



Heron Resources Limited



Kalgoorlie Nickel Project

“a rare combination of size, amenability to pressure acid leaching, political security, and environmental stability”

Why nickel laterites are back in fashion!

A Presentation To the Sydney Mining Club

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ASX: HRR

Disclaimer Forward Looking Statement

The material used in this presentation is intended to be a summary of selected geological data, current and proposed activities, as well as resource estimates based on information available to Heron Resources at the time. It does not include all available information and should not be used in isolation as a basis to invest in Heron Resources. Any potential investor should refer to Heron Resources' ASX releases and statutory reports before considering investing in the company.

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.



Overview of Presentation

- ◆ **Why Laterites**
- ◆ **Company Profile**
 - **Track Record and Nickel Focus**
- ◆ **Kalgoorlie Nickel Project**
 - **the right Partner**
 - **the right Project**
 - **the right Location**
- ◆ **Sulphide Nickel Project**
- ◆ **Nickel and Corporate Strategy**

Company Profile – Corporate

◆ Listed ASX August 1996

- Focus on acquisition and exploration
- Aim to develop a long life nickel mine

◆ Capital Structure

- 165m shares at A\$0.48, mkt cap A\$79m
- A\$11 million cash at bank, debt free

◆ Significant Shareholders

- Directors and associates 25.5%
- Inco Limited 9.9%
- BHP Billiton 9.6%

Track Record of Value Creation

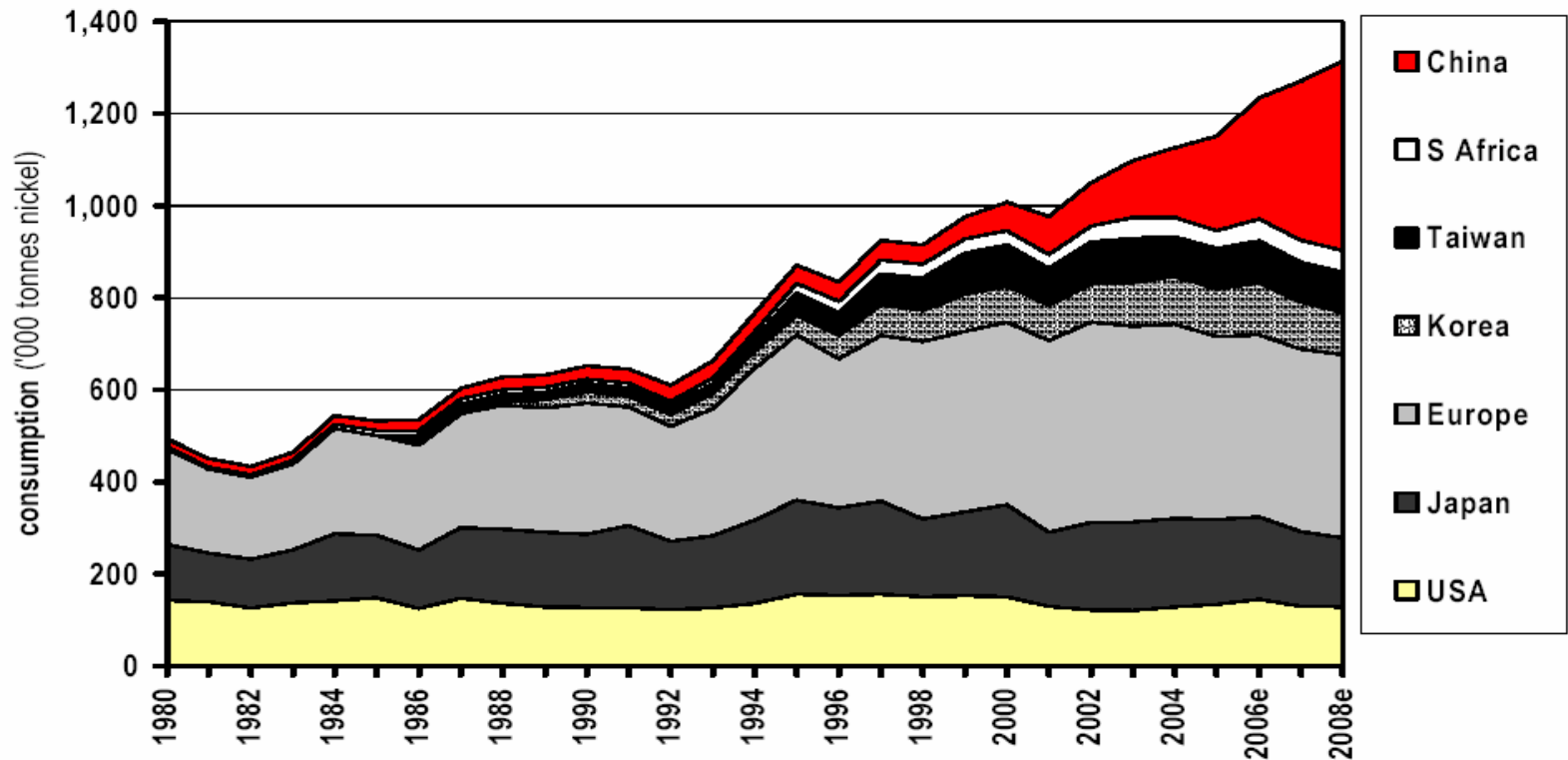
- ◆ **A dollar invested In Heron on listing is worth \$1.80**
- ◆ **In addition there have been two in specie distributions**
 - **Avoca in 2002 equal to 0.56 cents**
 - **Pioneer 2003 equal to 0.07 cents**
- ◆ **Today's value of a dollar invested in Heron on listing \$2.43**

Laterites never went out of fashion

- **If you are serious about nickel you are serious about nickel laterites**
- **Each of Inco, BHPB, Falconbridge and Rio Tinto have assessed every laterite on the planet. WHY?**
 - Demand
 - Supply
 - Technology
- **Inco and BHPB have converged on the KNP**

