

**ASX: HRR**



**Heron Resources Limited**

# **Kalgoorlie Nickel Project**

A Partnership with Inco to create an  
Internationally Significant Nickel Producer

**Diggers and Dealers**

**9 August 2005**

**Ian Buchhorn**

**Managing Director**





# Disclaimer Forward Looking Statement

The material used in this presentation is intended to be a summary of selected geological data, current and proposed activities, as well as resource estimates based on information available to Heron Resources at the time. It does not include all available information and should not be used in isolation as a basis to invest in Heron Resources. Any potential investor should refer to Heron Resources' ASX releases and statutory reports before considering investing in the company.

This presentation includes information relating to a completed independent scoping study, completed independent resource estimate and a feasibility study which is in progress and includes "*forward looking statements*" which include, without limitation, estimates of potential nickel in concentrate production based on mineral resources that are currently being evaluated. While the Company has a reasonable basis on which to express these estimates, any forward looking statement is subject to risk. Risks include, without limitation: nickel metal prices, foreign exchange rate movements, failure to meet joint venture milestones, project funding capacity, concentrate off-take contracts and estimates of future capital and operating costs.

The Company does not undertake to release publicly any revisions to forward looking statements included in this presentation to reflect events or results after the date of this presentation, except as may be required under applicable securities laws.



## The Story so far:

***Heron's profile in developing  
the Kalgoorlie Nickel Project  
is one of persistence, persistence  
and then more persistence***



# Overview of Presentation

## ◆ Company Profile

- Track Record and Nickel Focus

## ◆ Kalgoorlie Nickel Project

- the right Partner

- the right Project

- the right Location

- the right Market

## ◆ WA Nickel Sulphide

## ◆ Investment Case



# Company Profile – Corporate

## ◆ Listed ASX August 1996

- Focus to acquire, explore and develop nickel assets

## ◆ Capital Structure

- 162m shares at A\$0.80, mkt cap A\$130m

## ◆ Significant Shareholders

- Directors and associates 23.5%
- Inco Limited 10.2%
- BHP Billiton 9.9%
- MBM Corporation 8.0%

