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## HERON RESOURCES LIMITED

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### HERON COMMENCES SECOND NICKEL LATERITE PROJECT STUDY

#### HIGHLIGHTS

- Heap leach laterite Scoping Study for Jump-up Dam Project
- Potential early production, target 2007 for trial pads, 2009 for commercial scale
- Excellent nickel drill intercepts from shallow depths, including 54m grading 1.4% Ni
- Fast leach rates from independent test work
- Competitive capital and operating costs
- Validated technology through European Nickel plc Caldag commissioning
- Product off-take options
- 100% Heron-owned and controlled

Heron Resources Limited (ASX: HRR) (Heron or the Company) is pleased to announce the commencement of a staged scoping and feasibility study into its 100%-owned Jump-up Dam Project, located 150km to the north east of Kalgoorlie-Boulder in Western Australia.

The study will look at economic production of nickel via development of a heap leaching operation. Construction of the initial trial leaching circuit could potentially start during 2007, with production of around 500 - 1,000tpa from a demonstration plant commencing during 2007-2008. Full commercial production is planned to commence in 2009 at a rate of 5,000tpa ramping up to 10,000tpa of nickel production in intermediate product during the 18 months following commencement of commercial leaching.

Project timelines are subject to positive technical studies, acid supply contracts, off-take agreements and financing.

The study has been initiated following the receipt of strong drilling results as well as complementary leaching test work. Drilling since June 2006 at Jump-up Dam has returned results including; **8m grading 2.8% Ni** from 2m depth, **10m grading 1.4% Ni** from 12m depth, **14m grading 1.3% Ni** from surface, **54m grading 1.4% Ni** from 18m depth and **20m grading 1.2%Ni** from surface. The mineralisation shows excellent continuity on wide spaced drilling.

Drilling is complemented by positive leaching test work including recoveries of 60% nickel after 100 days and two samples demonstrating very fast recoveries of up to 60% within 20 days of leaching commencing. This compares very favourably with test results from projects currently in construction where 60% nickel recovery is reached after 300 days of leaching limonite ores.

As well as positive drilling and metallurgical results, the surrounding infrastructure is also conducive to the project's establishment. There are multiple potential sources of acid for treating the ore, a nickel refinery and a nickel smelter within 150km of the project and a significant, established mining work force based in Kalgoorlie-Boulder. Additionally, there is an experienced engineering skill set from the local gold heap leach sector.

Heron holds a significant land bank with reported nickel laterite mineralisation at its 100%-owned Aubils and Yerilla projects, which have the potential to significantly extend the Jump-up Dam project life and provide the potential for incremental ramp up.

Heron Resources Managing Director Ian Buchhorn said the Jump-up Dam project complements the large, longer-term Kalgoorlie Nickel Project, both of which are part of the Company's overall nickel strategy focused on turning Heron into a producer of up to 50,000 tonnes per annum of nickel over a 10-year period.

"This project is the first of Heron's Medium Term production projects which were discussed as part of our Total Nickel Focus strategy in July this year," Mr Buchhorn said.

"These results are exciting and enable us to move quickly from initial concept plan to Scoping Study, and should results of the studies support the project, through to production. The initial target of the project will be to produce 5,000t of nickel per annum; ramping up to 10,000 tonnes of nickel. The ore feed requirement is expected to be some 1.2 million tonnes per annum grading 1% Ni.

"From published data regarding current heap leach projects, capital intensity of the Jump-up Dam project could be around US\$5 to 6 per pound of production capacity, compared to US\$20 per pound for Pressure Acid Leach plants. These capital estimates facilitate incremental project growth within the capital capacity of mid-tier developers such as Heron. "