Demand is Driven by China

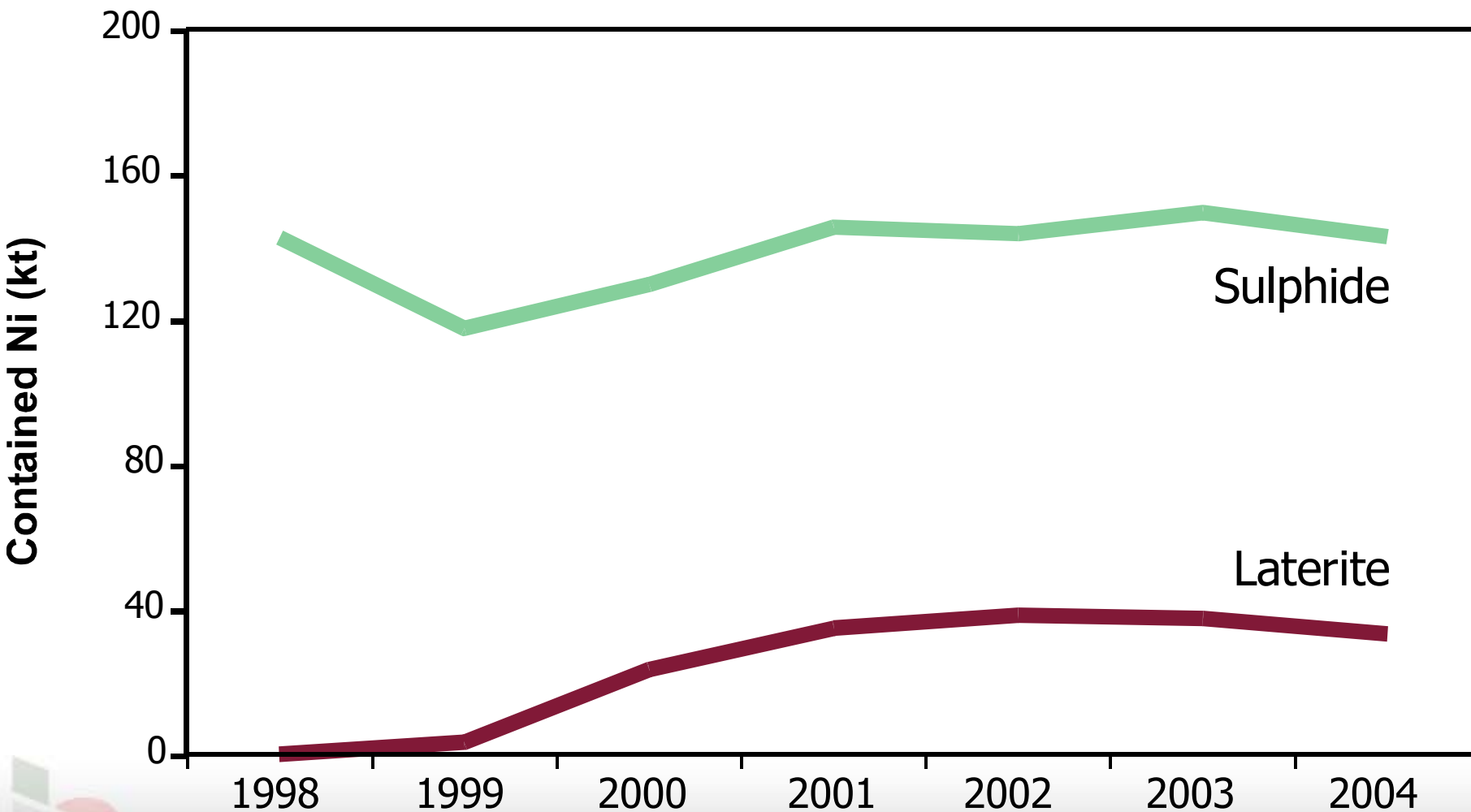
- ◆ ***“While global primary nickel demand for the 2004-08 period is forecast to increase at a moderate compound average growth rate of 3.5%, almost all of this is coming out of China.”*** source Alan Heap Citigroup “Outlook for supply and demand- the China factor” AJM Conference, Sydney 8- 9 September 2005.



Source: CRU, INSG, Citigroup Investment Research.

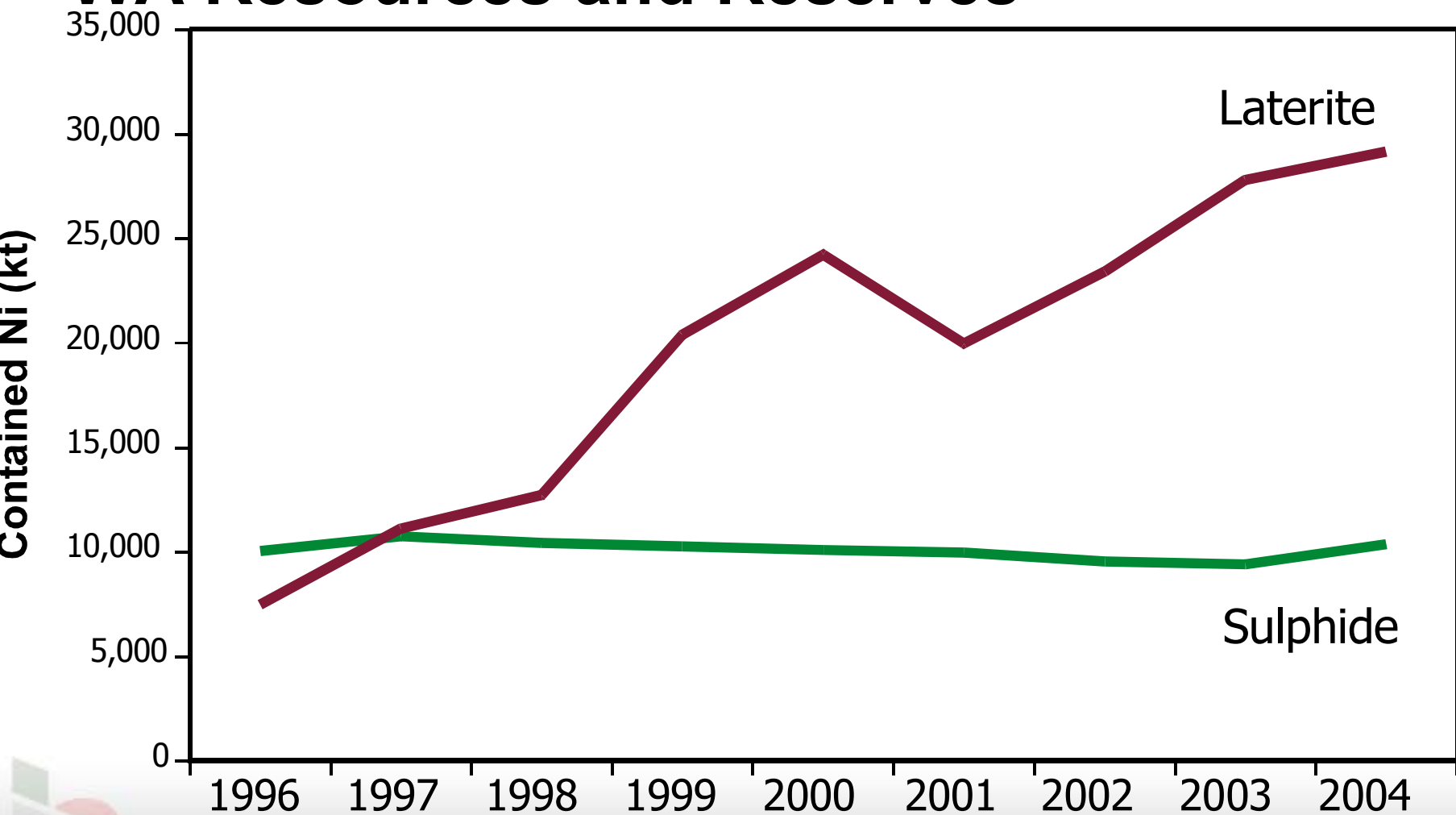
"Growth in sulphide ore sources will be insufficient to meet demand"

