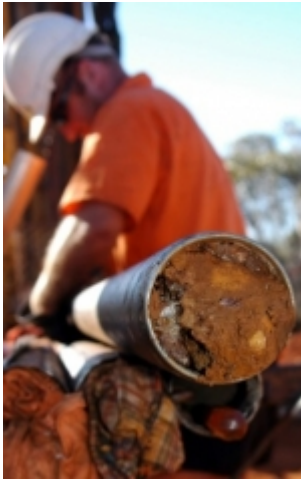


Acid test for Heron

By Michael Quinn, 9 April 2007



Jump-up Dam contains an inferred 19.1 million tonnes grading 1.07% nickel.

WITH funding now assured for feasibility studies of Heron Resources Ltd's potential \$US300 million Jump-up Dam heap leach nickel laterite development in Western Australia, the company is keen to expeditiously nail down key project parameters given the waiting list for acid plants is close to two years.

Managing director Mat Longworth said there were indications that a 1.4 million tonnes per annum processing operation producing 10,000 tonnes per annum nickel would require about 750,000tpa of sulphuric acid – leading the company to lean towards building its own acid plant as per European Nickel's decision at its Caldag project in Turkey.

Confirming this capacity requirement plus water quality and power parameters are the key data that will enable Heron to join the current 22-month queue for an acid plant ahead of completion of the definitive feasibility work for Jump-up Dam.

Under this scenario, Longworth told *HighGrade* it was possible to order an acid plant and elect to pay for the pre-engineering on an hourly rate. "So you are able to one, get into the queue, and two, start the work in terms of the engineering ... but be able to step out of the queue (such that) the sum total of the risk is just the hourly rate for engineering," Longworth said.

While emphasising definitive numbers awaited the planned studies, Longworth said preliminary cost estimates for an acid plant were around \$US90 million, and for the total project, \$US300-350 million. A pre-feasibility is now underway with the aim being to move to full feasibility in the last quarter of 2007 (and completion in the first half of 2008). Trial mining and demonstration heap leaching costs is planned, with the costs of the studies put at about \$A25 million depending on contracting and acid costs. (Heron currently has just under \$A35 million cash).

The aim is to start production in 2009 ramping up to full capacity in 2010. Cash costs are being targeted in the low \$US3 per pound of nickel, though again, Longworth emphasised the feasibility studies would tell a more definitive story.

Jump-up Dam comprises two mineralised zones likely to be mined, both 2-2.5km long and 300-400m wide. Longworth said mineralisation at the northern end was at surface, while the average depth was 30-35m. Having two pits will enable both grade and geotechnical optimisation, with the latter a critical component given the importance of the stacks standing up and remaining permeable.

Early indications at Jump-up Dam are for rapid leaching times, including 70-75% nickel extraction in less than 100 days. It is understood that European Nickel's Caldag project requires 3-4 times as long, though on the flipside, acid consumption at the project in Turkey is 300-350t per tonne of ore compared to Jump-up Dam's current forecasts in the order of 500kg/t.

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Fans of Heron's story now include RBC Capital Markets, which was the sole book runner and lead manager for last week's oversubscribed \$A27.8 million capital raising that involved undisclosed institutions from around the world and existing major shareholder BHP Billiton. BHPB held 8.83% of the junior prior to the placement, while it is believed that CVRD Inco did not add to its 9.69% stake.

The placement was priced at \$A1.20, with Heron offering retail investors stock in the company at A65c last October via a shareholder share purchase scheme. Taking into account the placement, Heron closed last week capitalised at about \$A270 million.

CVRD Inco is earning a 60% stake in Heron's large scale Kalgoorlie Nickel Project (laterite), with a full feasibility for this laterite project due for completion in 2011.

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