCF will nominate a representative to the Board of Heron.

The placement is subject to conditions precedent to be satisfied or waived on or before 15 October 2001 (unless the parties agree otherwise) which include:-

1. approvals from the Board of Heron and the Investment Committee of RCF;
2. Heron shareholder approval; and
3. RCF having full entitlement to participate in the *in specie* distribution by Heron of shares in the Avoca Resources Limited precious metal spin-off.

If the conditions precedent are satisfied and Heron fails to proceed with the transaction, a termination fee is payable comprising the issue of 500,000 Heron shares to RCF.

Yours sincerely

Ian Buchhorn  
Managing Director