◆ WA Production Year on Year Source GSWA 2005

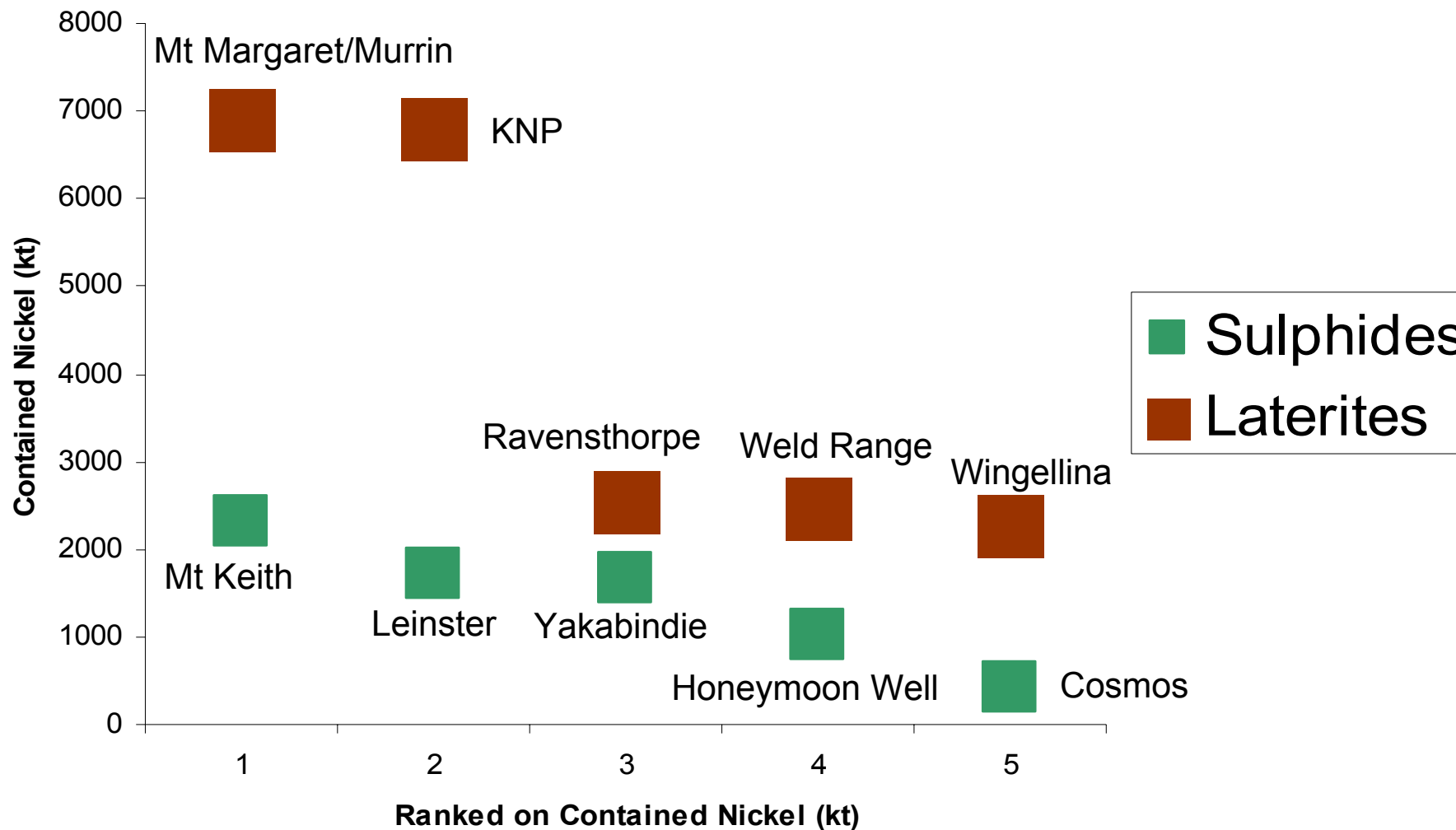


Growth in sulphide ore sources will be insufficient to meet demand”

