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Nickel deal on track

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Resources

CANADIAN nickel miner Inco is sticking to a \$1.4 billion joint venture with Aussie junior Heron Resources despite launching a takeover bid for rival nickel producer Falconbridge.

Inco's vice-president of exploration, Nick Sheard, will attend a meeting of Heron shareholders in Kalgoorlie on Friday.

The meeting is to approve the joint venture to develop Heron's 120 million tonne Kalgoorlie Nickel Project.

Inco announced a \$C12.8 billion (\$A14.4 billion) friendly takeover of Falconbridge last week. The merger would make the conglomerate the world's largest nickel producer.

The Kalgoorlie nickel laterite project was not listed among the potential development projects in a presentation given at the announcement of the takeover bid.

But Heron Resources managing director Ian Buchhorn told *BusinessDaily* things were "very much business as usual".

"The fact that Nick's come all the way from Canada for a five-minute meeting, I think that's a pretty good sign that they take the (project) very seriously," he said.

Inco has committed \$18 million to a pre-feasibility study at Kalgoorlie. The company is expected to start drilling soon to confirm the project's resources.



Big player: Canadian miner Inco will keep its Heron joint venture.

Mr Buchhorn said the first hurdle would be proving the project's ability to deliver a 1.5 per cent leach feed grade to the plant.

If the project goes ahead Inco will grab 60 per cent of the earnings from the project, with Heron to maintain a 40 per cent stake.

Mr Buchhorn said the merger of the two Canadian giants was a positive move for the nickel industry and for Heron.

"Before we used to say we were dealing with the second largest nickel company in the world, now it's the largest," he said.

In further positive sign for Heron, Inco said last month it planned to split its global operations into two units, with Australia to be home of its Asia-Pacific division.

Heron shares lost 1.5¢ to 57¢ yesterday.