Kalgoorlie Nickel Project

A Partnership with Inco to create an Internationally Significant Nickel Producer

Diggers and Dealers
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This presentation includes information relating to a completed independent scoping study, completed independent resource estimate and a feasibility study which is in progress and includes “forward looking statements” which include, without limitation, estimates of potential nickel in concentrate production based on mineral resources that are currently being evaluated. While the Company has a reasonable basis on which to express these estimates, any forward looking statement is subject to risk. Risks include, without limitation: nickel metal prices, foreign exchange rate movements, failure to meet joint venture milestones, project funding capacity, concentrate off-take contracts and estimates of future capital and operating costs.

The Company does not undertake to release publicly any revisions to forward looking statements included in this presentation to reflect events or results after the date of this presentation, except as may be required under applicable securities laws.
The Story so far:

Heron’s profile in developing the Kalgoorlie Nickel Project is one of persistence, persistence and then more persistence.
Overview of Presentation

♦ Company Profile
  ➢ Track Record and Nickel Focus

♦ Kalgoorlie Nickel Project
  ➢ the right Partner
  ➢ the right Project
  ➢ the right Location
  ➢ the right Market

♦ WA Nickel Sulphide

♦ Investment Case
Company Profile – Corporate

- Listed ASX August 1996
  - Focus to acquire, explore and develop nickel assets

- Capital Structure
  - 162m shares at A$0.80, mkt cap A$130m

- Significant Shareholders
  - Directors and associates 23.5%
  - Inco Limited 10.2%
  - BHP Billiton 9.9%
  - MBM Corporation 8.0%
Company Profile

- High quality portfolio of nickel assets
- Inco & BHP Billiton major shareholders, validates quality of the assets
- KNP Joint Venture, Inco 60% Heron 40% clearly funded pathway to production
- Heron maintains a track record for creating shareholder value
  - Avoca and Pioneer in specie distribution
  - Steady increase in market cap
Company Profile

Scoping Study

Inco Letter of Intent

Inco Formal JV

Heron
Avoca
Pioneer

Mkt Cap ($m)

01-Jan-03 01-Mar-03 01-May-03 01-Jul-03 01-Sep-03 01-Nov-03 01-Jan-04 01-Mar-04 01-May-04 01-Jul-04 01-Sep-04 01-Nov-04 01-Jan-05 01-Mar-05 01-May-05 01-Jul-05
The Story going forward:

Our partnership with Inco positions the Kalgoorlie Nickel Project to become an Australian nickel project of international significance.
Inco – the Right Partner for KNP

- Inco selected following global search
- A premier integrated nickel producer
  - Market Capitalisation US$8 billion
  - Estimated net cash US$1.8 billion
  - 200,000tpa nickel, second largest producer
- World leader in nickel laterite projects
  - PT Inco – 60,000tpa Ni production
  - Goro – planned 60,000tpa Ni production
Inco JV – Attractive Terms

- Subject to meeting technical milestones, Inco sole funds Feasibility Study
  - Pre-Feasibility, US$18m complete 42 month
  - Full Feasibility, US$50m complete 30 month
- Inco earns 60% on completion Feasibility and securing project funding
  - Inco procures all project debt funding
  - Heron equity fund cap 4.5% of total equity
  - Inco lends Heron its remaining equity funds
Inco JV – Clear Timing Milestones

🔹 Step 1, confirmation diamond drill
  ➢ US$2.6m, completion deadline July 2006

🔹 Step 2, flow sheet selection
  ➢ US$1.4m, completion deadline July 2007
  ➢ US$1.0m, Ni laterite & sulphide exploration

🔹 Step 3, resource drill out, metallurgy
  ➢ US$13m, completion deadline January 2009

🔹 Feasibility Study
  ➢ US$50m, completion deadline July 2011
Inco JV – Funding Mechanisms

❖ Assumptions

➢ $1.4 billion project construction cost

➢ Debt : equity = 70 : 30,
$980m Debt, $420m Equity

❖ Debt project finance procured by Inco

❖ Equity finance

➢ KNP JV 60:40, Inco $252m, Heron $168m

➢ Heron capped at 4.5% of equity, $19m

➢ Inco lends Heron $149m, repay cashflow
Highlights of KNP Joint Venture

♦ Inco provides:
  ➢ Clear path for 50,000tpa nickel production
  ➢ Nickel laterite technical expertise
  ➢ Project management skills

♦ Heron receives:
  ➢ Favourable funding solution
  ➢ Capital market appeal
  ➢ Growth in shareholder value
the Right Project

✦ KNP, among largest undeveloped nickel projects in World
  ➢ Goongarrie-Siberia siliceous ore, 357mt at 0.7% Ni and 0.05% Co
  ➢ Screen beneficiation of siliceous limonite ore to 1.5% Ni leach feed
  ➢ Target 120mt leach feed, >4mtpa for 25 yrs

✦ Limonite ore, premium metallurgy
  ➢ Pressure Acid Leach (PAL) processing
  ➢ PAL proven at Moa Bay and Cawse
Tenement Holdings

- Heron’s tenement holdings exceed those of its “peers”
  - Mainly 100% owned and unencumbered
  - Historically underexplored
  - Inco’s funding means this will change
Nickel Screen Upgrade

GOOGARRIE HILL PROJECT
Section 6678320N
Nickel Head Grade

Note x 4 vertical exaggeration

24 metres at 1.00% Nickel grade without screening

Nontronite ore, no upgrade

Heron Resources Limited
Nickel Screen Upgrade

GOOGARRIE HILL PROJECT
Section 6678320N
Nickel Screen Upgrade

Note x 4 vertical exaggeration

24 metres at 1.72% Nickel Leach feed grade after screening at 0.075mm, based on bottle roll testwork.
The Right Location

- **Infrastructure**
  - Rail
  - Gas
  - Road
  - Port

[Map showing locations and infrastructure connections]
the Right Location

- Established mining infrastructure
  - Rail network to refineries and ports
- Mining support industries
  - Base project out of Kalgoorlie-Boulder
  - Highly skilled work force
- Nil sovereign risk
  - Western Australia best performed
  - Highly supportive Local and State Govt
the Right Market

- Laterites have been validated – third generation Ravensthorpe and Goro
- Sulphide and laterite nickel projects similar operating costs
- Chronic shortage of “world class” nickel projects being developed
- Persistent supply deficits likely, need new KNP each year
Unrealized expectations of Australian laterites in the late 90s led to only two “Goro-size” projects being developed in the last 12 years.

Production Capacity of Announced Nickel Projects 1992-2004

“Goro-Size”

World production of nickel will increase during the later part of the decade, but additional projects will be required to keep pace with the historic nickel demand growth rates.

World Nickel Supply/Demand Forecast

Persistent Deficits Filled by projects such as KNP

Source: Inco Limited
Heron & Inco WA Nickel Sulphide JV

- Explore Heron’s ultramafic holding

- Inco will:
  - Fund 100% of all exploration costs until an agreed Discovery is made
  - Sole fund at least US$0.5m in 1st year of JV
  - Keeps Heron land holding in good standing

- On Discovery, JV on development area
  - Similar terms to the Laterite Joint Venture
Investment Case

*Heron now offers investors:*

- **Strong shareholder returns**
- Milestone driven upside, associated with development of world class nickel project
- Ability to invest alongside major industry players Inco & BHPB
- Ni Sulphide exploration “blue sky”
- Exposure to strong long term nickel market
- Fully funded path towards 40% interest in long-life 50,000 tpa Ni operation