◆ WA Resources and Reserves

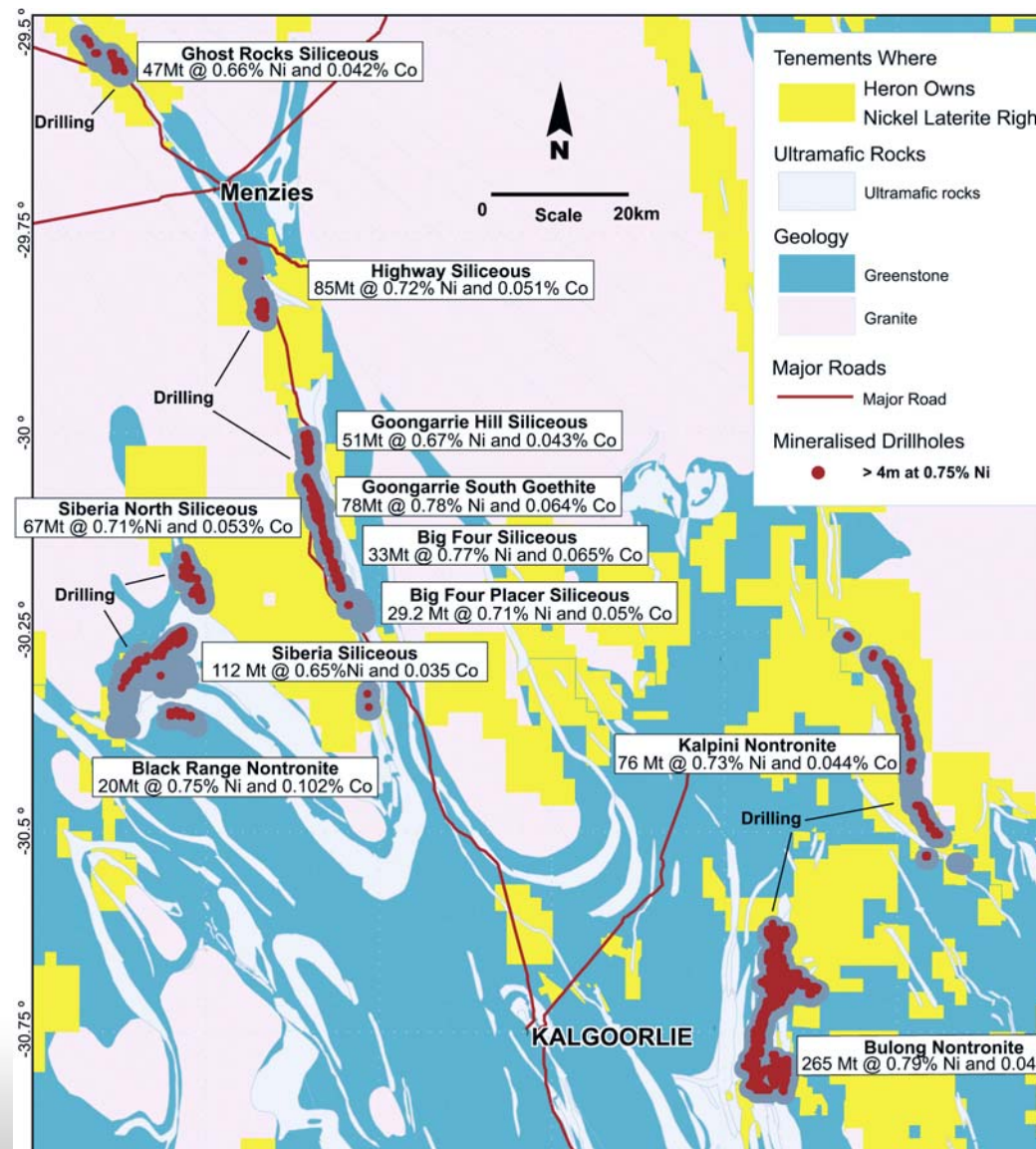


Dominance of the laterites



KNP Location

- ◆ Located North and East of Kalgoorlie
- ◆ Centred around a centralised processing plant
- ◆ Total resource base of 903mt at 0.74% Ni and 0.04% Co



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**
 - **Proposed merger Falconbridge, N° 1**
- ◆ **World leader in nickel laterite projects**
 - **PT Inco – 60,000tpa Ni production**
 - **Goro – planned 60,000tpa Ni production**

Inco Farm-in & JV Attractive Terms

- ◆ **Subject to meeting technical milestones, Inco sole funds Feasibility Study**
 - **Pre-Feasibility, minimum US\$18m**
 - **Full Feasibility, minimum US\$50m**
- ◆ **Inco earn 60% on completion of 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 – 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

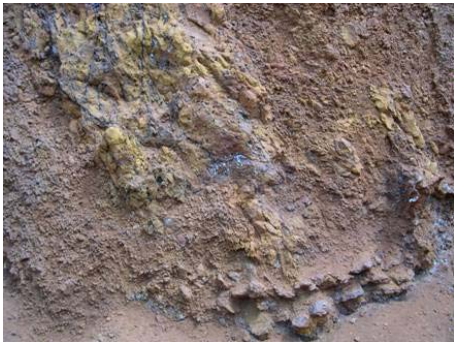
- KNP JV 60:40, Inco \$252m, Heron \$168m
- Heron capped at 4.5% of equity, **\$19m**
- Inco lends Heron \$149m, repay cashflow

Inco Farm-in -Timing Milestones

- ◆ **Step 1, confirm 120mt at 1.5% Ni**
 - **Diamond drilling, screening studies**
 - **Completion deadline July 2006**
- ◆ **Step 2, flow sheet selection**
 - **Batch metallurgy and mini-pilot, Sep 2007**
- ◆ **Step 3, resource and engineering**
 - **Resource drill out, plant design, Jan 2009**
- ◆ **Feasibility Study**
 - **Bankable, completion deadline July 2011**

Inco Farm-in - Step 1 & 2 Metallurgy

Screen Upgrade



Run-of-mine
siliceous ore
*Consisting of
yellow-brown limonite
and coarse silica*
0.8% Ni

Scrubbed slurry
into pilot plant
trommel screen deck



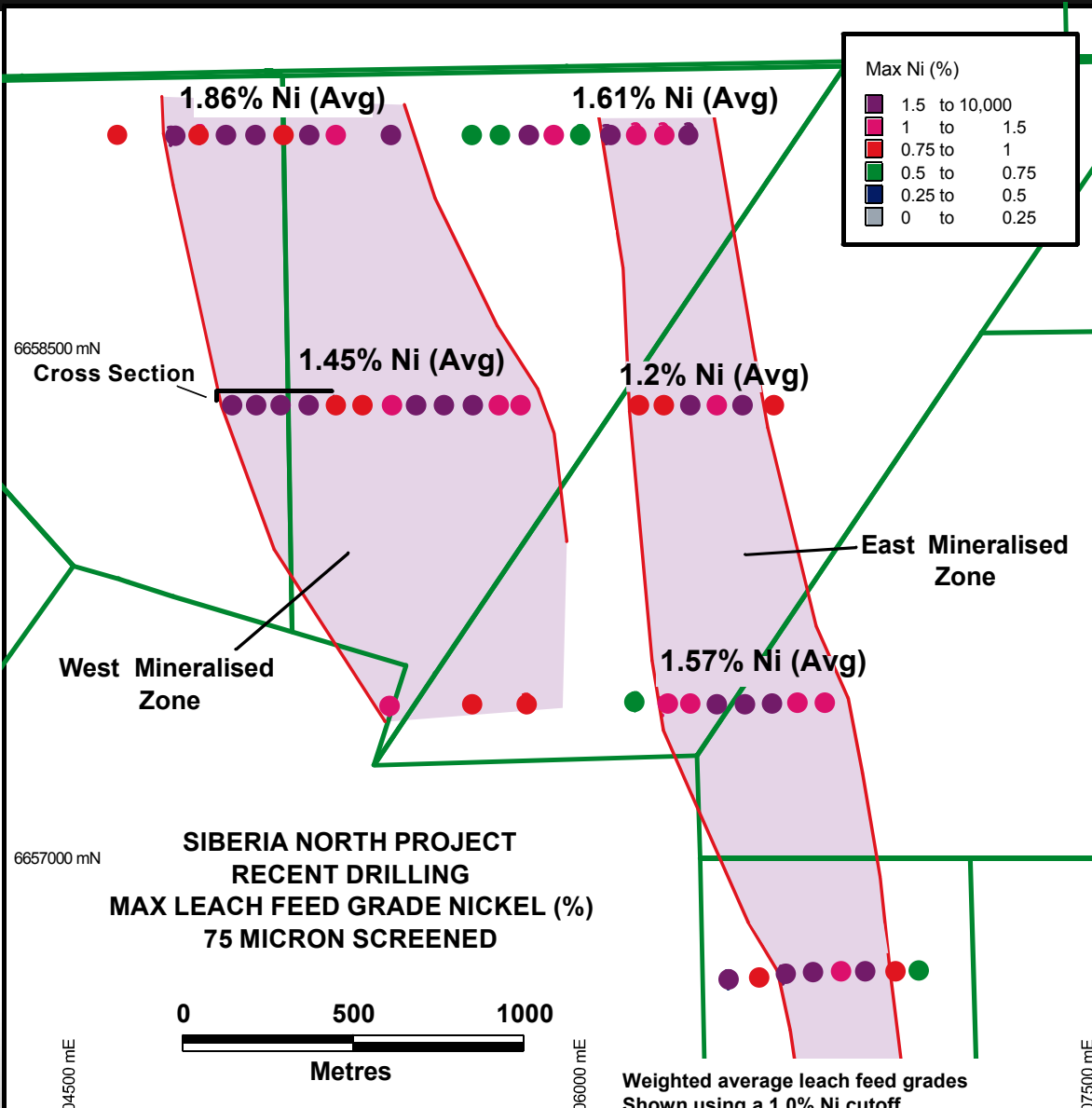
Screened rejects
Silica fragments 60%
*Reject grade **0.3% Ni***



