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YERILLA STUDY IDENTIFIES ROBUST ATMOSPHERIC LEACHING PROJECT

Highlights

- Long 18 year Operating Life
- Production at 21,000 tpa of nickel for 372,000 tonnes of nickel over life of mine, and 1400 tpa of cobalt
- Competitive cash operating costs of at US\$5.70 per pound of payable nickel equivalent
- Six year payback of \$1.2 billion capex
- Significant leverage to nickel price, NPV \$218 million at US\$9.00 per pound, increasing to \$1 billion at US\$11.00 per pound
- Reduced project risk compared to Heap Leach

Heron Resources Limited (**ASX:HRR Heron**) is pleased to announce positive results from the Scoping Study for its Yerilla Project located some 150 km north-east of Kalgoorlie in Western Australia. Heron has been able to deliver on its commitment to complete this Scoping Study on time and within budget because of the quality of the project assets and Heron's in-house project team.

Using Atmospheric Leaching Technology process, the study has identified an 18 year mine life with annual production of 21,000 tonnes of nickel in mixed sulphide intermediate product and a further 1,400 tonnes of cobalt sourced from 2.5 Mt of leach feed grading 1.06% Ni and 0.07% Co.

The study was based on a combined resource of some 135.3 Mt at 0.77% Ni and 0.05% Co (details provided in Table 1) with a cash operating cost estimate of US\$5.70 per pound of payable nickel net of credits.

Capital cost of the project is estimated at A\$1.2 billion payback is estimated to be 6.5 years.

Financial modelling for sensitivity analyses assumed a pre-tax 8% discount rate, US\$9.00/lb average nickel price and 0.75 A\$:US\$ exchange rate. The study uses a long term sulphur price, based on expert studies by British Sulphur Consultants a division of international market forecasting consultancy CRU.

Heron Managing Director, Mathew Longworth, said the level of detail contained in the scoping study was similar to the requirements of a pre-feasibility study, with some of the test-work conducted at BHP Billiton's testing facilities. Heron is fortunate to have had the support of BHP Billiton in undertaking this study through the use of its Technology Centre and

contributions from BHP Billiton's technical experts through our technology sharing agreement. He said "the study has provided Heron with confidence to proceed with more detailed test-work to further calculate the project's financial dynamics."

Mr Longworth also said "Heron will now review the results of the study and determine the optimum development options for the Yerilla Project. As previously advised this will likely include the desire to identify an equity partner for the project given its large capital requirement. Further studies will be undertaken to investigate opportunities for further improvements in important aspects of the project, including resource beneficiation, leaching performance, and water quality."

The application of the BHP Billiton patented atmospheric leach technology to the expanded 135.3 Mt resource base which incorporates the Jump-up Dam, Boyce Creek and Aubils projects, has significantly improved the project's financial integrity in comparison to the stand – alone Jump-up Dam Heap Leach Project pre-feasibility study which Heron completed in January this year. Heron has access to the atmospheric leach technology through the Technology Sharing and Product supply agreement executed with BHP Billiton in January 2008.

This expanded resource base and change to atmospheric leaching technology has allowed an increase in the production rate and the application of beneficiation to increase leach feed grade. It has also significantly reduced the production ramp-up period and the amount of nickel inventory in circuit. The atmospheric leach technology also eliminates the project risks associated with laterite heap leaching, while facilitating treatment of a larger range of ore types.

The Yerilla Project involves mining 3.2 Mt of ore per annum from shallow open pits located at Jump-up Dam, Boyce Creek and Aubils. A proportion of the ore is beneficiated through simple scrubbing, attritioning and size separation to produce 2.5 Mt per annum of upgraded leach feed material. The ore is classified into high and low iron streams which feed the primary and secondary leach circuits respectively. Leaching takes place in conventional agitated leach tanks with sulphuric acid at normal atmospheric pressure. The sulphuric acid is produced on site in a sulphur burning acid plant, which also provides all the project's power requirements via steam turbine generators. The nickel intermediate product is recovered from the leach solution after neutralisation and precipitation.



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The information in this report that relates to Mineral Resources is based on information compiled by James Ridley who is a Member of the Australasian Institute of Mining and Metallurgy. James Ridley is an employee of Heron Resources Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the resource estimation activity that he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. James Ridley consents to the inclusion in this report of the matters based on his information in the form and context that it appears. Note that Mineral Resources that are not Ore Reserves do not have demonstrated viability.

Table 1 Yerilla Resource based on 0.5% Ni Cutoff to 10mE x 10mN x 4mRL Blocks

		Mt	Ni%	Co%
Yerilla	Measured	3.9	0.94	0.05
	Indicated	67.5	0.79	0.05
	Inferred	63.9	0.73	0.06
	Total	135.3	0.77	0.05