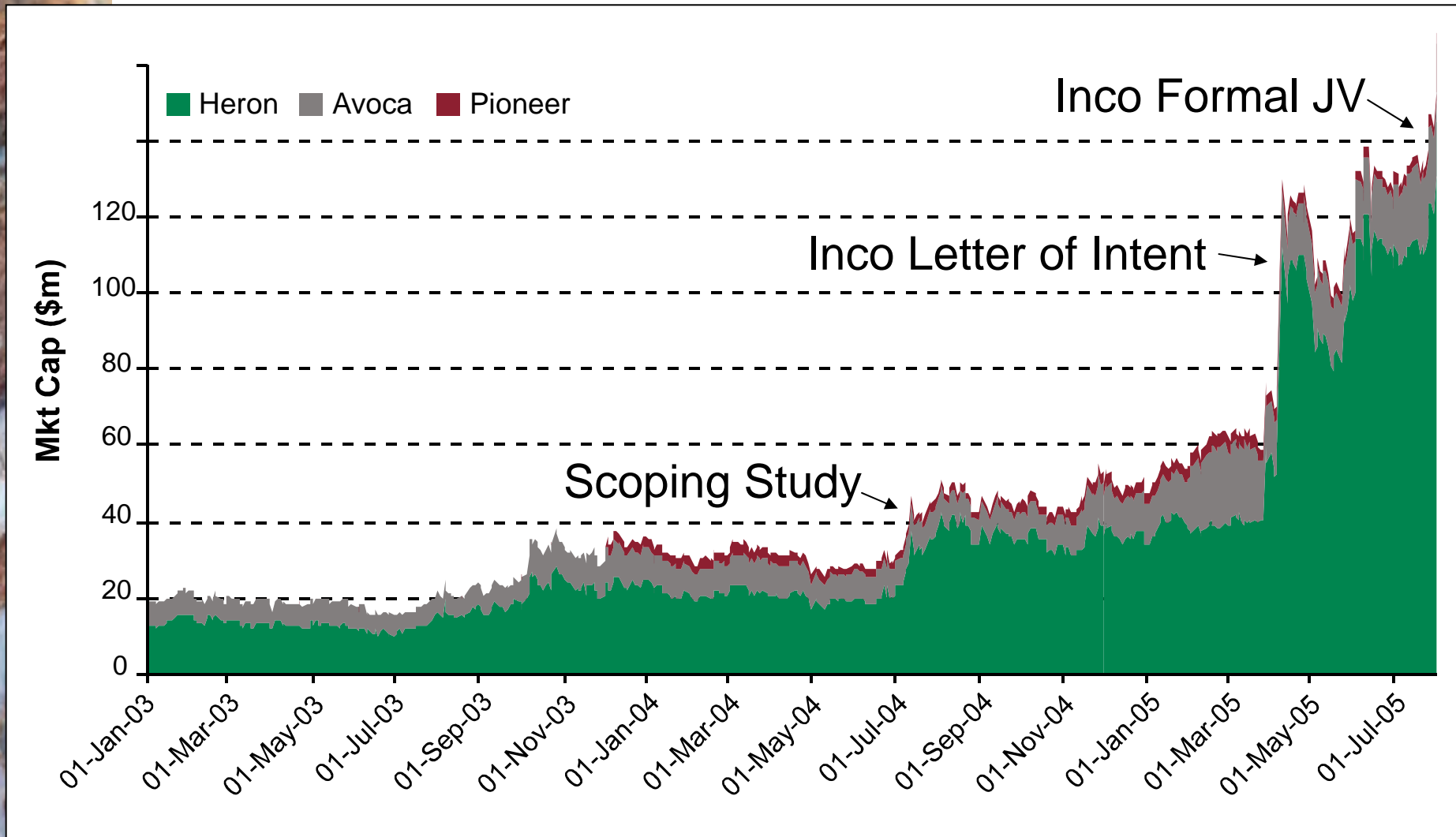




## **Company Profile**

- ◆ **High quality portfolio of nickel assets**
- ◆ **Inco & BHP Billiton major shareholders, validates quality of the assets**
- ◆ **KNP Joint Venture, Inco 60% Heron 40% clearly funded pathway to production**
- ◆ **Heron maintains a track record for creating shareholder value**
  - **Avoca and Pioneer in specie distribution**
  - **Steady increase in market cap**

# Company Profile





## The Story going forward:

***Our partnership with Inco  
positions the Kalgoorlie Nickel  
Project to become an Australian  
nickel project of international  
significance***





## **Inco – the Right Partner for KNP**

- ◆ **Inco selected following global search**
- ◆ **A premier integrated nickel producer**
  - **Market Capitalisation US\$8 billion**
  - **Estimated net cash US\$1.8 billion**
  - **200,000tpa nickel, second largest producer**
- ◆ **World leader in nickel laterite projects**
  - **PT Inco – 60,000tpa Ni production**
  - **Goro – planned 60,000tpa Ni production**



## **Inco JV – Attractive Terms**

- ◆ **Subject to meeting technical milestones, Inco sole funds Feasibility Study**
  - **Pre-Feasibility, US\$18m complete 42 month**
  - **Full Feasibility, US\$50m complete 30 month**
- ◆ **Inco earns 60% on completion Feasibility and securing project funding**
  - **Inco procures all project debt funding**
  - **Heron equity fund cap 4.5% of total equity**
  - **Inco lends Heron its remaining equity funds**



## **Inco JV – Clear Timing Milestones**

- ◆ **Step 1, confirmation diamond drill**
  - **US\$2.6m, completion deadline July 2006**
- ◆ **Step 2, flow sheet selection**
  - **US\$1.4m, completion deadline July 2007**
  - **US\$1.0m, Ni laterite & sulphide exploration**
- ◆ **Step 3, resource drill out, metallurgy**
  - **US\$13m, completion deadline January 2009**
- ◆ **Feasibility Study**
  - **US\$50m, completion deadline July 2011**



