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## HERON RESOURCES LIMITED

ASX / Media Release

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### ROADMAP FOR TOTAL NICKEL FOCUS

#### IPO NON NICKEL DIVESTMENTS; SHAREHOLDER DISTRIBUTION; SULPHIDE EXPLORATION

Following a strategic review of assets and corporate activities, Heron Resources Limited (**ASX: HRR**) (**Heron** or the **Company**) is pleased to provide a snapshot of the Company's business plan and development pipeline, as follows:

1. **Long-term**, transition to major nickel laterite producer status: The **Kalgoorlie Nickel Project (KNP)** is targeting in excess of 20,000tpa equity nickel production under the farm-in and joint venture Laterite Agreement with Inco Limited (**Inco**) of Canada.
2. **Medium-term**, lower capex nickel production opportunities: The non-KNP **Nickel Sulphide** exploration and non-KNP **Nickel Laterite Heap Leach** studies are initially targeting 10,000tpa nickel production from 100% Heron-owned projects.
3. **Near-term**, impact of exploration success: The Company's **conceptual exploration targets** are for multi-commodity, world class targets focussing on Ni-Cu-PGM settings.
4. **Immediate divestments to unlock value**: Heron is nearing completion of its initiatives to spin-off its non-core copper-gold, uranium and iron ore projects to new owners. This follows on from previous successful divestments completed in 2002 (Avoca Resources Limited) and 2003 (Pioneer Nickel Limited), with subsequent in-specie share distributions of vendor shares to Heron shareholders at no cost.

#### Long Term Production - Kalgoorlie Nickel Project

**Nickel Laterite:** The Inco Laterite Agreement commenced on 30 July 2005, with Inco conducting the Step 1 core drilling program aimed at testing the assumption that the KNP has the potential for a resource of 120 million tonne with a leach feed grade of 1.5% Ni.

Completion target was 30 July 2006. Drilling was completed on schedule in April this year with 34 PQ core holes, generating 860 screen upgrade metallurgical samples. Inco has advised that final leach feed assays will not be available until the end of July (reflecting the current Australia-wide pressure on laboratories), meaning the Step 1 completion target was not met. Despite the vast amount of data requiring evaluation, Inco still plans to be in a position to decide whether or not to proceed to Step 2 on the contractual date of 30 September 2006.

**Nickel Sulphide:** Heron and Inco have been unable to reach agreement on the terms of a Nickel Sulphide exploration joint venture in the Eastern Goldfields region (designated the Area of Mutual Interest, or **AMI**). Accordingly, the parties have jointly agreed to terminate negotiations.

Inco retains no further rights in Heron's AMI tenements. The Nickel Sulphide outcome has no impact on the ongoing KNP Laterite activities.

## Medium Term Production - Nickel Sulphide and Nickel Laterite Heap Leach

Nickel Sulphide: Heron will continue its sole funded Nickel Sulphide exploration on the non-KNP tenements. Several advanced staged targets have been generated through Heron's exploration over the last year, including Mineral Patch Hill, Wildara North, Roe Hills South and Gibraltar.

Following termination of the AMI Nickel Sulphide negotiations, Heron has stepped up its exploration programs. The objective is to make a discovery at one of the defined targets, and fast track to medium term production. Heron has an EM crew committed for surveying at the end of July 2006, and a drill rig committed for August 2006 to undertake geochemical and lithological sampling of the key Nickel Sulphide targets.

The Company continues to evaluate nickel sulphide advanced stage and production opportunities.

Nickel Laterite Heap Leach: Heap leach column tests are in progress for nickel laterite mineralisation located outside the KNP. Leach column performance and recovery results to date have been entirely comparable with data published for nickel laterite heap leach projects located elsewhere in Australia and overseas. Based on these results, planning is current to move to the next phase and implement trial heap leach pads.

## Near Term – Conceptual Exploration

The Company has acquired several outstanding nickel exploration targets in recent months:

- > Bencubbin, entire greenstone belt acquired, defined Ni-Cu-PGM and Cu-Au targets, up to 12g/t Au in reconnaissance rock chip sampling. The Cu-Au assets are earmarked for Regent Resources Limited.
- > Rocky Gully, intrusive magnetic anomaly, Ni-Cu-Cr strongly anomalous in regolith, Ni-Cu-PGM target.

## Non-nickel Divestments

The aim is for Heron to develop into a pure nickel production company, hence the spin-off of non-nickel assets. IPO details will be released over the coming weeks as the new management teams finalise their listing strategies.

**Regent Resources Limited – Copper-Gold:** The management team has been appointed and projects are being finalised (will include the new acquisitions Bencubbin and Boddington South, as well as Warburton, Yindarlgooda and Bardoc). The current intention is that a significant portion of the Regent vendor shares will be distributed to Heron shareholders at no cost. Current prospectus lodgement target is September 2006.

**Balladonia Uranium Limited – Uranium:** The managing director has been appointed. Balladonia Uranium will acquire the uranium rights to Heron's Balladonia Project in the western Eucla Basin of WA, and all mineral rights to Heron's uranium projects in the Ashburton region of WA, and projects in the NT and western Queensland. The current intention is that the Balladonia vendor shares will be distributed to Heron shareholders at no cost. Current prospectus lodgement target is late 2006.

**Iron Ore:** Heron's iron ore tenements are to be vended into an operating listed company with complementary iron ore assets. The purchaser has an experienced iron ore team, able to fast-track the development of Heron's iron ore assets. The leading project is Poondano, located 30km SE from Port Hedland. Heron believes the near term cash-flow potential is good. Heron initially will retain its vendor shares, whilst development decisions are in train and iron ore project funding alternatives are being evaluated.



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