### Jump-up Dam Drilling

<b>TABLE 1 Jump-up Dam Drill Intercepts</b>								
<b>Zone</b>	<b>Hole ID</b>	<b>North MGA m</b>	<b>East MGA m</b>	<b>From metres</b>	<b>To metres</b>	<b>Width metres</b>	<b>Ni %</b>	<b>Co %</b>
Western	JDRC013	6713200	408320	0	22	22	1.53	0.04
	<i>Including</i>			2	10	8	2.80	0.05
Western	JDRC014	6713200	408160	10	34	24	1.04	0.09
	<i>Including</i>			20	28	8	1.30	0.09
Western	JDRC058	6713200	408240	4	32	28	1.24	0.09
	<i>Including</i>			12	22	10	1.41	0.14
Western	JDRC016	6712560	408160	20	36	16	0.89	0.03
	<i>Including</i>			28	34	6	1.47	0.05
Western	JDRC017	6712560	408320	10	32	22	0.79	0.05
	<i>Including</i>			10	14	4	1.52	0.11
Western	JDRC064	6711920	408560	13	48	24	0.85	0.03
	<i>Including</i>			24	30	6	1.46	0.04
Western	JDRC065	6711920	408480	18	72	54	1.35	0.06
	<i>Including</i>			24	38	14	2.08	0.10
Eastern 1	JDRC004	6713200	409760	4	26	20	1.15	0.07
	<i>Including</i>			12	18	6	1.61	0.09
Eastern 1	JDRC005	6713200	409600	4	20	16	0.90	0.05
Eastern 1	JDRC056	6713200	409680	4	28	24	0.69	0.02
Eastern 2	JDRC041	6177920	410240	10	32	22	0.60	0.06
Eastern 2	JDRC042	6177920	410080	0	50	50	1.07	0.05
	<i>Including</i>			0	14	14	1.32	0.11
Eastern 2	JDRC043	6177920	409920	0	44	44	0.91	0.06
	<i>Including</i>			0	6	6	1.36	0.11
Eastern 2	JDRC047	6177920	409840	4	22	18	0.69	0.04
Eastern 2	JDRC048	6177920	410000	2	40	38	0.76	0.05
Eastern 2	JDRC049	6177920	410160	8	36	28	0.77	0.04
Eastern 2	JDRC050	6177920	410320	4	24	20	0.92	0.09

Heron commenced initial drilling at Jump-up Dam in June 2006, with the initial regional reconnaissance program returning a number of significant shallow nickel intersections. The initial program consisted of 2,191m in 58 holes with drilling on nominal 640m spaced lines. A summary of significant results is provided in Table 1 above.

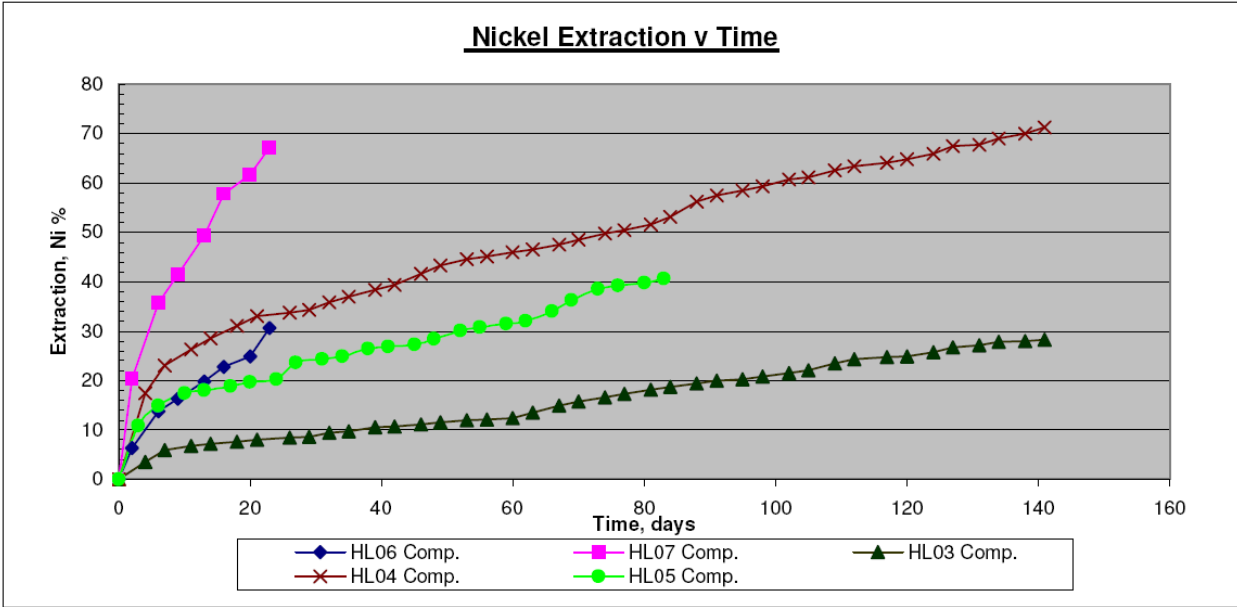
Mineralisation is located in an Eastern Siliceous zone and a Western Siliceous-Nontronite zone, and as Table 1 above demonstrates, mineralisation is generally shallow and of good thickness downhole and width across strike. Drilling completed to date on 640m spaced lines suggests strike lengths approaching 2km. The current drilling program is designed to allow estimation of an initial JORC-compliant resource upon which to base the Scoping Study, and design the Pre-Feasibility Study programs including large scale column leach test work and trial leach pads.