# Inco JV – Funding Mechanisms

## ◆ Assumptions

- **\$1.4 billion** project construction cost
- Debt : equity = 70 : 30,  
\$980m Debt, \$420m Equity

## ◆ Debt project finance procured by Inco

## ◆ Equity finance

- KNP JV 60:40, Inco \$252m, Heron \$168m
- Heron capped at 4.5% of equity, **\$19m**
- Inco lends Heron \$149m, repay cashflow



# Highlights of KNP Joint Venture

## ◆ Inco provides:

- Clear path for 50,000tpa nickel production
- Nickel laterite technical expertise
- Project management skills

## ◆ Heron receives:

- Favourable funding solution
- Capital market appeal
- Growth in shareholder value





## the Right Project

- ◆ **KNP, among largest undeveloped nickel projects in World**
  - **Goongarrie-Siberia siliceous ore, 357mt at 0.7% Ni and 0.05% Co**
  - **Screen beneficiation of siliceous limonite ore to 1.5% Ni leach feed**
  - **Target 120mt leach feed, >4mtpa for 25 yrs**
- ◆ **Limonite ore, premium metallurgy**
  - **Pressure Acid Leach (PAL) processing**
  - **PAL proven at Moa Bay and Cawse**

# Tenement Holdings

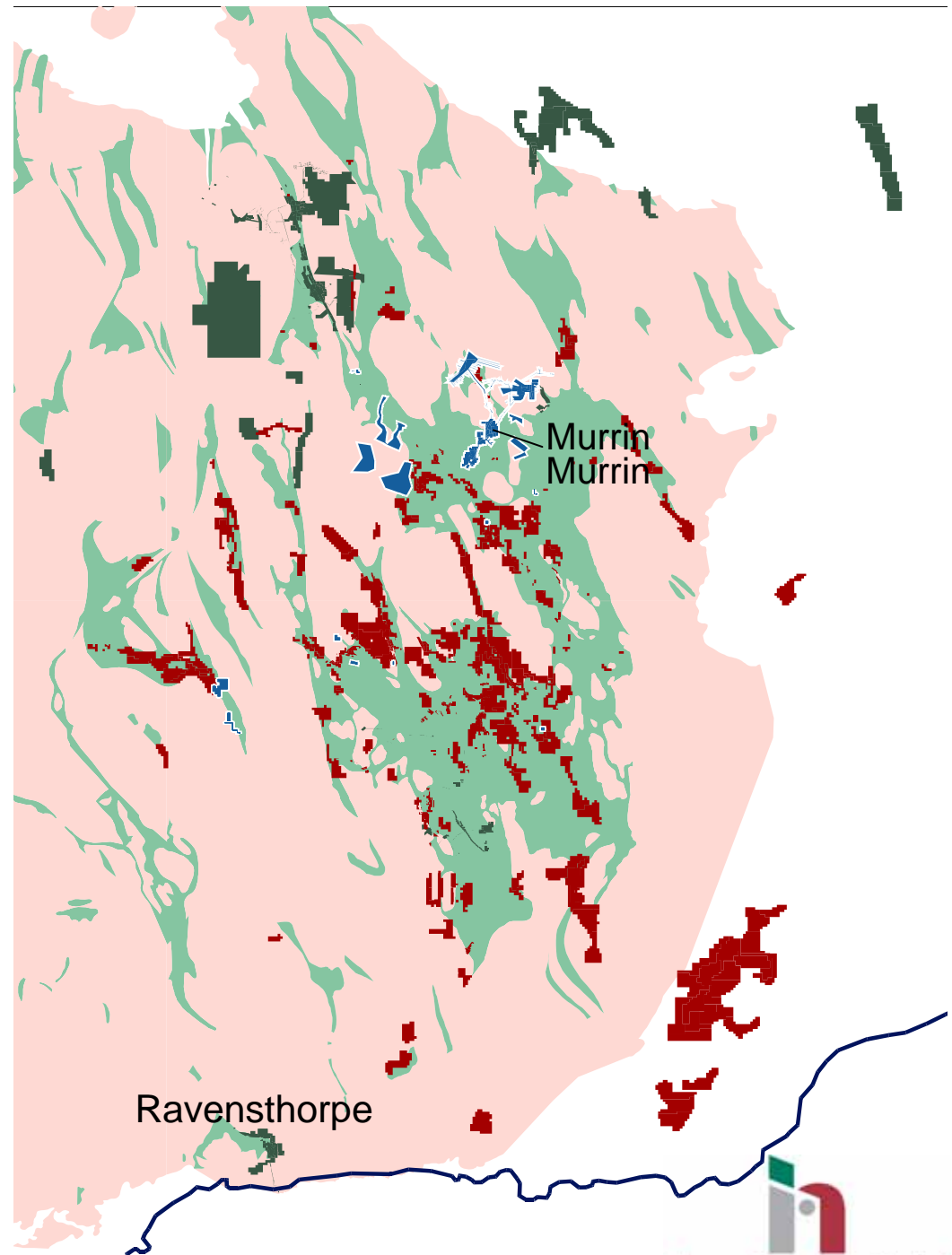
◆ Heron's tenement holdings exceed those of its "peers"

