

# Huntleys' SMALLER COMPANIES Guide

Incorporating the Australian Penny Share Guide

Issue No. 287

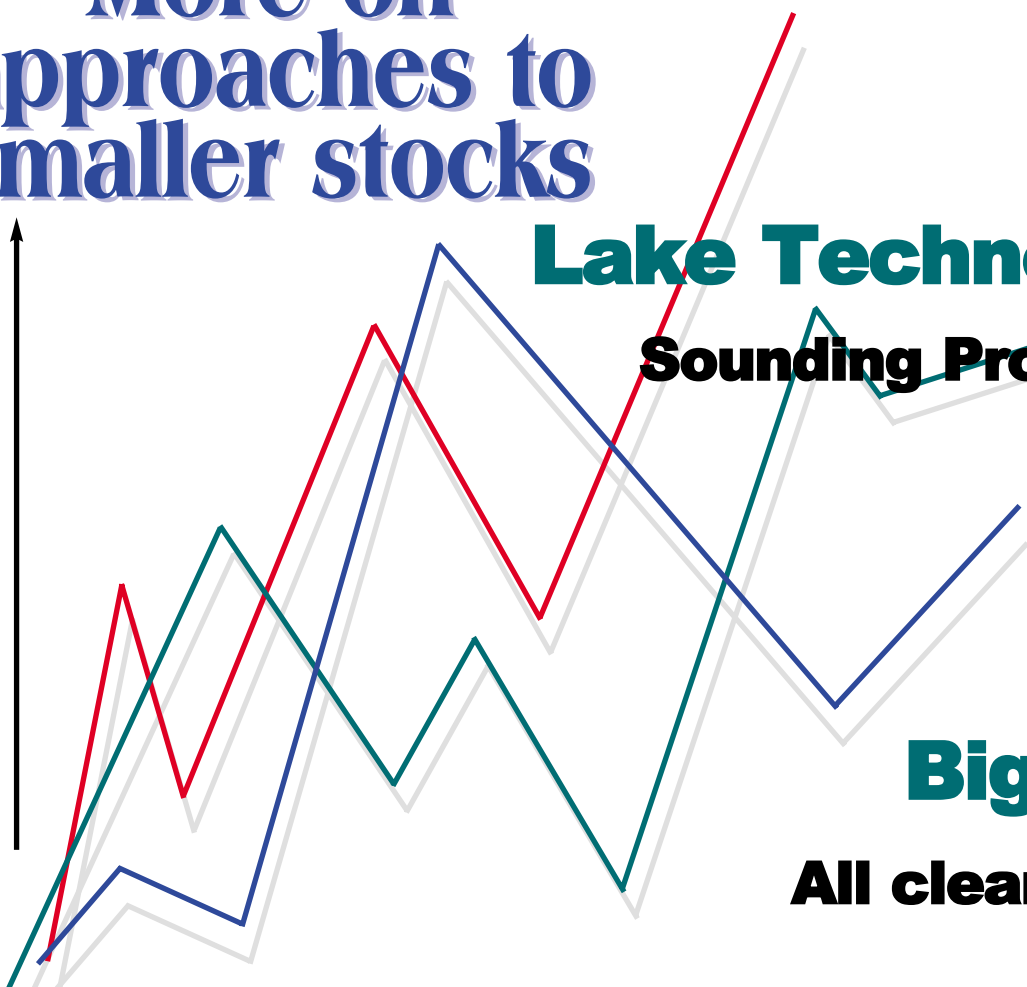
April 3, 2002

**Millepede**  
**Technology tying up the niche market**

**More on  
approaches to  
smaller stocks**

**Lake Technology**  
**Sounding Promising**

**Big Kev**  
**All cleaned up**



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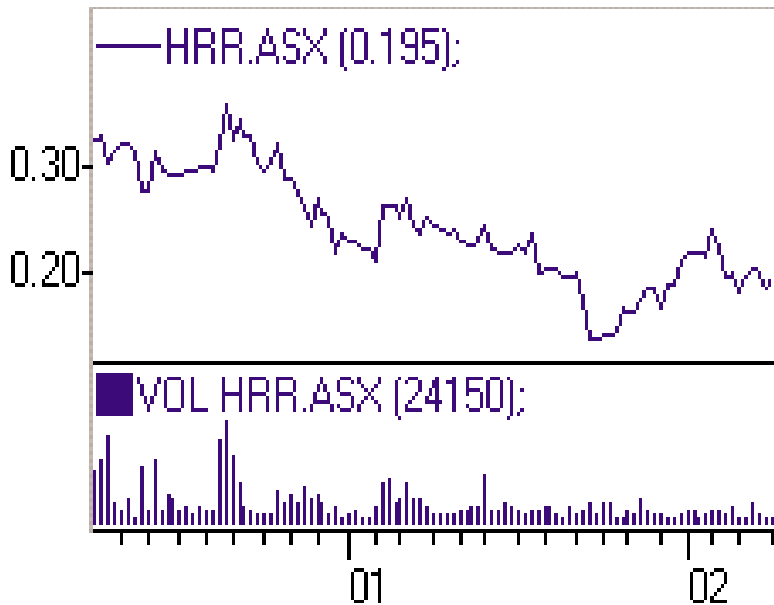
# SPECULATIVE STOCKS

## Resource Reviews & Updates

### HERON RESOURCES (HRR) \$0.195

Emerging Nickel Miner  
No. Shares: 105.2m  
Mkt Cap: \$20.5m  
52 Week High: \$0.26

Accumulate  
Avg. Monthly t/o: m  
Last Reviewed SCG 262  
Low: \$0.13



Most of Western Australia's nickel laterite industry remains mired in debt, but just as it out-performed its competitors in attaining full-production, the Cawse plant is ahead of the pack in finding a new owner following the failure of its previous owner, Centaur Mining.

Finnish group, OMG, acquired Cawse last year just as the nickel price plumbed its lows. While it may have been easier for investors if HRR had beaten OMG to the punch, the parlous state of the nickel price probably prevented Heron from making as aggressive a bid as it would have liked. There are many

ways to skin a cat, however, and given OMG's position as a trader and processor rather than a miner and resource developer, Heron may still be in the race for a piece of Cawse.

HRR has all but completed the spin-out of its gold subsidiary, Avoca Resources. Heron management deserves great praise for the way this action was handled. Heron shareholders will receive an in-specie distribution in Avoca in addition to the 30 million new shares being issued at 20 cents per share. The issued capital will therefore be around 52 million shares (assuming no over-subscriptions). There is no obscene vendor consideration to 'related parties' as we all too often see with junior companies conducting such spin-outs.

Although the company was unable to sufficiently leverage its balance sheet to acquire the Cawse plant from the receiver, it continues to hold the best nickel laterite resource in the eastern goldfields and is the natural long term partner for Cawse. We believe there will be a relationship between OMG and Heron, however the nature and timing of any deal is uncertain.

With the Avoca spin-out complete, management should now be able to focus fully on a deal with Cawse/OMG. Other projects, including an exploration program to examine the nickel sulphide potential of HRR's tenements, will also be developed.

We rate HRR as an accumulate. Avoca could be a solid performer in the market given its extensive tenement position in the eastern goldfields and the potentially useful presence of South Africa's Gold Fields on the register. Gold Fields acquired the bulk of WMC's gold assets last year, so the geographic rationale for its involvement with Avoca is clear.