



ASX Release – 25 January 2008

HERON TO INVESTIGATE ALTERNATIVE OPTIONS FOR JUMP-UP DAM

Key Points

- The Directors of Heron have determined that based on results from the current PFS, the Heap Leach process for Jump-up Dam does not provide an adequate return on investment. This is primarily due to an escalation of the capital and operating costs for the project since completion of the Scoping Study in April last year. The Company will shift focus to assessing Atmospheric Leach options.
- The proposed demonstration Heap Leach operation will be immediately placed on care and maintenance, however trial mining will continue, as an alternative processing option involving Atmospheric Leach technology continues to be evaluated. The demonstration Heap Leach operation is at a preliminary stage of development, so the decision to place it on care and maintenance will have only a minor financial impact on Heron.
- All technical hurdles of the PFS have been met or exceeded. These include new nickel laterite discoveries in the Yerilla District at Jump-up Dam South, Boyce Creek, Aubils and Pianto Road, location of good quality borefields, design of appropriate flowsheets and securing of the necessary Intellectual Property Licencing Agreement.
- Although the PFS focussed initially on Heap Leach, a parallel scoping study based on Atmospheric Leach technology had also been commenced last year. Heron has decided to evaluate more fully Atmospheric Leach options to optimise economics of the Jump-up Dam Project.
- The Atmospheric Leach process provides the opportunity for beneficiation to deliver higher leach feed grades and improves resource utilisation, creating a potentially larger scale project in the Yerilla district.
- Through its recently signed Technology Licensing Agreement with BHP Billiton, Heron has access to Atmospheric Leach technology which should enable detailed investigation of this processing option.

Heron Resources Limited (ASX:HRR) has today announced that despite meeting all the technical hurdles encountered in the PFS, the PFS at Jump-up Dam has concluded that based on current configurations, the Heap-Leach process does not make an adequate return on investment.

Trial mining at Jump-up Dam will continue as originally planned for mining studies and grade reconciliations; however the proposed demonstration heap leach operation will be placed on care and maintenance.

Significantly, nickel laterite discoveries during the last year at Jump-up Dam South, Boyce Creek, Aubils and Pianto Road will now provide a major opportunity for nickel production increases in future development scenarios.

The PFS estimated capital expenditure at A\$ 681.9 M and operating costs of A\$6.39 per pound of production. These costs represent escalations of approximately 50% and 56% respectively from the Scoping Study completed in April 2007. Escalations in capital expenditure are due to significant increases in the cost of acid and power plants (97% increase). Escalations in operating costs are predominantly due to sulphur price rises, and the impact of higher oil prices on transport and mining costs. Ongoing increases in construction and labour costs also contributed to the escalated PFS outcome.

Heron will draw on opportunities presented by its recently announced Technology Licensing and Product Supply Agreement to fully evaluate Atmospheric Leach as a processing option for Jump-up Dam and surrounding deposits. Atmospheric leaching allows beneficiation to provide a higher leach feed grade and better utilisation of the resources within the Yerilla district. Heron has gained specific experience in laterite beneficiation during the past eight years and will be applying this knowledge to the project.

Over the next nine months Heron will re-estimate the Yerilla district resources based on the new 40X40 metre Jump-up Dam drilling, and will include a new resource estimate from Boyce Creek into the Atmospheric Leach pre-feasibility model should the results of the scoping study warrant. The Study will focus on providing high nickel grade during the early years of the operation.

Heron Managing Director Mr Mat Longworth said; "Heron remains totally committed to expediting its nickel laterite production strategy".

"With the recent and unpredicted fluctuations in world equity and banking markets, the Board felt that there could be future difficulties in securing both equity and debt funding for hydrometallurgical projects such as Heap Leach for Jump-up Dam," Mr Longworth said.

"In terms of risk minimization, it was prudent to put the demonstration heap leach on care and maintenance, and focus the study team on the Atmospheric Leach studies".

As at 31 December 2007, Heron had A\$47.9M cash at bank and, is well positioned to complete the Atmospheric Leach test programs (budgeted to cost \$4M).

Mr Longworth acknowledged the professionalism of Heron's Jump-up Dam study team. The team started in January 2007 with an Inferred Mineral Resource on mining lease applications, in less than 12 months, it has secured tenement grant, located necessary borefields, evaluated a myriad of processing options with bench-scale testwork, designed new flowsheets (patents pending), completed trial excavations, and delivered a PFS. The PFS has identified Atmospheric Leach options that are likely to enable optimal development of the Yerilla District and ultimately deliver shareholder value.

Mr Longworth also noted the progress being made by Vale Inco on the larger Kalgoorlie Nickel Project and the support of the Company's major shareholders and partners in the respective projects, being Vale Inco in the KNP and BHP Billiton as technology partner in the Jump-up Dam Project.



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