- *Mainly 100% owned and unencumbered*
- *Historically under-explored*
- *Inco's funding means this will change*

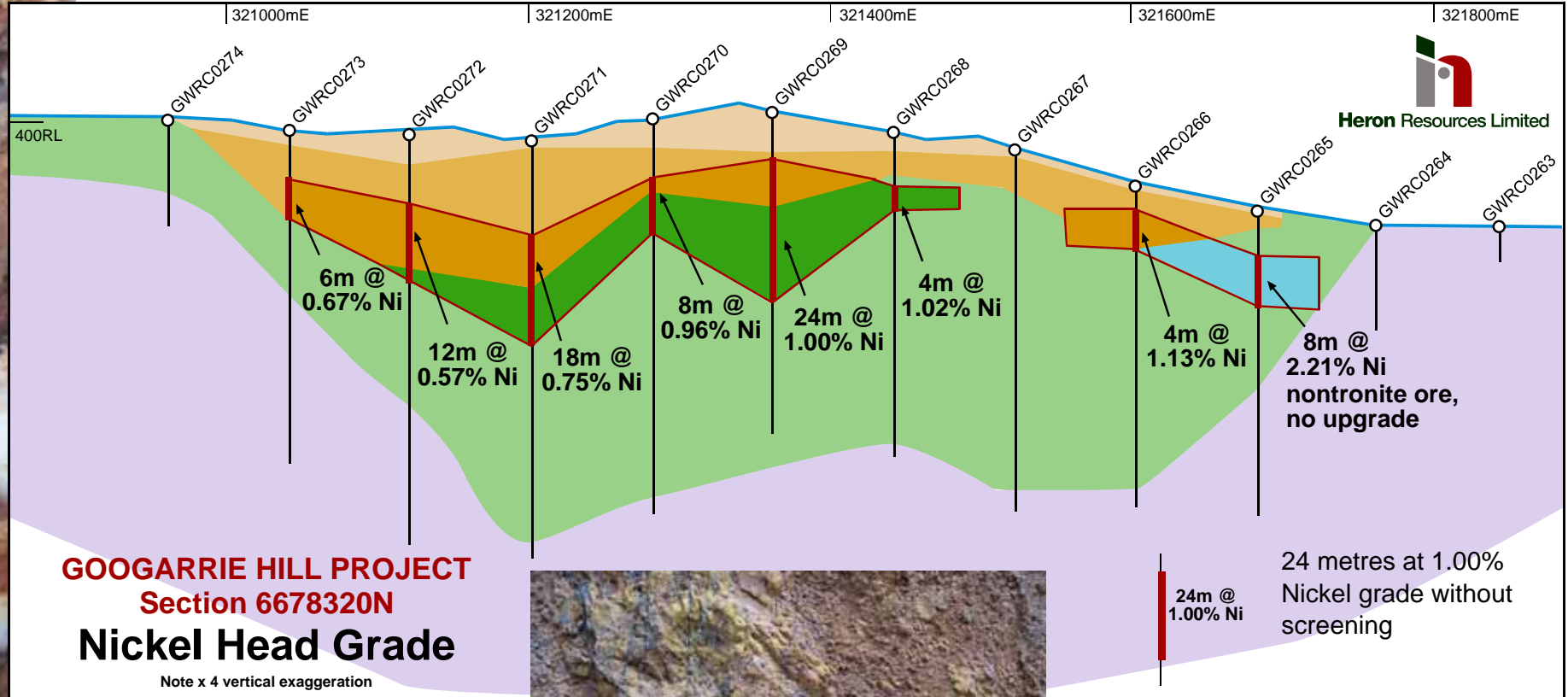
**BHP BILLITON**

**MINARA**

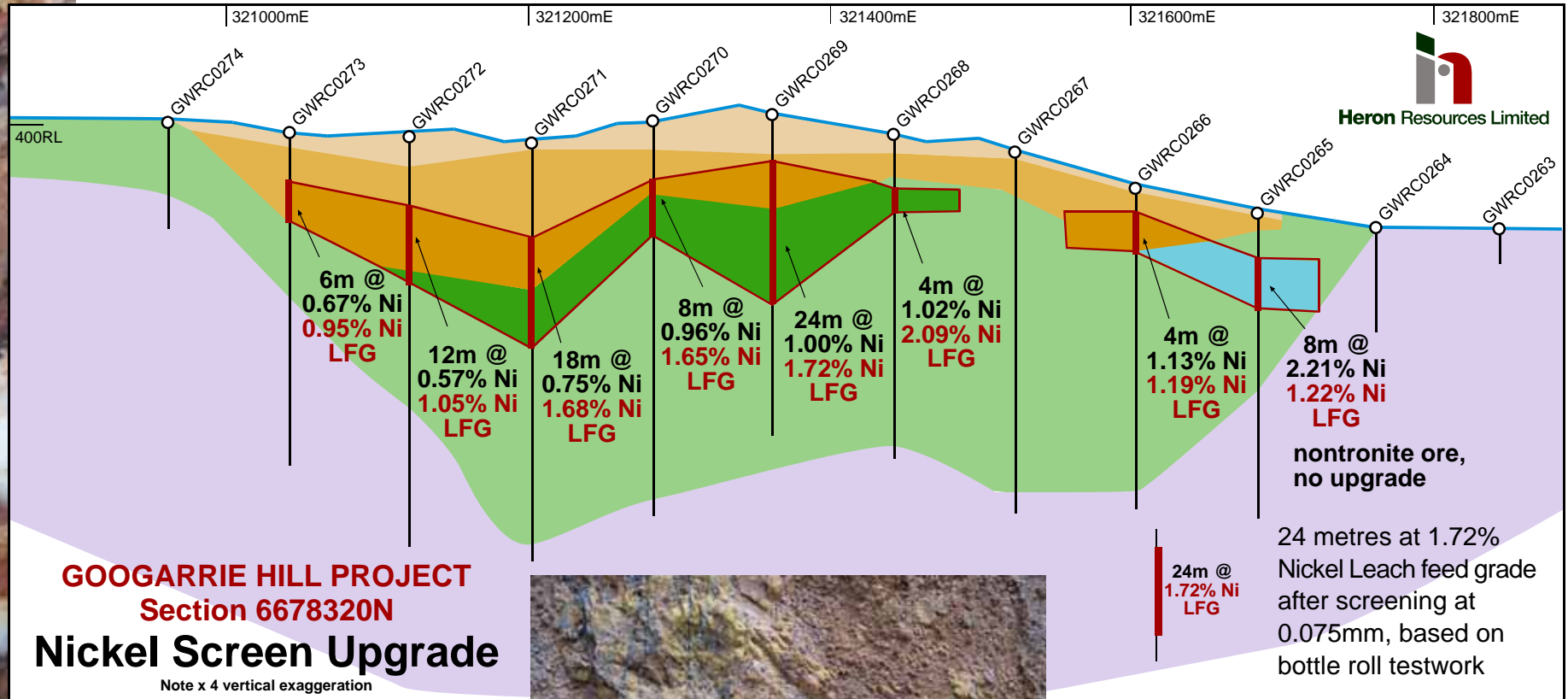
**HERON**



# Nickel Screen Upgrade



# Nickel Screen Upgrade



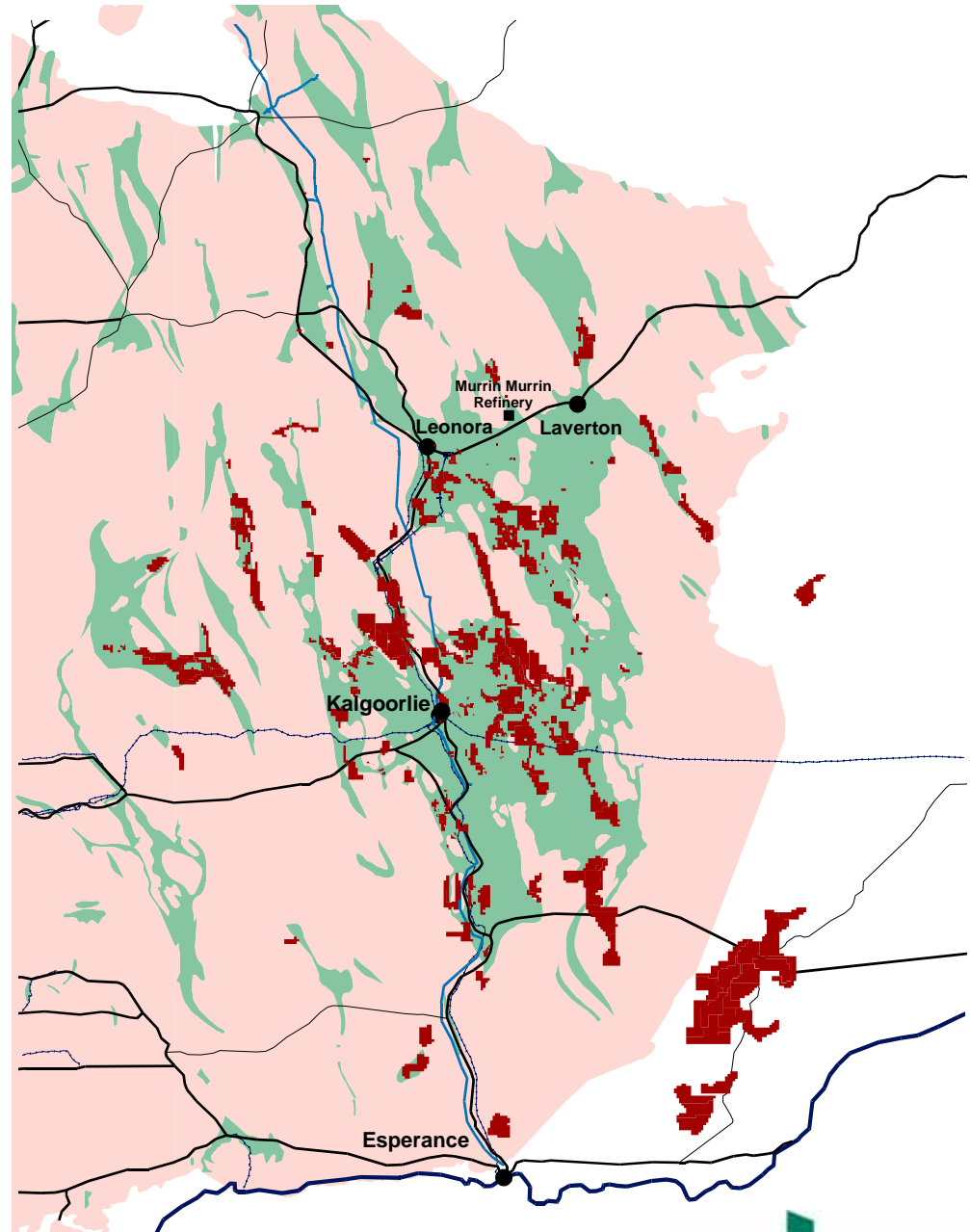




