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

facsimile 1300 300 021

Dear Sir / Madam

RE: Feasibility Study North Kalgoorlie Nickel Project

Heron Resources Limited ("Heron") wishes to advise that it has entered into a Letter Agreement with Minerals Processing and Marketing Pty Ltd ("MPM") and Atomaer Holdings Pty Ltd ("Atomaer") in which Heron grants to MPM and Atomaer exclusive rights until 31 December 2002 to negotiate and finalise, on behalf of Heron, a Financing Agreement between a Funding Party, Heron, MPM and Atomaer to finance feasibility studies and project development for the North Kalgoorlie Nickel Project in Western Australia, being dominantly Heron's Goongarrie and Kalpini nickel laterite projects ("Project").

1. Heron has agreed with MPM and Atomaer that it is able to offer equity in the Project to a Funding Party whereby a Funding Party may acquire the rights to:
 - 1.1 Evaluate the technical and commercial feasibility of a stand-alone processing operation by funding at its sole cost:
 - i. The conduct and management of a Pre-Feasibility Study; and
 - ii. The conduct and management of a Feasibility Study.
 - 1.2 Enter into an agreement with Heron to establish an unincorporated joint venture for participation in the development of the Project in which the Funding Party and Heron will each have a 50% participating interest in the Project if:
 - i. the Feasibility Study finds that the Project is technically and commercially feasible;
 - ii. the Funding Party elects to proceed with development of the Project; and
 - iii. the Funding Party finances, or procures finance for, all of the capital costs of the development of the Project including Heron's share of those development costs, and awards an EPCM or like principal construction contract.
2. MPM will make available a Nickel Laterite Process Technology for use in the Studies and operation of the North Kalgoorlie Nickel Project, on terms to be agreed by the Funding Party, Heron and MPM.
3. Heron has offered to pay to Atomaer a fee for success in an amount to be agreed by Heron and Atomaer.

4. Atomaer has completed a due diligence review of Goongarrie, and is satisfied with the outcome of those studies. The uniformity of Goongarrie ore in respect of high grade, thickness, metallurgical response and mineralogy is a key aspect of any future stand-alone development.

The proposed Studies, should they proceed, will involve a substantial level of drilling, metallurgical pilot studies and flow-sheet design, all of which will contribute to the ultimate long term development of Goongarrie and Kalpini, whether as ore supply to established processing plants, or as greenfields stand-alone operations.

Heron will be engaged to conduct all exploration, drilling, resource estimation and modelling, and mining for the Studies and operations of the Project.

Heron acknowledges that its previously stated strategy has been to process its various nickel laterite resources through ore supply to established plants, reflecting the Company's policy of risk minimisation. This style of proposed operation was disclosed in the Company's June 2002 Quarterly Report to ASX.

Any involvement by Heron in a stand-alone nickel laterite operation will require the continued maintenance of Heron's risk minimisation, through conservative project funding strategies. It is felt that the Company is justified in stepping back from its preferred ore supply model if only until 31 December 2002, to enable an independent review of current stand-alone processing options to be completed. The Company last conducted such a review in mid 1999, prior to the three established Western Australia nickel laterite stand-alone processing plants reaching their current levels of ramp up and stabilised operating costs.

It should be stressed that the possible Project funding discussions are at a preliminary stage, but in terms of continuous market disclosure, it was felt that the Letter Agreement with MPM and Atomaer is of sufficient potential impact to the Company such as to require disclosure.

Yours sincerely

A handwritten signature in black ink, appearing to read 'I. Buchhorn', with a long horizontal line extending to the right.

Ian Buchhorn
Managing Director