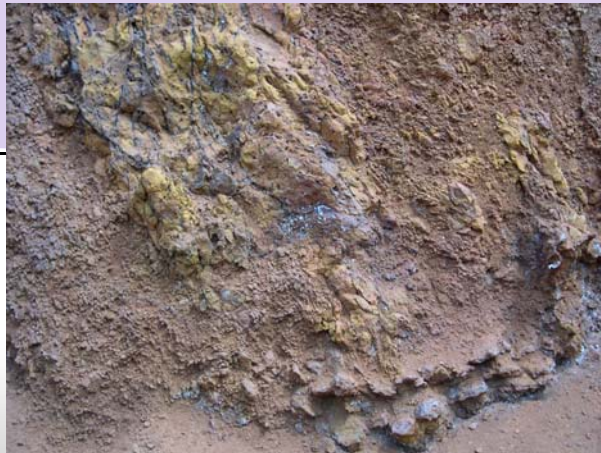
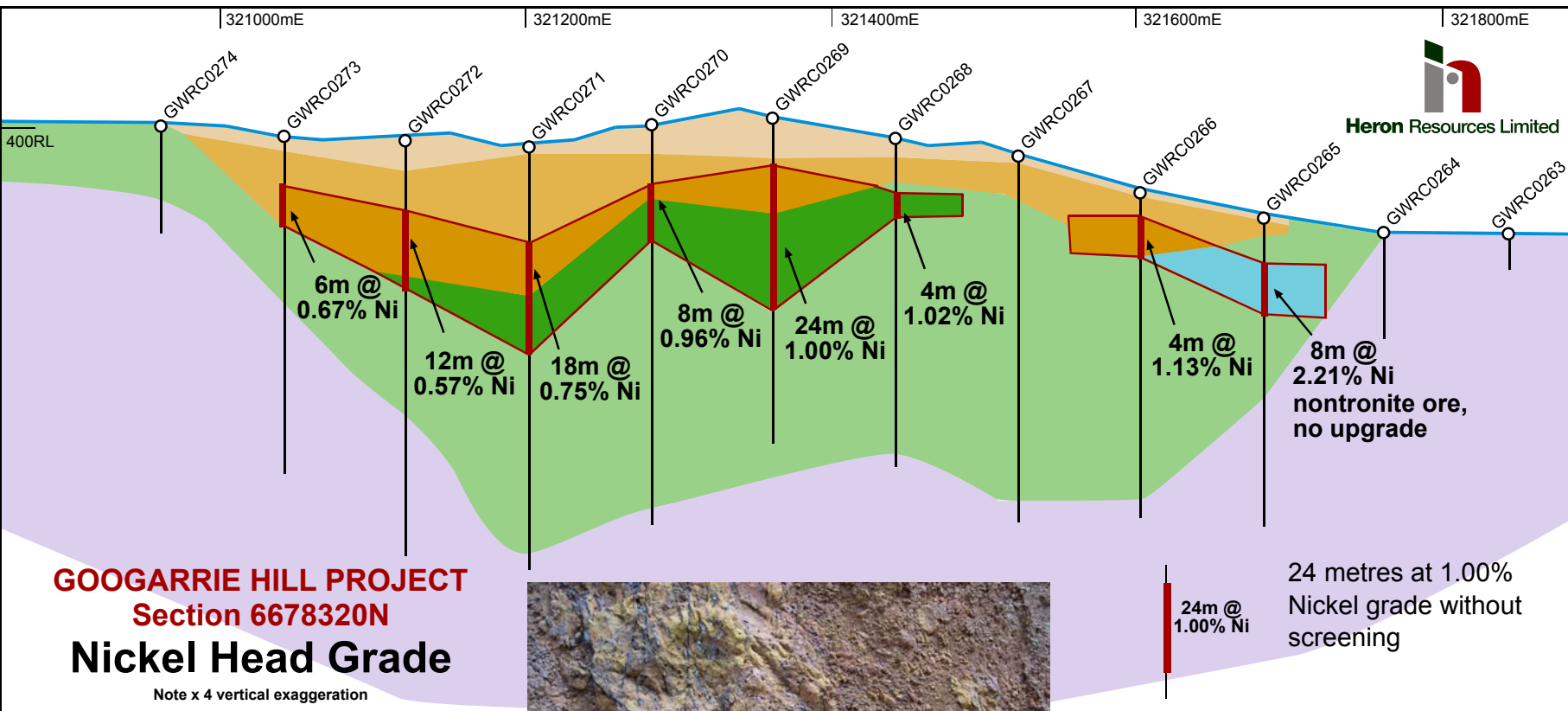
Screened slurry
Limonite 40%
*Leach feed grade **1.5% Ni***