**Jump-up Dam Metallurgical Test-work**

Six samples of mineralisation from the Jump-up Dam project have been submitted for metallurgical test-work at SGS Lakefield Oretest Pty Ltd in Perth, for agglomeration and one metre column leach tests. Agglomeration involves forming competent nodules of mineralisation by tumbling the mineralisation with a binder which gives the sample strength to support the mass of mineralisation above in the heap, and ensure porosity and permeability are maintained for the dilute acid to continue to circulate through the column of ore.

Heron is encouraged by the leaching times encountered in the samples including Composite 4 reaching 60% of nickel extraction with in 100 days and almost 70% after 130 days. This compares to results reported by projects in construction of 60% nickel recovery after some 336 days. It is acknowledged that laboratory extractions can exceed actual heap extractions.

Rates of nickel leaching are ore type dependent and will not be fully understood until the Company completes large scale column leach tests on a range of ore typical of that available over the life of the project.



## Scoping Study Details

Drill results combined with encouraging column-leach testwork have encouraged the Company to undertake the current Scoping Study. The Study includes:

1. Resource drilling involving approximately 7,000 metres in 165 holes on a 160 metre by 80 metre pattern from which to estimate an initial inferred resource, now under way.
2. Screen beneficiation testwork, similar to that reported for other Heron projects.
3. On going agglomeration and column leach test work.
4. Design and implementation of a Calweld drilling program to provide samples for large diameter column leach tests during the Pre-Feasibility Study.
5. A conceptual mine schedule to design the effective composites representative of deliverable run of mine material.
6. Diamond drilling to provide additional metallurgical and geotechnical information for the Pre-Feasibility Study.
7. Pegging of Mining Lease applications and submission of statutory report required in support of applications, now completed (as a note these were the first MLAs received in Kalgoorlie since the new legislation was proclaimed).
8. Evaluation of process water options and assessment for water exploration potential.
9. Base line flora and fauna studies.
10. Evaluation of potential Heap Leach flow sheets and capital costs on a global basis.
11. Discussions with potential acid suppliers and off-take partners.

The Company will be assisted by external consultants in undertaking the studies and the Scoping Study is expected to be completed during the first quarter 2007.

## About Heap Leach Extraction

Heap leach extraction of nickel involves stacking heaps of nickel-bearing laterite ore on sealed pads and leaching via reticulation of dilute acid through the heap. Once the solution has reached the appropriate concentration of nickel, precipitation of a nickel intermediate product is undertaken, filtered, dried and bagged for sale. This process has significantly lower capital costs compared to high pressure acid leach (PAL).

European Nickel plc's Caldag Project, which is a heap leach-based project, is currently under construction in Turkey where capital costs are estimated at US\$254 million for just over 20,000 tonnes of nickel production per annum equating to approximately US\$5.76 of capex per pound of nickel production.

