AUSTRALIAN

RESEARCH

BLUE BOOK SERIES

Junior Resources

June 2008 Quarterly Review

EXTRACT

Storm clouds darkening and China slowing

Aegis Measured by Performance

Contents

This is an extract from the June 2008 Junior Resources Quarterly Review

IMPORTANT NOTICE

Aegis has been commissioned to produce this report.

Disclaimer & Disclosure of Interests

Heron Resources Limited (HRR)

Heron Resources Limited

Sector	**Industry Group**	**Industry**	**Sub Industry**
Materials	Materials	Metals & Mining	Diversified Metals & Mining

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 July 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 with BHP Billiton that will allow the company to use the same process route as BHP 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: The biggest risks to all junior explorers with large projects to fund concern methods and costs of funding, and rising capital costs. When the Yerilla scoping study is complete, HRR will seek a partner. The partner is expected to be either BHP or Vale Inco. There is a risk that, upon completing the pre-feasibility on KNP, subject to the dynamics of the Ni and credit markets, and the large amount of capital required, that Vale Inco may choose not to proceed with the project.

Key investment information

Price:	**$0.38**
Price as at:	11-Aug-08
Market Cap ($M):	94.0
Equiv. Shares (M):	241.06
% All Ords:	0.00
12Mth Range ($):	0.35 - 1.42
Shares Traded ($M pa):	45.7
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	**(16.5)**	**(16.5)**	(7.2)	n/a	**(5.3)**	(0.4)	(0.4)	0.0	**0.0**	0	(18.5)
2009F	**(17.8)**	**(17.8)**	(5.6)	n/a	**(6.7)**	(0.6)	(0.7)	0.0	**0.0**	0	(10.5)
2010F	**71.9**	**71.9**	13.3	n/a	**2.9**	0.3	0.3	0.0	**0.0**	0	15.5

[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 (%)	(51.0)

Substantial Shareholders

Kurana Pty Ltd and Ian James Buchorn	17.8%
BHP Billiton Limited	15.6%
Inco Australia Holdings Pty Ltd	13.5%

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 Yerilla)
B Horan (Financial Controller)
R Klug (Company Secretary and General Counsel)
D von Perger (Exploration Manager)
G Firth (Manager HSEC and Approvals)

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

Screen upgrade of in-situ ore increases the leach feed grade to about 1.5% Ni for KNP and 1.0-1.1% for Yerilla. The Yerilla project has a cost advantage in as much that the process will generate power for the processing facility. Diesel is only required for vehicles. Having BHP and Vale Inco as major shareholders is a vote of confidence in KNP. Moreover, there is a technology agreement with BHP. KNP is advanced to a stage where discussions have started with government over project needs.

Recent Events

12 June 2008 – Resource Estimate for Aubils Nickel Laterite Deposit: An Inferred mineral resource of 43.8Mt at 0.78% Ni has been estimated for Heron's Aublis Nickel laterite deposit. The Aubils deposit is 30km north of Boyce Creek deposit and 60km north of Jump-Up dam. Aubils will be included in HRR's scoping study evaluation of the Yerilla project using beneficiation and atmospheric leaching. The total JORC-compliant resource at the three Yerilla Project deposits now stands at 135.4Mt at 0.77% Ni. The company has used a cut-off of 0.50% Ni.

30 May 2008 – Update Resource for Boyce Creek: The company has estimated an Indicated mineral resource of 24.3Mt at 0.81% Ni for Boyce Creek Ni deposit. The resource estimate incorporates infill RC drilling completed in December 2007 and 1Q08. The updated estimate reflects an increase of over 30% in total resource tonnes and contained nickel. The resource at 2 of the 3 Yerilla Project deposits (Jump-Up Dam and Boyce Creek) is now 91.5Mt at 0.77% Ni. The third Yerilla deposit, Aubilis, is currently being completed.

27 May 2008 – Exploration Update, Langey Phosphate Project: Recent sampling in the Langey Crossing area has identified a phosphate nodule horizon. The results from seven grab samples have just been received and average approximately 22.5% P2O5, with consistent assays being recorded for all the nodules. The exploration licences at Langey Crossing are due for grant progressively from August and HRR is working through approvals so that initial drilling and costeaning can commence soon thereafter.

Capital Structure

HRR has 240.9M ordinary shares on issue and 50.8M unlisted options issued. Options have exercise prices ranging from $0.24 to $2.50 each. Options expiry dates extend from 31.12.08 to 05.06.14.

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