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March 2008 Quarterly Review

Storm approaching – thank goodness for China

EXTRACT

Contents

This is an extract from the March 2008 Junior Resources Quarterly Review.

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Heron Resources Limited (HRR)



Sector Materials	Industry Group Materials	Industry Metals & Mining	Sub Industry Diversified Metals & Mining
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Company Overview

HRR is moving ahead on two fronts to become a top-10 low-cost Ni producer. Production will potentially come from large Ni laterite projects in WA, both of which are the subject of feasibility studies. The Yerilla Project is 100% owned with potential for 20,000tpa Ni output. The KNP Project has Vale Inco as a partner earning up to 60% interest. This is one of the largest undeveloped Ni projects in the world and would produce at least 50,000tpa Ni. A Pre-Feasibility Study is due by 30 January '09.

Strategy

HRR is focused on the development of two projects: the Kalgoorlie Nickel Project (KNP) and Jump-Up Dam. CVRD Inco is currently in the process of earning a 60% interest in KNP, which will leave HRR with 40%. KNP is currently the subject of a Pre-Feasibility Study. HRR also owns 100% of the Jump-Up Dam project, which is currently in feasibility.

Aegis Comments as at May 2008.

Outlook: The Yerilla project consists of three deposits; Jump-Up Dam, Boyce Ck and Aubils. After a significant upgrade of the Boyce Ck resource, and the addition of Aubils, the Yerilla resource stands at 135.45Mt at 0.77% Ni and 0.04% Co. This 100%-owned project offers potential for HRR to emerge as a significant long-term producer of Ni in its own right. HRR has a 40% carried exposure in the major Ni project KNP. Beneficiation studies are underway for KNP in conjunction with evaluating infrastructure.

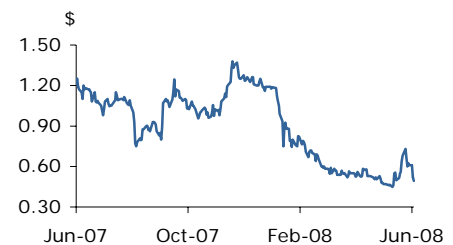
Catalysts: HRR is going to leverage off its technical agreement that it has with BHP Billiton that will allow the company to use the same process route as BHPB uses for Ravensthorpe, for its Yerilla Project. A new study is evaluating the economics of an atmospheric leaching facility to produce 20,000tpa of Ni. Yerilla has at least 15 years' reserves in three deposits. Milestones and catalysts for re-rating near term are: process design in June, cost estimates in July, and financial modelling in August.

Risks: There is a risk the Jump-Up Dam trail heap leach may show that the project is uneconomical and if so the project would not go ahead. There is also the risk that, upon completing the Pre-Feasibility on KNP, CVRD Inco may choose not to proceed with the project. A global increase in capital costs of developing major projects is weighing heavily on the sector, as is the current difficulty in raising substantial sums of capital. Both scenarios would negatively affect our valuation.

Key investment information

Price:	\$0.53
Price as at:	12-Jun-08
Market Cap (\$M):	124.8
Equiv. Shares (M):	235.44
% All Ords:	0.00
12Mth Range (\$):	0.44 - 1.42
Shares Traded (\$M pa):	51.9
Index:	S&P/ASX 500

Share price performance



Company contact



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Earnings Summary

Yr to Jun	NPAT Rep \$M	NPAT ¹ Adj \$M	EPS ¹ c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2007A	0.0	0.0	0.0	n/a	>99	>99	>99	0.0	0.0	0	0.0
2008F	(15.8)	(15.8)	(6.9)	n/a	(7.1)	(0.5)	(0.5)	0.0	0.0	0	(17.9)
2009F	(16.5)	(16.5)	(5.3)	n/a	(9.2)	(0.8)	(0.9)	0.0	0.0	0	(9.8)
2010F	59.1	59.1	11.0	n/a	4.4	0.4	0.4	0.0	0.0	0	12.7

¹ NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

Financial Stability

Balance Sheet (Y/E Jun)	06A	07A
Net debt (cash) (\$M)	(9.2)	(29.6)
Total assets (\$M)	34.6	70.9
Net debt/equity (%)	(27.5)	(43.4)
Net interest cover (x)	n/a	n/a
NTA per share (\$)	0.05	0.18
Current ratio (x)	8.6	11.7

As at 30-Jun-07

Net debt (cash) (\$M)	(47.9)
Net debt (cash) / shr (\$)	(0.20)
Net debt (cash) / MktCap (%)	(38.4)

Substantial Shareholders

Kurana Pty Ltd and Ian James Buchorn	17.8%
BHP Billiton Limited	14.7%
Inco Australia Holdings Pty Ltd	14.0%

Board

C Readhead (Chairman)
M Longworth (Managing Director)
S Dennis (Non-Executive Director)
K Hellsten (Non-Executive Director)
I J Buchhorn (Executive Director Strategy)

Key Executives

M Longworth (Managing Director)
K Reynolds (Project Manager Jump-up Dam)
R Klug (Commercial Manager and General Counsel)
S Calvert (Company Secretary)
D von Perger (Exploration Manager)

Differentiating Factors

The Kalgoorlie Nickel Project is a potentially world-class nickel laterite project. One of the key advantages of this project is its location. Kalgoorlie has excellent infrastructure and access due to the established railway network and gas pipelines, as well as a large, skilled mining workforce.

Achievements

Founding director Ian Buchhorn established an extensive portfolio of tenements over laterite Ni resources. Part of the resource is amenable to screen upgrade. This allows the in-situ ore grade to be increased from around 0.7% to a leach feed grade of about 1.5%. Discovery of Jump-Up Dam allowed HRR to emerge as a Ni miner in its own right. The quality of KNP is shown by BHPB and CVRD supporting the project by contributing A\$34.5M through placements. Their interests in HRR rose significantly.

Recent Events

14 May 2008 – Farm-In on Kanowna South Project: A wholly owned subsidiary of Barrick Gold has agreed to a farm-in agreement to Herron's Kanowna South Project. The project comprises of 12 granted licences and is 3km from Barrick's own Kanowna Gold operation. Barrick has the right to earn up to 80% interest within four years by spending a minimum of \$150,000 in the first year and then \$1.35M over the next three years. Barrick has the right to withdraw after the first year. Herron retains all non-gold rights in the project.

30 April 2008 – Quarterly Report: At the Kalgoorlie Nickel Project, drilling completed 32,959m for the quarter. A resource estimate has commenced as well as a Pre-Feasibility Study. The total Yerilla Project resource increased to 85.7Mt at 0.76% Ni. The Jump-Up Dam resource base increased 27% in total resource tonnes and 20% in contained nickel metal compared to the previous May 2007 estimates. A revised Boyce Creek resource estimation has commenced. Cash at the end of the quarter was solid at \$42M.

23 April 2008 – Mineral Sands Agreement in Eucla Basin: Epsilon Energy has signed a farm-in agreement with Heron Resources covering 1650sqkm over 20 tenements for the rights to Mineral Sands. Epsilon has the right to earn 51% of the Mineral Sands rights by spending a minimum of \$150,000 in year 1 and a further 19% of those rights in year 2 by spending \$250,000 (total of 70% interest). Heron can contribute at the end of each earning period. The main ore body sand up to 12m thick with 7m at 7.6% Heavy Metal Sands (HMS) from previous work.

Capital Structure

HRR has 240.9M shares on issue, and 25.1M unlisted options on issue.



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