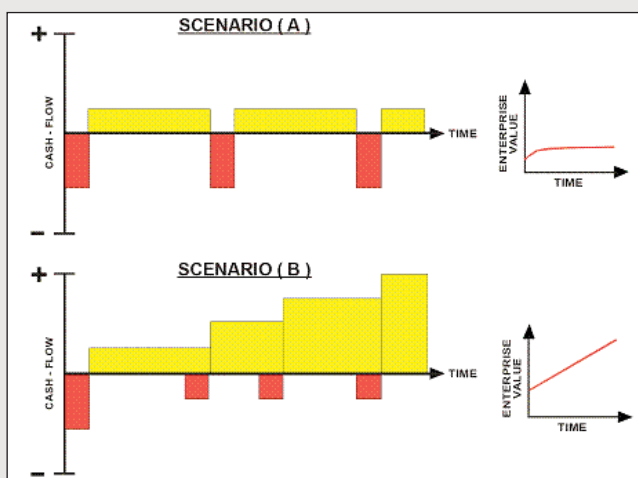


## Exploration Strategy

# A look at Long Term Value

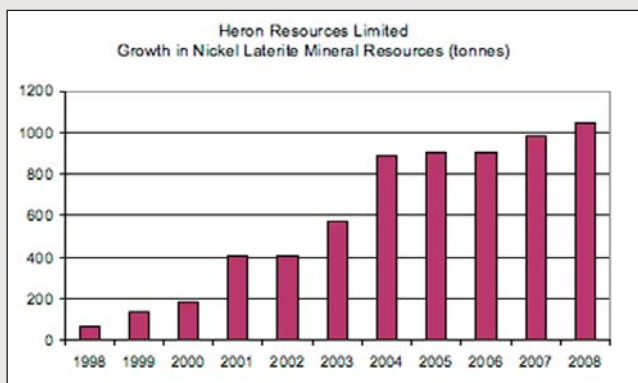
The strategy at Heron has been to focus on long-term value accretive projects that have the ability to generate sustained returns over a number of decades. This is demonstrated in the graphic below:

### The case of two Project Scenarios



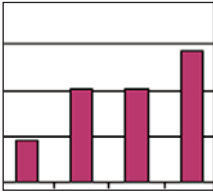
In Scenario A: initial investment results in a cashflow which will require fresh injections of cash in the future as initial resources are depleted to sustain the level of cashflow. In Scenario B: the quality of the asset and resource base allows for growing cashflow over time with each incremental expansion. Scenario A is your typical Western Australian medium-scale gold operation, while Scenario B are your large base-metal and iron-ore deposits which have the ability to incrementally grow the business over time. The quantum of the positive cashflow is a function of grade and prevailing market conditions.

We believe the Kalgoorlie Nickel Project is a Scenario B project which has the ability to grow with incremental expansions over time. This project was identified by Heron at a grassroots stage. While resource bases do not necessarily translate directly to the bottom line they do provide an indication of the potential scale of a project. A long project life allows a project to capture multiple positive commodity cycles.



Potential still exists to continue to substantially grow this resource base in the Kalgoorlie area.

We believe there is still considerable potential to further grow the nickel laterite resource tonnes, particularly in the Kalgoorlie District and particularly for the siliceous ore types associated with the Walter William Nickel Laterite Formation.



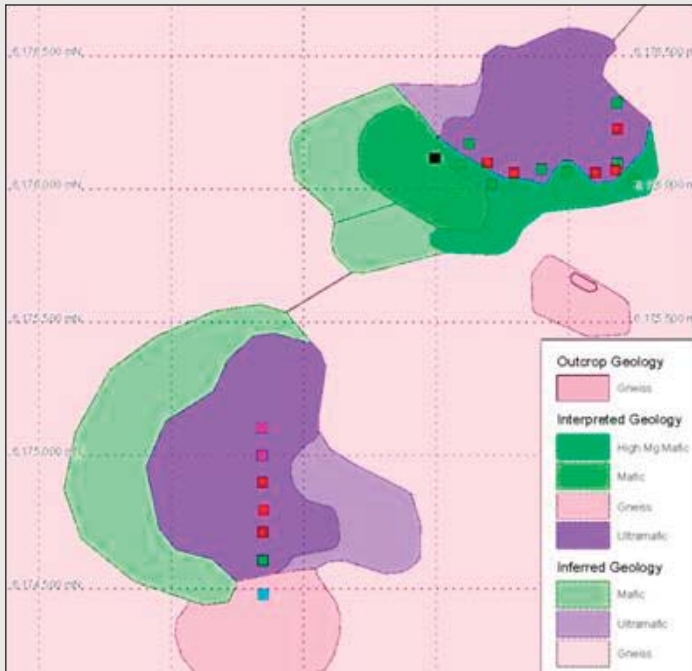
## Exploration Strategy A look at Long Term Value