Inco Farm-In – Step 3 Resource Definition

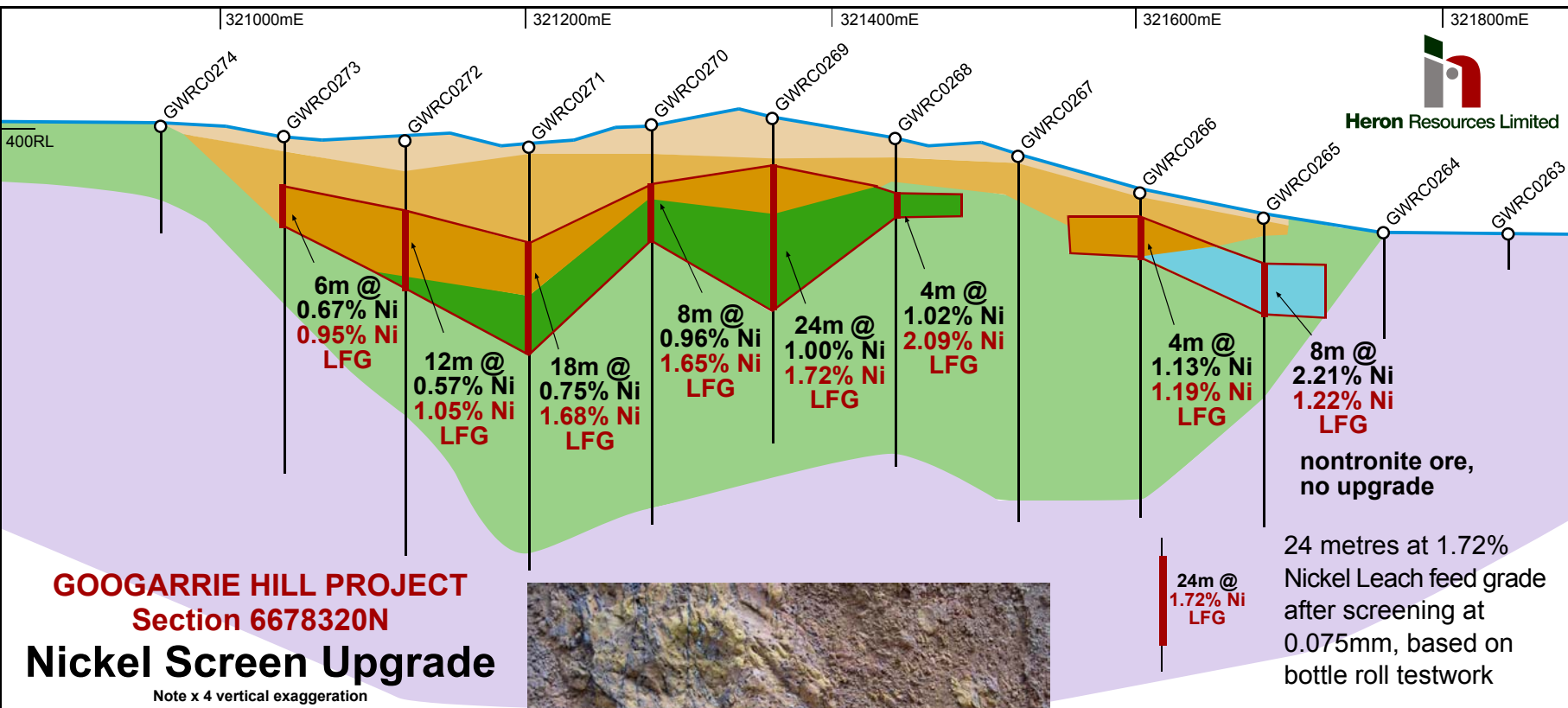
lots of Work for Inco



KNP – Nickel Screen Upgrade



KNP – Nickel Screen Upgrade



KNP – the Right Project

- ◆ **Among largest undeveloped Ni projects**
 - **Heron's vast nickel footprint is unique**
 - **Focus on Goongarrie-Siberia siliceous ore**
 - **455mt at 0.7% Ni and 0.05% Co**
 - **Screen beneficiation 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**

KNP – the Right Project

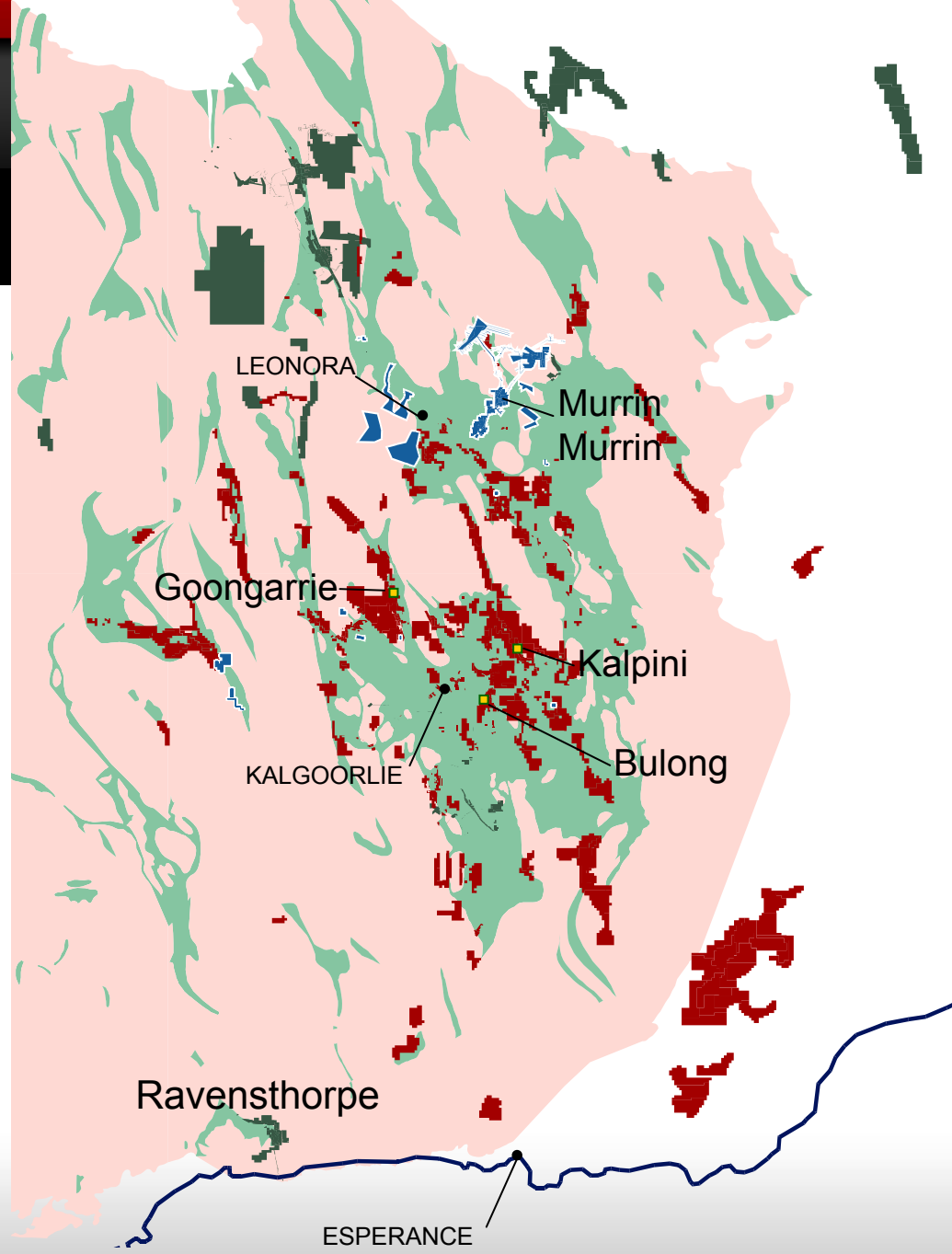
◆ Heron's substantial tenement holdings underpin resource base

