



Heron Resources Limited

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Dear Shareholder,

We take this opportunity to write to you to provide an update on the activities of your Company and, in particular, to explain our corporate strategy in light of the continued weakness in the public equity markets.

As you are no doubt aware, the Australian equity market has been weak over the last 18 months and, in particular, over the last two months. The reasons for this situation are many and varied, the vast majority of which are outside our control and relate principally to the current uncertainties within European economies. The reality of the situation is that, notwithstanding that Heron Resources' share price has performed in line with the ASX Small Resources Index and the ASX 300 Resources Index over the last twelve months, the obvious measure of our Company's performance is our share price. As we are all aware, the share price is at an unacceptable level, particularly when the Company is in such a strong financial position with no debt and around \$42 million in cash. In addition, the listing of A1 Consolidated Gold Limited, in which Heron holds 26.2 million shares, provides the Company with an investment of around \$7.9 million.

At the present time, Heron's Kalgoorlie Nickel Project ("KNP") is unlikely to be developed as a Pressure Acid Leach project because it does not, at present, provide an acceptable risk adjusted rate of return. Coupled with the large development costs associated with the project (in excess of \$3 billion), the KNP is unlikely to be developed in the medium term without a considerable improvement in the nickel price, the support of a major development partner and improving process technology. As shareholders will be aware, after the withdrawal of Vale Inco from the project, the Company undertook a process in 2010 aimed at securing another development partner for the KNP. Unfortunately, no acceptable proposals were received. The Company is and will continue to undertake studies on the KNP which are focused on low capital cost opportunities that may enhance the value of the KNP. To this end, KNP studies which are currently underway include metallurgical testwork on the iron-nickel opportunities focused on the Goongarrie South deposit and a review of other lower cost processing routes, including metallurgical testwork using the Direct Nickel technology. The Company intends to maintain its 100% ownership of the KNP project and will keep the project under constant review as the nickel price improves and technical developments for nickel laterite projects continue to evolve.

Heron commenced an active gold exploration programme on the KNP tenure in 2011 and thus far exploration has yielded encouraging results at the Big 4 prospect. We have recently completed another drilling campaign at Big 4 and we will have more to say on this exploration programme when results are to hand.

As creation of value from the KNP is problematic in the short term, the Company is continuing its exploration programs on its existing assets and is seeking additional exploration opportunities to supplement its current portfolio. Heron has recently applied for two exploration licences in the Lachlan Fold Belt of New South Wales which are along strike from Straits Resources' Giralambone project and copper-gold discovery at Avoca Tank and Kurrajong. We expect that these tenements will be granted shortly and, upon grant, Heron will undertake an active exploration program, including soil geochemistry and geophysics.

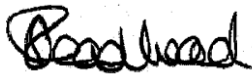
The key exploration programs that will be undertaken over the next few months on the existing portfolio include RAB drilling to test soil gold anomalies at Siberia South, RC drilling to test the recent gold-PGM anomalies identified through RAB and aircore drilling at Black Range, follow-up RAB drilling at the Horserocks gold project and an auger geochemistry program at the Mandilla gold-nickel project.

The Board and Management continues to review business development opportunities, both in Australia and overseas, to acquire prospective exploration, pre-development projects or operating mining assets in order to enhance value for shareholders. The Company has reviewed numerous business development opportunities over the last year and currently has a number of opportunities under consideration. All appropriate steps to achieve this objective are being undertaken and numerous opportunities are continually under evaluation.

The Board believes the strong financial position of the Company, combined with a turn around in the nickel price and improving market sentiment will recreate investor interest levels and support for the pursuits of Heron. In closing, I take the opportunity to reiterate that the Management and Board are committed to achieving success with the development and exploration pursuits of the Company with the ultimate intention of having the success reflected in the share price and hence, the creation of value for shareholders.

The Chairman, Craig Readhead, and the Managing Director, Jonathan Shellabear, welcome direct contact with shareholders who may wish to discuss any matter in regard to the Company. We also welcome your feedback, which can be provided on the Heron Resources' website (www.heronresources.com.au), or in the mail to Heron Resources, Level 1, 37 Ord Street, West Perth, Western Australia, 6005.

Yours sincerely



Craig Readhead
Chairman



Jonathan Shellabear
Managing Director