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Website <http://www.heronresources.com.au>

HERON RESOURCES LIMITED

30 December 2005

Australian Stock Exchange Limited
GPO Box D187
Perth WA 6840

Attention Mr Anthony Walsh

Facsimile 9221 2020

Dear Mr Walsh

Price and Volume Query

In response to your letter dated 30 December 2005 and in relation to the questions you have raised, the Company confirms that it is in compliance with Listing Rule 3.1. The responses to your questions are as follows:

1. The Company is not aware of any information that has not been announced that could be an explanation for recent trading in the securities of the Company.
2. Since no information requiring an announcement is known to the Company, this question is not applicable.
3. The Company has no other explanation for the price change and increase in volume in the securities of the Company.
4. The Company confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

The Company is aware of a media report in today's "*Australian*", noting that Brazilian iron ore giant Companhia Vale do Rio Doce (CVRD) plans to spend US\$1.6 billion (A\$2.2 billion) developing its Niquel do Vermelho laterite nickel project in Brazil.

The Niquel do Vermelho mineralisation, as described in various technical publications, has geological similarities to Heron's Kalgoorlie Nickel Project (KNP), notably in its limonitic mineralisation style and amenability to using a hydrometallurgical processing technique termed Pressure Acid Leach (PAL) to extract the nickel.

Resources for the KNP and Niquel do Vermelho are comparable, with the resource for Niquel do Vermelho as stated in today's "*Australian*" article being 290 million tonne at 0.8% nickel (2.3 million tonne contained nickel), compared to 453 million tonne at 0.7% nickel (3.2 million tonne contained nickel) for the KNP Goongarrie-Siberia siliceous ore.

Niquel do Vermelho will now be the third major nickel laterite project after Goro in New Caledonia and Ravensthorpe in Western Australia to commence construction. All three are what is termed a "limonitic" nickel laterite, and will be processed using PAL. This mineralisation style and processing technique is what Heron's 2004 independent scoping study identified as the optimum development route for the KNP.

The Niquel do Vermelho decision to proceed is significant for Heron's KNP, since it is a further endorsement of the technical viability of limonitic nickel laterite projects. This may have contributed to the price change and increase in volume in the securities of the Company to which your query relates.

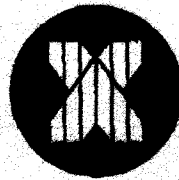
Should you require any further clarification please contact the Company.

Yours faithfully

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

Managing Director

"The information in this report that relates to Mineral Resources or mineralisation is based on information compiled by Ian James Buchhorn, who is a Member of the Australasian Institute of Mining and Metallurgy. Ian James Buchhorn has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 1999 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves".



ASX
AUSTRALIAN STOCK EXCHANGE

30 December 2005

Mrs S Calvert
Company Secretary
Heron Resources Limited
PO Box 1280
KALGOORLIE WA 6430

Facsimile: 9091 9256

Dear Sarah

Heron Resources Limited (the "Company")

PRICE AND VOLUME QUERY

We have noted a change in the price of the Company's securities from 44 cents on 28 December 2005 to a high of 58 cents today. ASX also notes the higher volumes of securities being traded.

In light of the price and volume change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?
2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 12 noon on Friday 30 December 2005.

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The response must be in a form suitable for release to the market. If you have any concern about release of a response, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

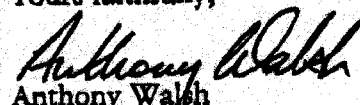
If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and the guidance note titled "Trading halts" we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours faithfully,


Anthony Walsh
Assistant Manager, Issuers (Perth)