Attention ASX Company Announcements Platform
Lodgement of Open Briefing®

21 Close Way
Kalgoorlie
Western Australia 6430

Date of lodgement: 11-Feb-2008

Title: Open Briefing®. Heron Resources. Revised Strategy for Jump-up Dam

Record of interview:

corporatefile.com.au
Heron Resources Limited (ASX code: HRR) is now assessing Atmospheric Leach processing options to develop its Jump-up Dam Project and will place its proposed demonstration heap leach operation on care and maintenance. Briefly, why have you shifted focus on processing alternatives? What are the attractions and challenges of the Atmospheric Leach process?

MD Mat Longworth
The Pre Feasibility Study (PFS) into heap leaching at Jump-up Dam indicated some fairly significant escalations in both the operating and capital costs over those which were estimated as part of a scoping study completed in April 2007. As a result, our modelling showed that heap leach processing wouldn't provide an adequate return on investment which drove the decision to place the proposed demonstration heap leach on care and maintenance.

I should stress that the other component of the demonstration being the trial mining, is going ahead. Trial mining will be required for any processing option of ore from Jump-up Dam. The trial mining is moving on particularly well.

Approximately two thirds of the capital costs are for areas of the plant outside the actual leaching circuit including the acid plant, power station and intermediate precipitation plant. To maximise economic return it's necessary to be able to support these areas of capital with the most efficient leaching technology available. We believe that atmospheric leaching may provide this opportunity as it is undertaken in tanks at temperatures around 90 degrees centigrade which removes the technical complexities associated with maintaining structural integrity in ore heaps. Further, nickel units are

recovered in periods of hours rather than months as is the case with heap leaching.

We're also investigating the use of beneficiated ore to increase the grade of the ore leached. There are also opportunities to finesse the reagent use which is one of the key drivers to the operating costs.

As a result of all those factors we have committed to the completion of a Scoping Study into the development of Jump-Up Dam using Atmospheric Leaching Technology.

corporatefile.com.au
The previously proposed demonstration heap leach operation will be placed on care and maintenance. What will this change in strategy cost Heron in terms of money and time? To what extent can you use the intellectual capital and infrastructure invested in the demonstration heap leach?

MD Mat Longworth
The decision to place the leaching component of the demonstration on care and maintenance is in fact designed to save the company money. The move away from heap leaching renders a small proportion of our leaching test work obsolete. However, a large proportion of the work done for the PFS can be utilised in the current studies for Atmospheric Leach.

The highest cost of the work completed to date is the resource drilling along with intermediate precipitation and plant infrastructure such as acid plant and power plant.

In terms of time, the changes added approximately twelve months to the timeline should all the studies run to plan.

corporatefile.com.au
Can you outline what else you have achieved with the PFS for Jump-up Dam so far? What objectives remain?

MD Mat Longworth
The PFS actually met all technical hurdles in areas such as resource size, leaching efficiency, identifying water sources, intermediate product precipitation and infrastructure. That's been extremely positive and a real credit to the project team.

During the PFS, we identified further resources at Boyce Creek being an additional 12 million tonnes at 0.91% nickel, and at Aubils where a large mineralised ultramafic is currently being drilled. We also identified potential extensions to the Jump-up Dam resource area as well as a new target area known as Pianto Road.

Drilling is ongoing to increase the confidence in the Boyce Creek resource and permit the initial estimation of the resource at Aubils. The current Scoping Study will test the beneficiation characteristics of the Jump-up Dam and the Boyce Creek mineralisation as well as their leaching performance using the atmospheric technology. The results of these tests will determine the ultimate scale of the operation that may be possible. Should the study be positive, then

these components will be brought up to a pre-feasibility standard and incorporated into a pre-feasibility study of the whole project.

corporatefile.com.au
Heron recently signed a Technology Licensing Agreement with BHP Billiton. Can you outline the advantages of having BHP Billiton as a technology partner in the Jump-up Dam Project particularly in relation to assessing Atmospheric Leach options? What commercial operations use that technology?

MD Mat Longworth
BHP Billiton has a wide range of patents covering nickel laterite processing which, in Heron's view, effectively cover the spectrum for such processing. It was necessary for Heron to obtain access to these patents to enable the development of any project which might utilise these technologies to ensure we did not breach the patents.