- *Mainly 100% owned and unencumbered*
- *Historically under-explored*
- *Inco's funding means this will change*

BHP BILLITON

MINARA

HERON



The Right Location

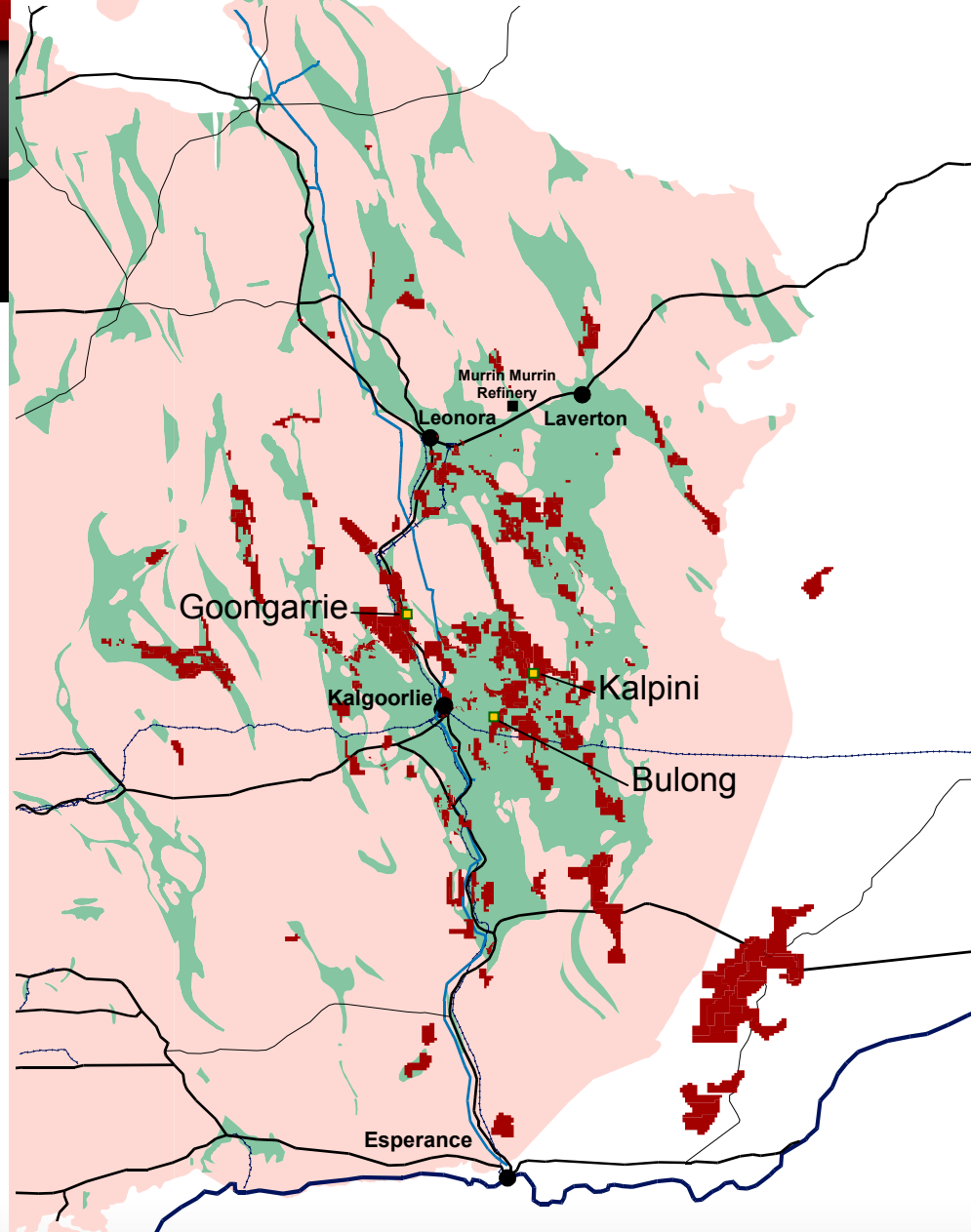
◆ Infrastructure

➤ Rail

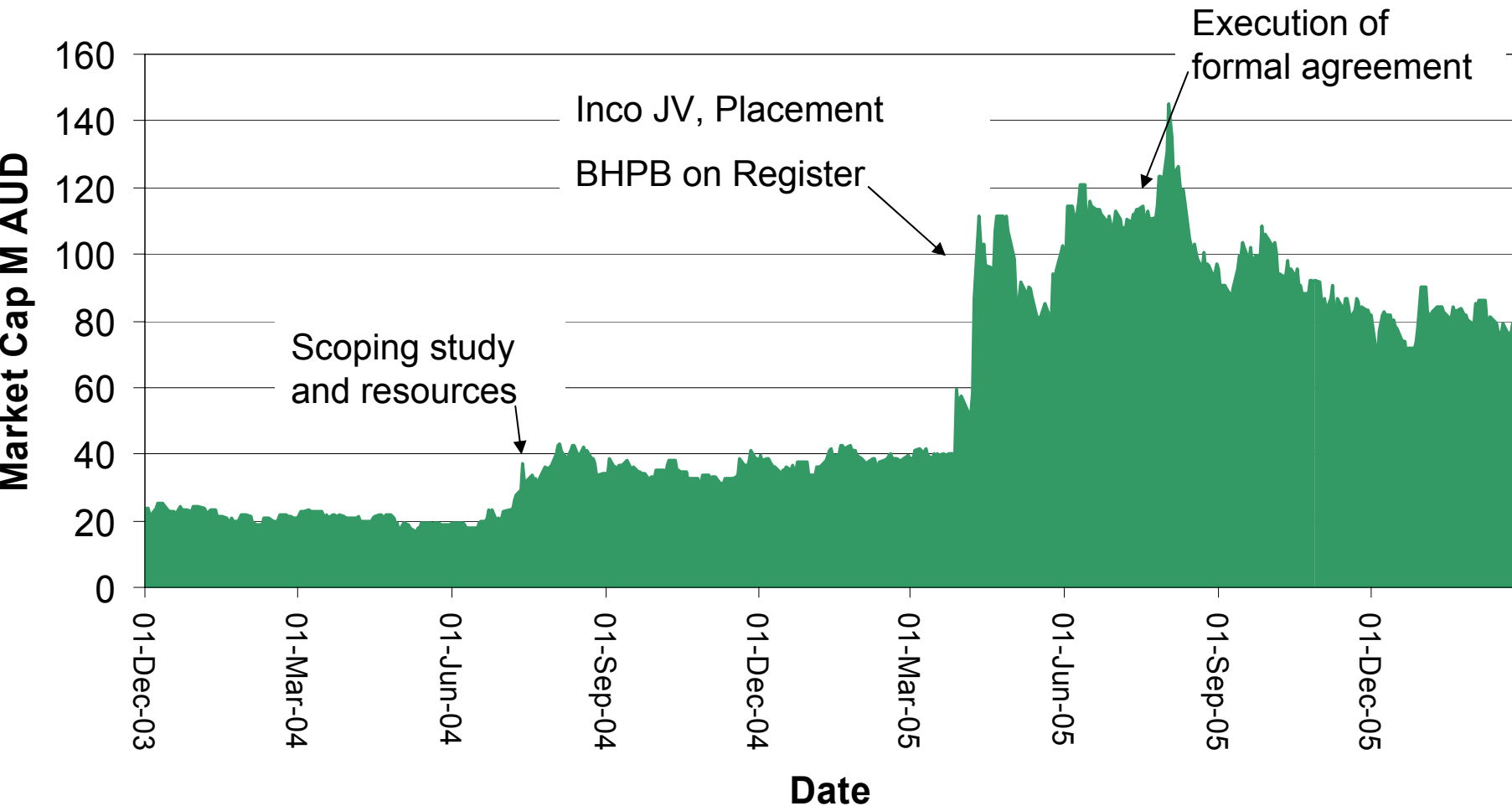
➤ Gas

➤ Road

➤ Ports



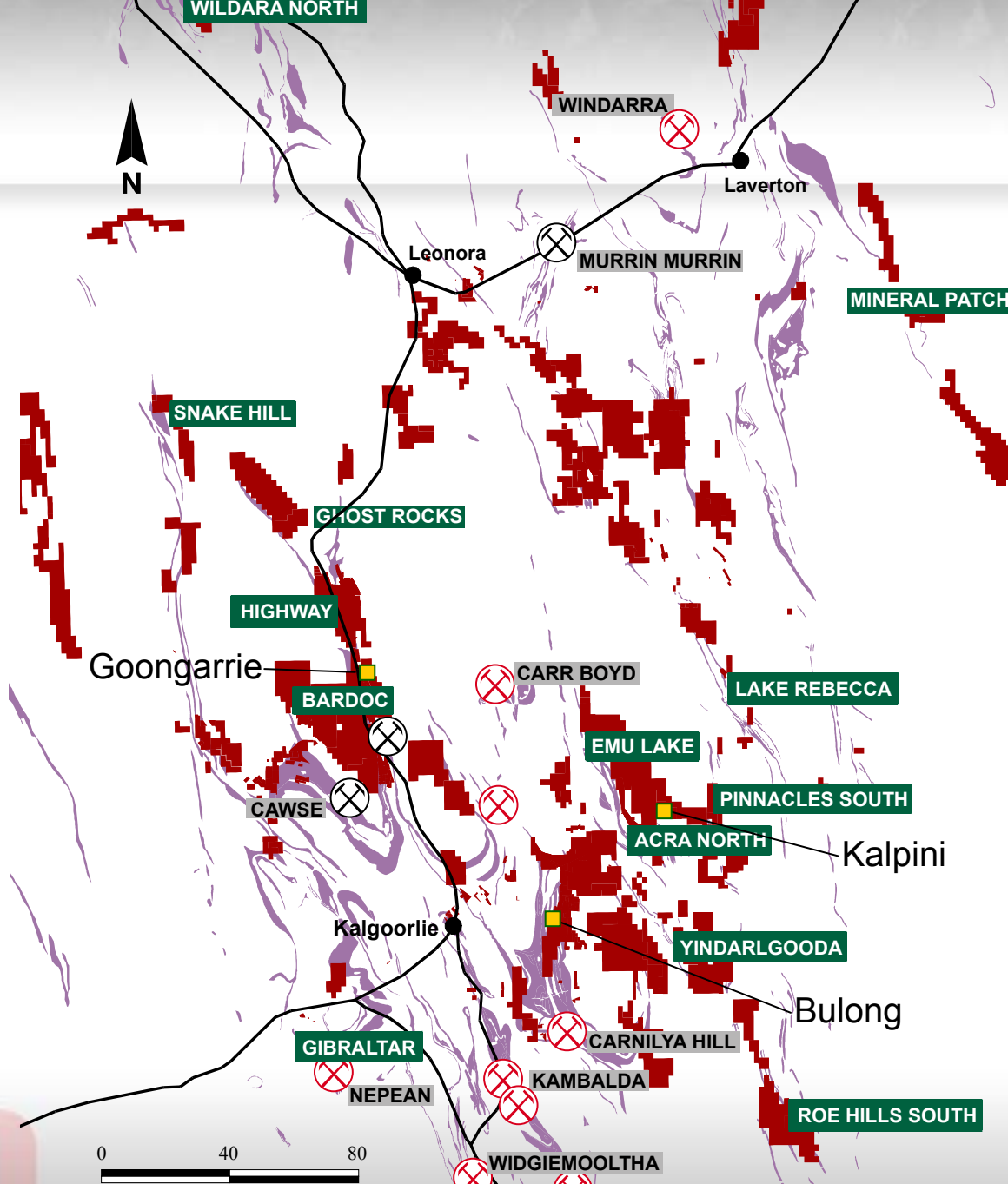
Milestone Driven Growth



What laterites can deliver

Proposed Sulphide Nickel Project

- ◆ **Explore Heron's ultramafic holding**
- ◆ **Heron will control initial exploration**
- ◆ **Proposed that Inco will:**
 - **Fund 100% of costs on defined projects**
 - **Keep KNP land holding in good standing**



Yilgarn ultramafics

Nickel mines



Sulphide



Laterite

EMU LAKE

Heron
Ni-Sulphide
Prospect



Heron
tenements

Sulphide Nickel Project Tenements and Nickel Sulphide Targets

Nickel and Corporate Strategy

- ◆ Heron investment offers a unique mix of fundamentals, **near-term** & **long-term**





Heron Resources Limited



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