



ASX Release – 29th May 2009

HERON ENTERS CO-OPERATION AGREEMENT FOR YERILLA NICKEL COBALT PROJECT

Heron Resources Limited (ASX:HRR, Heron) is pleased to announce it has entered into a binding Framework Agreement (**Agreement**) with Ningbo Shanshan Co Ltd (SHA:600884; Shanshan) with respect to Heron's Yerilla Nickel Cobalt Project.

The Agreement provides for Shanshan to undertake a feasibility study into treating ore from Heron's Yerilla Project utilising technology being provided by Shanshan, to produce a nickel and cobalt concentrate for further processing in China.

Shanshan, is one of world's largest producers of materials for Lithium ion battery manufacture and as such is a significant end user of nickel and cobalt.

Shanshan, is currently constructing a pilot plant at its facilities in the city of Changsha China to test the compatibility of Yerilla ore with its processing technology. A forty tonne bulk sample of Yerilla ore has been shipped to Changsha for this test work. Heron will work with Shanshan during the pilot process to collect critical data for Australian project approvals.

Subsequent to a positive feasibility study outcome, Shanshan may earn a 70% interest in the Yerilla project by sole funding construction and commissioning of the project to an agreed capacity. The Agreement is subject to Chinese and Australian regulatory approvals.

As part of the transaction Shanshan has subscribed for 12,046,940 Heron shares (being 4.99% of the issued share capital of Heron) at a 20% premium to the 15 day VWAP, subject to Shanshan Board approval if required and Chinese Commerce Department's Approval. Its adviser, Huashan Capital, has been issued 4,818,776 options to acquire Heron shares at an exercise price of \$0.30, exercisable upon Shanshan's decision to commence construction of the plant.

Shanshan also has the option to subscribe for two further tranches of Heron shares; each equivalent to 5% of the Company's then issued capital, at a price 10% above the 15 day VWAP upon a decision to commence construction and upon completion of construction respectively.

Shanshan has appointed Changsha Engineering and Research Institute of Nonferrous Metallurgy to assist with the feasibility study and design of the operation. Shanshan together with Heron is meeting with Australian engineering companies to work on the project. Heron will provide in country support and assistance with approvals on a cost reimbursement basis.

Mr Mathew Longworth, Managing Director of Heron said "Heron is excited by this opportunity to work with a leading nickel and cobalt end user to unlock the value of the Yerilla project for the joint benefit of Heron shareholders and Shanshan. "

A handwritten signature in blue ink that reads 'N. Mathew Longworth'.

N Mathew Longworth
Managing Director

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