



ASX Release – 21 May 2009

VALE WITHDRAWS FROM KNP

Heron Resources Limited (ASX:HRR, Heron) has been advised by Vale Inco, a wholly owned subsidiary of Companhia Vale do Rio Doce (Vale), that it will not proceed with the full feasibility study for the Kalgoorlie Nickel Project (KNP). Accordingly Vale has given Heron a 60 day notice terminating its earn-in to the KNP under the KNP Agreement. Heron and Vale maintain an excellent relationship and will cooperate fully to effect the orderly transfer of data and tenement maintenance obligations during this 60 day notice period.

Heron would like to thank the Vale team for their efforts over the last four years.

As a result of this decision, Heron not only regains an unencumbered 100% ownership of this major project, but also all technical information generated by the extensive exploration and evaluation program undertaken by Vale since April 2005. Spending on the project during this period totals approximately \$34.5 million. Heron is not required to reimburse Vale for any of this expenditure.

Heron remains committed to the belief that there is significant scope to develop a world class nickel project based on the KNP resources. Heron will continue to optimise the current pre-feasibility study (PFS) prepared by Vale utilising Heron's in-house project team and will seek a new partner for the development of the project upon finalisation of this optimisation study.

Areas being addressed by Heron in its optimisation of the PFS include:

- revision of the resource estimates. The PFS resource estimation methodology used provides an in-situ estimate only. Heron will use a recoverable resource estimation technique which it believes will provide a significantly better estimate of grade and tonnes providing the building blocks for project optimisation;
- revision of the pit optimisations and mine schedule. The PFS did not result in the optimal mining schedule. Heron will re-run the mine optimisation and mining schedule. Heron believes this will significantly increase the project value; and
- the PFS considered only four of the 14 deposits making up the KNP. Heron believes the inclusion of the additional deposits which are proximal to the proposed Goongarrie processing plant is essential to optimise production rate and capital utilisation.

A handwritten signature in black ink, appearing to read 'N. Mathew Longworth'.

Mathew Longworth
Managing Director

For media inquiries, please contact: Paul Downie, FD Third Person, 0414 947 129, (08) 9386 1233

The information in this report that related to Exploration is based on information compiled by Mathew Longworth who is a member of Australian Institute of Mining and Metallurgy. Mathew Longworth is a full time employee of Heron Resources Limited. Mathew Longworth has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the exploration 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. Mathew Longworth consents to the inclusion in this report of the matters based on his information in the form and context that it appears.