BHP Billiton has conducted research and development in these areas for some years and its patents cover both heap leach and atmospheric leach technology. The agreement between Heron and BHP covers the Eastern Goldfields outside of the Kalgoorlie Nickel Project (KNP), allowing for a broader application than just the Jump-up Dam project.

So the advantage of having BHP as a technology partner is that it gives us access to the use of the atmospheric leaching technology covered by BHP's patents as a processing option. We believe we are the only company in Australia with access to the technology covered by BHP's patents.

BHP Billiton has commercialised atmospheric leaching as part of its Ravensthorpe operation.

corporatefile.com.au
What are the key terms and obligations of both parties under the Technology Licensing Agreement?

MD Mat Longworth
The technology and product supply agreement provides Heron with access to the research and development work and the patents that BHP has developed over a number of years as well as their experience with atmospheric leaching associated with Ravensthorpe and elsewhere in the world.

In return, BHP Billiton has access to the first 50% of any product produced using the technology. The product supply is at market rate, so you couldn't ask for a better supply agreement than that.

The second 50% of the product supply allows Heron to include financing terms in the pricing, which BHP Billion has a right to match. That gives Heron a large amount of flexibility, in terms of how we might fund any of these projects.

Overall it's a win/win situation and it considerably strengthens Heron's access to technology and the right to use that technology in commercial operations.

corporatefile.com.au
You've stated that the Atmospheric Leach process provides an opportunity for a potentially larger scale project. Why is that? How much larger could it be?

MD Mat Longworth
The opportunity to increase the scale of the project is due to the use of beneficiation to increase the grade of the ore being leached. Beneficiation to increase the grade is already used at Cawse and Ravensthorpe. Vale Inco is also investigating the process for use in development of the Kalgoorlie Nickel Project (KNP).

For example, the Jump-up Dam resource on which we based the heap leach study contains 22 million tonnes at just over 1.01% nickel. This was contained in an overall global inferred resource of some 53 million tonnes at a lower grade. We expect that, with beneficiation, a proportion of this larger tonnage may become suitable for inclusion in the atmospheric leach study. A similar opportunity exists at Boyce Creek and Aubils. It's too early to forecast how much of this mineralisation will beneficiate or the grade of leach feed we might be able to generate. The outcome of that assessment is an important aspect of the current study.

corporatefile.com.au
Vale Inco announced the completion of Step 2 and the commencement of Step 3 of the KNP. What was achieved during Step 2? What is proposed for Step 3 and what are the time lines?

MD Mat Longworth
The KNP, owned in partnership with Vale Inco, accounts for a large part of Heron's value. Step 2 of the PFS assessed the beneficiation characteristics of a number of the resources and also undertook leaching test work using pressure acid leach, atmospheric leach and heap leach on a number of samples.

In general, the results were very encouraging. The beneficiation work included processing over 10 tonnes of bulk samples to prepare feed for pilot autoclave test work, which returned very good grades and leaching results. The atmospheric and heap leach test work returned positive results for the ore types most suited to that particular processing technology.

Step 3 requires the completion of the PFS for the project. It will include extensive drilling to increase the confidence in the resource estimate required for pre-feasibility level studies. This will focus on resource zones with grades of greater than 1.4% nickel after beneficiation and we will be testing five project areas.

Step 3 will also involve further concurrent test work on over 60 samples looking at the heap leach, atmospheric leach and pressure acid leach processing options over the next six months. The second half of the PFS will involve engineering studies and it is due for completion by January 2009.

This is an ambitious timeline and Vale Inco is working very hard to achieve it. This will be an exciting time for the KNP as the volume of work completed accelerates dramatically in comparison with the last couple of years.

corporatefile.com.au
Can you outline the broad objectives across the Company for 2008?

MD Mat Longworth
It is very important for Heron seeing the KNP through to the completion of the PFS. We will also continue with the Scoping Study on the atmospheric options for Jump-up Dam and Boyce Creek.

Heron is also well placed with approximately $48 million in cash to capitalise on any opportunities that present themselves in the current market as we suspect there will be some good quality projects which aren't well funded and that may struggle to attract funding. These will generally be in the nickel and related metals areas where Heron can apply its skills to help develop these new projects.

corporatefile.com.au
Thank you Mat.

For further information on Heron Resources Limited visit www.heronresources.com.au or call Mat Longworth on (08) 9215 4444.

To read other Open Briefings, or to receive future Open Briefings by email, please visit www.corporatefile.com.au.