European Nickel has a close working relationship with BHP Billiton through a 2004 agreement to work together to develop the nickel heap leach process, a 2.5% shareholding and an agreement to take all the mixed hydroxide intermediate product production of the project for 75% of the contained nickel value.

## Heron's Strategy: Total Nickel Focus

Heron announced in July 2006 a three tier strategy to become a totally nickel focused company. Since then the Company has delivered on non-core asset divestments and continues to do so, the KNP Inco Joint Venture has proceeded to Step 2 of the Pre-Feasibility Study being the first potential nickel production centre, and now the Board has resolved to commence the Scoping Study for a second nickel production centre, being the Jump-up Dam Project .

As announced in July, the Heron development strategy consists of three tiers:

- **The Long Term:** Kalgoorlie Nickel Project, where upon successful development and ramp up, Heron's portion of nickel production will be potentially in the order of 20,000 to 25,000 tonnes per annum.
- **Medium Term:** Development of a second laterite heap leach centre, being Jump-up Dam, and continuing exploration and development of Heron's regional nickel sulphide targets.
- **Near term:** Divestment of non-core assets, with Iron Ore completed to Polaris Metals NL; and Uranium and Gold-Base metals progressing well. The Jump-up Dam Project provides potential earlier term production opportunity, subject to the current studies.

Through this strategy, Heron will deliver on its vision of becoming 50,000 tonne per annum nickel producer, first by developing heap leach production at Jump-up Dam, incrementally ramping up production from 5,000 to 10,000tpa, development of a second heap leach operation from within the substantial non-tied laterite ground holdings, and in the longer term the development of the KNP with Inco.



Ian Buchhorn  
Managing Director

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

*" Mr. 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".*

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Figure 1 – Jump-up Dam Drilling Plan

