

8 May 2001

## Heron Resources Ltd

### Control of Heron needed for Acquirer of Cawse

### SPECULATIVE BUY

#### Update

- CTR's Receiver is reported to be expediting the sale of assets, which includes the Cawse Nickel Operation. It is becoming more widely accepted that Cawse is the best performing nickel laterite pressure acid leach ("PAL") plant in W.A.
- HRR served a Notice of Termination of the SAA on 30 April 2001 as a result of the occurrence of an Insolvency Event in relation to CTR. HRR had not treated any ore through Cawse as it did not have granted mining leases at Goongarrie.
- On 2 May, HRR had five Mining Leases granted at its Goongarrie Nickel Project. Notices of Intent to commence mining are being finalised.
- In HRR's March 2000 Independent Expert's Report it was stated that "it appears unlikely that Cawse Stage II would proceed without access to Heron's ore in one manner or another".
- We do not believe any potential acquirers' would be interested in Cawse without a much larger resource base. HRR's 100% owned Goongarrie Project and satellite deposits, in the Cawse region, has an 80mt resource grading 1.3% Ni, 0.1% Co at a 1% Ni cut off.
- A likely acquirer could operate the existing Cawse plant as a large-scale pilot plant which would be suitable for hydrometallurgical testing of Goongarrie ore, critical in any Cawse Stage II bankable feasibility study ("BFS").
- Our likely acquirers' list for Cawse and/or HRR includes Anglo American/Anaconda, Billiton, Falconbridge, Impala Platinum, OM Group, Phelps Dodge, Rio Tinto, Sherritt International Corporation, Sumitomo Metal Mining and WMC.

#### CAPITAL STRUCTURE

		HRR
ASX Code		HRR
Price	¢	26
Shares	m	101.0
Options (unlisted various)	m	3.3
Capitalisation (undiluted)	\$m	26.3
Cash	\$m	4.2
Debt	\$m	0.0

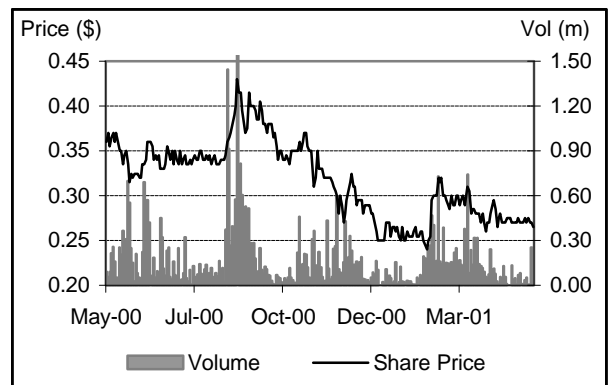
#### Analyst Opinion

*The granting of Mining Leases at Heron Resources Ltd's (HRR) Goongarrie Project and notification of termination of the Strategic Alliance Agreement ("SAA") with Centaur Mining & Exploration NL (CTR) should be viewed as being positive for HRR. We believe that these two developments provide potential acquirers' of CTR's Cawse Nickel Operation with the comfort that HRR is able to deal on its high grade Goongarrie resource.*

*While Anglo American plc ("Anglo") should be preoccupied with maximising the potential of its Anaconda Nickel Ltd (ANL) investment, we still believe it is the lead candidate to buy Cawse.*

*Eventhough HRR believes its future position in the Western Australian Nickel Laterite industry may be via an association with a major world nickel company, a takeover of HRR should not be ruled out as the buyer of Cawse is also likely to buy CTR's 15.7% interest in HRR. We believe a takeover offer at 50¢, a psychologically important level given the highest HRR has traded is 45¢, could succeed in gaining control of HRR and its resource base.*

**Max Nind: Authorised Representative  
Direct Line: (08) 9263 5224**



## Heron's Corporate Strategy

HRR is focussed on the acquisition and development at minimal risk of high quality Nickel Laterite assets. The lead project is the Goongarrie Nickel Project, one of the highest quality Australian Nickel Laterite deposits in terms of primary grade, metallurgy and available infrastructure. HRR has amongst the largest 100% owned, unencumbered tenement holdings within the Eastern Goldfields Nickel Laterite Province.

HRR has restricted its Nickel Laterite exploration to a specific Goongarrie-style of target, being:

- Significant mineralised intercepts exceeding 20m at 1% Ni.
- Bonanza cobalt grades, as a means to maximise early project cashflow and hence pay-back.
- Limonite Ore is essential, since its autoclave performance substantially exceeds that of clay ores.
- Magnesia content below 5%, to minimise operating costs.
- Ore blocks ideally to exceed a 400m strike length and 80m width, at a 1% Ni cut-off grade.
- Ore metallurgy and geometry very uniform, to be amenable to low cost bulk mining.

## The Strategic Alliance with Centaur

HRR was advised on 14 March 2001 that its Strategic Alliance partners, CTR had appointed Administrators, and that the Cawse Bondholders had subsequently appointed Receiver/Managers. HRR is entitled to terminate the SAA as a result of the occurrence of an Insolvency Event on 90 days written notice.

On 30 April 2001, HRR served a Notice of Termination on CTR, CTR's Administrators and Receiver/Managers to terminate the SAA. Under the SAA, CTR had the right to complete a BFS on or before 19 August 2001 for a Cawse Stage II Expansion, in order for CTR to secure toll milling entitlements in relation to certain HRR exploration projects. It has been confirmed that Centaur does not have the capability to complete the BFS in the manner contemplated by the SAA.

## Strategic Role Of Heron's Goongarrie Nickel Project

The combined HRR and CTR nickel laterite resource base is some 0.7 billion tonnes at 0.7% Ni, with HRR controlling more than half of the combined resource.

Status	Heron Resources			Centaur Mining		
	Mt	%Ni	%Co	Mt	%Ni	%Co
Meas. & Ind.	108.6	0.8	0.06	58.3	0.7	0.05
Inferred	297.0	0.8	0.06	216.4	0.7	0.03
Total	405.6	0.8	0.06	274.7	0.7	0.04

Note: Resources based on a 0.5% Ni cut-off

In particular, a component of the HRR resource base is an Inferred Mineral Resource of 80 mt at 1.3% Ni, 0.1% Co at a 1% Ni cut-off grade, which is the strategic key for future Goongarrie-Cawse Nickel Laterite expansions.

In the March 2000 Independent Expert's Report by PricewaterhouseCoopers Securities Pty Ltd addressing the then CTR bid for HRR, it was stated that without Goongarrie "there is insufficient reserve tonnages on Centaur's own tenements" to support the Cawse Stage II expansion. More specifically, the Independent Expert stated that "it appears unlikely that Cawse Stage II would proceed without access to Heron's ore in one manner or another".

## Risks

Delays in the granting of ML's due to the Native Title process. The political risk profile for Australian projects offers the lowest risk compared to the major producing countries of Cuba, Indonesia and New Caledonia.

Financing of a large standalone project will be difficult without a major strategic or technical partner for leverage in raising the significant funds required to construct a mining and treatment operation.

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