### So where is the next project for Heron?

One project we have been working quietly on is called the Rocky Gully Nickel Sulphide Project, located some 80km NW of Albany in the south-west of Western Australia. In this area Heron has acquired some 2,000 square kilometres of tenure, centred on known nickel anomalies.

This is a genuine grass-roots project that has the potential to deliver an ultramafic/mafic-hosted deposit similar to deposits such as Nebo Babel (the nickel sulphide deposit discovered in the mid 90s by WMC in the Musgrave area of WA and Voisey Bay in Canada). Ultramafic and mafic rocks are rocks derived from deep in the earth and are typical hosts for nickel sulphide mineralisation.

The identified ultramafic/mafic rocks at Rocky Gully are hosted in similar "gneissic" rocks to these styles of deposits and are of a similar age.



The ultramafic bodies at Rocky Gully are 1km<sup>2</sup> which is typical of these deposits. Drilling by Heron at Rocky Gully has identified primary magmatic sulphides in the ultramafic rocks which is a key indicator that the rocks in the area are fertile for nickel sulphide mineralisation.

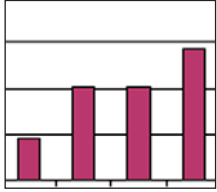
The Rocky Gully Exploration check list:

- Nickel soil anomalism
- Confirmed ultramafic intrusions
- Petrologically confirmed primary sulphides

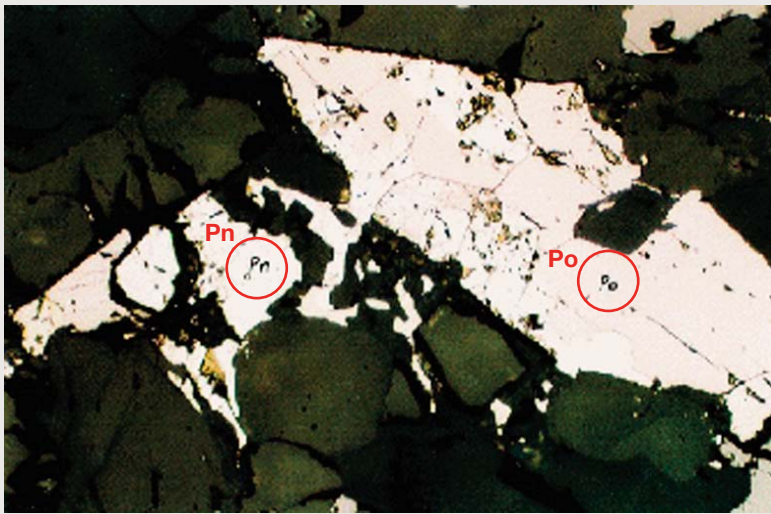
# Heron Explorer

A quarterly communication from Heron Resources, keeping you informed of our latest projects, initiatives and business opportunities.

Page 3 of 3



## Exploration Strategy A look at Long Term Value



In addition Heron has identified several regional geophysical and geochemical targets potentially related to additional ultramafic intrusions. While this project is at an early stage, it has been exciting for Heron to identify these ultramafic bodies and confirm their fertility with the identification of primary nickel sulphides. The next phase of work here will involve detailed magnetic and EM surveys and further geochemical surveys leading to additional drilling programs.

**Thin section photograph of Rocky Gully drill chips showing primary sulphide textures (Pn = pentlandite, Po = pyrrhotite) (field of view 0.5mm)**

## Business Development

In addition to these exploration strategies, Heron remains committed to identifying a near-term cash flow opportunity. To this end we have been reviewing a number of projects in Australia, South-East Asia and Africa and see the current down-turn as a significant opportunity to acquire properties near the bottom of the market.



**Heron Resources Limited**