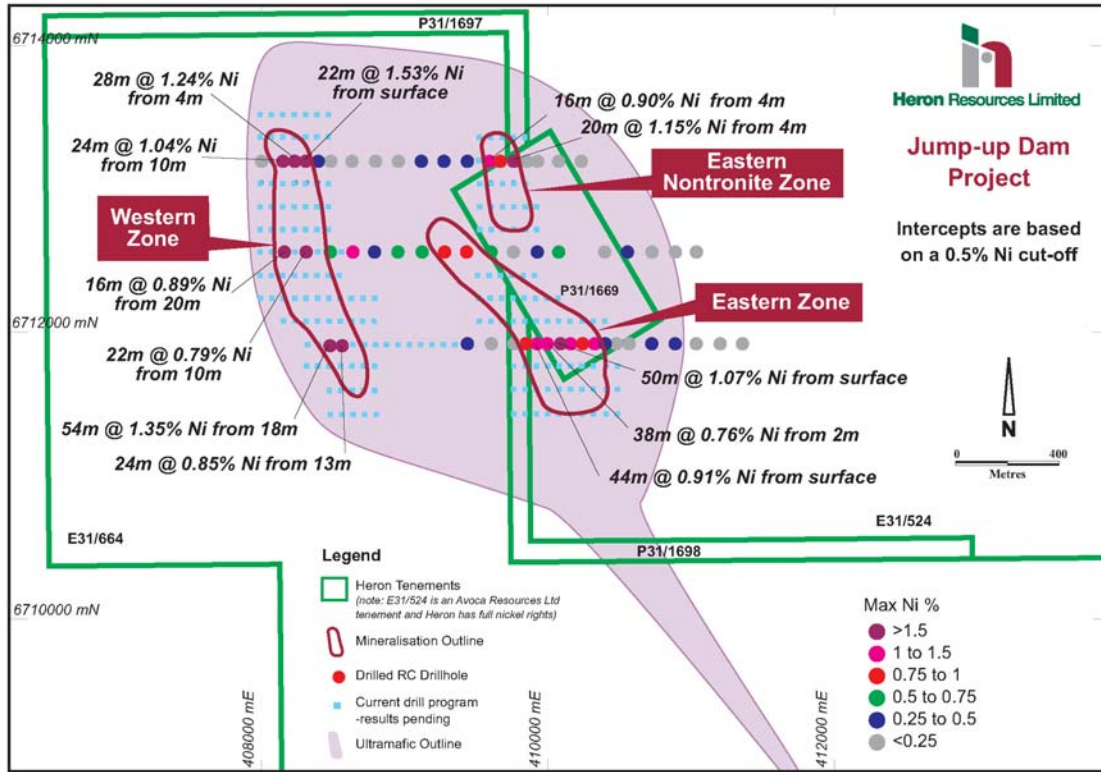


Figure 2 – Jump-up Dam Conceptual Flow-sheet

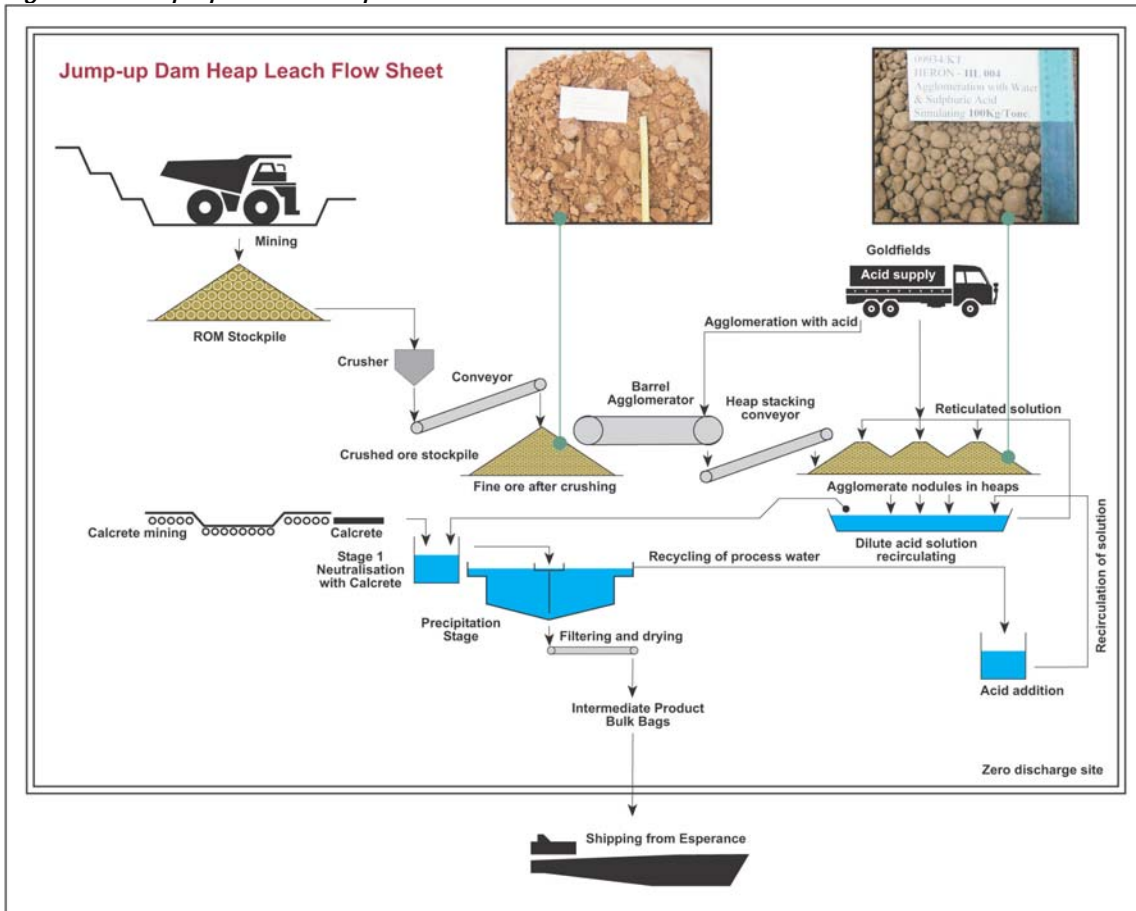


Figure 3 – Jump-up Dam Drill Sections

