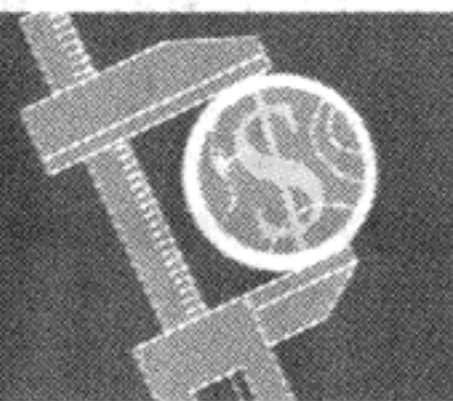


CRITERION
TIM BOREHAM



Turning nickel into dimes can take time

Heron Resources (HRR) 16.5c

WHEN your columnist first covered this WA nickel play in April 2005, BHP and Inco (now Vale) hovered on the register, eager for a taste of Heron's 727 million-tonne Kalgoorlie Nickel Project (KNP).

The duo are still hanging in there, the difference being that plunging nickel prices and poor sentiment means the KNP has stalled like a Beetle in the rain.

Having spent \$34 million on a feasibility study, Vale got the GFC-era jitters and passed up on the right to fund the project for a

60 per cent stake. As for 15 per cent holder BHP, it has the nickel heebie-jeebies as it reviews the future of its Nickel West ops.

Heron this week offered a glimmer of hope for the KNP with results of a trial process aimed at cost-effectively extracting nickel from the tricky laterite deposit.

Heron has been working with the privately owned Direct Nickel. KNP samples treated with magnesia are processed into an intermediate mixed-hydroxide product. The process avoids the need for expensive high-pressure acid leaching (HPAL), potentially halving the cost of the project.

Heron chief Ian Buchorn says a

key advantage is the process recycles the (nitric) acid used, whereas HPAL destroys the acid by neutralising it with sandstone. "It's an incredibly important development but not everyone is a fan of laterite nickel like me," says Buchorn, who first pegged the KNP in early 1998.

The challenge now is to reproduce the results on a larger scale and with more challenging parameters, such as very saline water.

Heron is keen to further its relationship with Direct Nickel, which has the CSIRO as a shareholder, by way of a licensing and/or equity tie-up. "If we can combine our orebody with their flow

sheet we can make beautiful music together," Buchorn says.

Given Heron's \$41m market cap equates with its cash on hand, the KNP is being valued at nil, despite being one of the world's biggest undeveloped deposits of the stainless steel ingredient. At its peak, Heron was valued at \$350m.

Nickel sentiment will turn one day, but this is one for the patient. Or for those who heeded Criterion's spec buy call at 73c eight years ago — very patient.

Hills Holdings (HIL) \$1.12

LIKE a pair of undies on a Hills clothesline, investors waiting for closure on the conglomerate's restructuring were left hanging in the breeze yesterday.

New chief Ted Pretty reported the targeted closures were progressing with Hills' stake in the listed Korvest sold last month for \$26m and the Lazard-led divestment of its Orrcon Steel and Fielders roofing business a work in progress. Pretty's aim is to declutter Hills' portfolio and derive 75 per cent of revenue from its higher-margin communications

