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## HERON RESOURCES LIMITED

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### KALGOORLIE NICKEL PROJECT FARM-IN AND JOINT VENTURE PROGRAM AND BUDGET FOR STEP 2 OF KNP PREFEASIBILITY

Heron Resources Limited (ASX: HRR) (Heron or the Company) and Inco Limited (NYSE: N, TSE: N) (Inco) have adopted an estimated US\$2 million Program and Budget for Step 2 of the Kalgoorlie Nickel Project (KNP) Farm In and Joint Venture Agreement (FIJVA).

The Budget and Program is for the first six months of Step 2 and includes just under US\$1 million for drilling and US\$0.68 million for metallurgical test work, beneficiation and assaying.

The Program for the first six months of Step 2 of the FIJVA is:

1. Bench Scale Metallurgical Tests, involving approximately 100 samples for High Pressure Acid Leaching and Atmospheric Leaching, followed by settling and rheology tests.
2. Crushing, attritioning and scrubbing to determine optimal crush size and to evaluate beneficiation options.
3. Bulk metallurgical tests, including drilling to provide sufficient sample for three, 500kg semi continuous pilot high pressure leach runs.
4. Detailed drilling and geological evaluation of the Siberia North and Highway Projects to improve geological understanding in particular the controls on high grade mineralisation and its continuity, and determine drilling types and densities required to adequately define resources and reserves during Step 3 of the Pre-Feasibility Study.

Mr Buchhorn welcomed the commitment saying the program adopted by both Inco and Heron was bold but necessary given the size of the KNP resource and the opportunity the project currently represents.

"This program includes intensive drilling and metallurgical work for the first six months of the twelve month commitment to Step 2. The second six months will then focus on fine tuning the results and putting in place the systems to cope with the large amount of work that would need to be undertaken during a Step 3 style program," Mr Buchhorn said.

"Heron is pleased to see the KNP move a step closer to providing the long-term large scale nickel production tier, as part of our Total Nickel Focus strategy announced in July 2006."

As reported on 25 September 2006 Inco completed Step 1 of the FIJVA which included drilling 53 PQ sized diamond drill holes. Forty one holes were targeted at confirming head grade and beneficiation results obtained by Heron in its RC drilling, and 12 were drilled to obtain metallurgical samples for use during Step 2 test work.

The Step 1 program saw Inco re-log and interpret all the key prospects of the KNP to understand the distribution and quantify the various mineralisation material types present. This reinterpretation used three dimensional modelling to estimate the volume of siliceous and other mineralisation available to the project.

This reinterpretation used indicator kriged block-modelling to estimate the volume and tonnes of the various mineralisation styles that are available to the project. While no definitive grades were assigned the indicative tonnes were used by Inco to evaluate the Heron mineral resource Assumption.

Inco concluded that while the specific beneficiation characteristics of the material types cannot yet be determined due to current insufficient sampling, they are likely to be within expectations of those derived from the original Heron July 2004 Scoping Study which was the basis for the Step 1 Assumption of 120 million tonnes at a 1.5% Leach Feed Grade within the KNP .

### Inco's Step 1 Conclusions

1. KNP is a large nickel resource in a political stable region with good existing infrastructure which has the potential to achieve the Assumption tonnes and grade.
2. KNP is one of the better undeveloped nickel laterite opportunities in the world.
3. No fatal flaws detected during Step 1, but the core drilling, interpretations and database interpretation raised geological issues previously not recognised that need addressing during Step 2.



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*"The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Mathew Longworth, who is a Member of The Australasian Institute of Mining and Metallurgy "*

*"Mr. Mathew Longworth is a full-time employee of the company".*

*" Mr. Mathew Longworth 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mathew Longworth consents to the inclusion in the report of the matters based on his information in the form and context in which it appears".*