# The Right Location

## ◆ Infrastructure

- Rail
- Gas
- Road
- Port







## **the Right Location**

- ◆ **Established mining infrastructure**
  - **Rail network to refineries and ports**
- ◆ **Mining support industries**
  - **Base project out of Kalgoorlie-Boulder**
  - **Highly skilled work force**
- ◆ **Nil sovereign risk**
  - **Western Australia best performed**
  - **Highly supportive Local and State Govt**



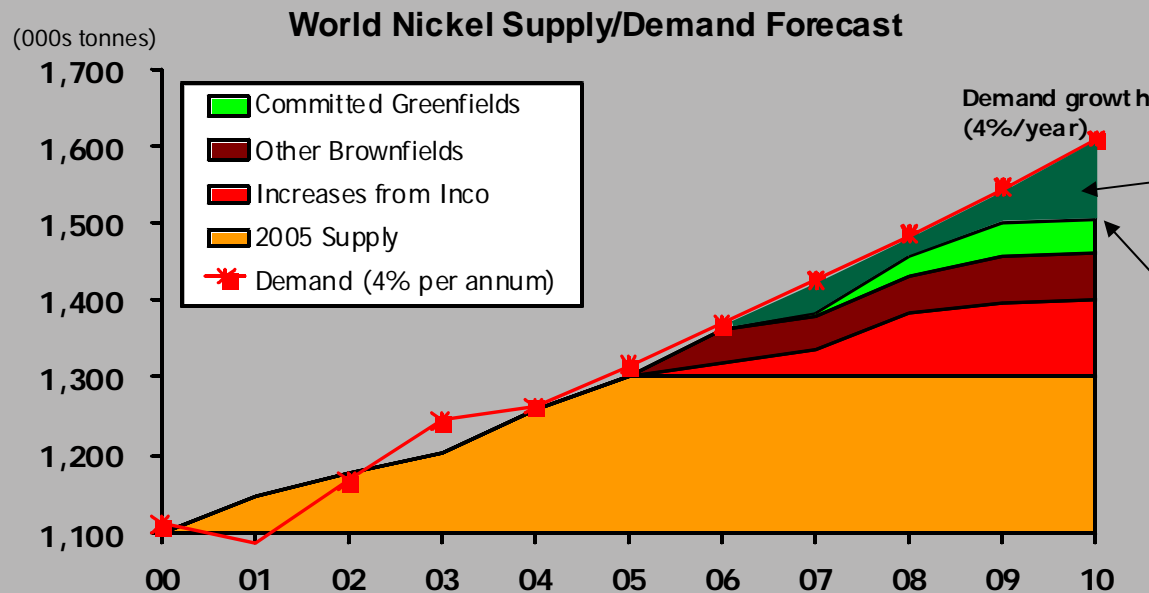
## **the Right Market**

- ◆ **Laterites have been validated – third generation Ravensthorpe and Goro**
- ◆ **Sulphide and laterite nickel projects similar operating costs**
- ◆ **Chronic shortage of “world class” nickel projects being developed**
- ◆ **Persistent supply deficits likely, need new KNP each year**

# the Right Market

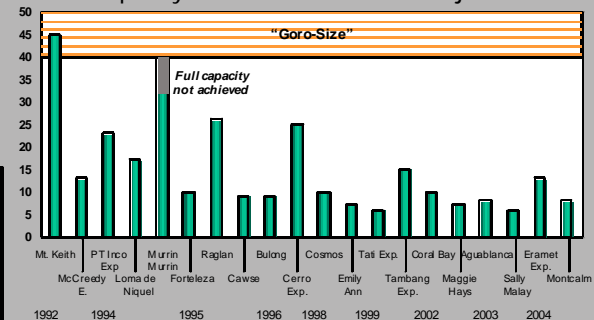
Source: Inco Limited

World production of nickel will increase during the later part of the decade, but additional projects will be required to keep pace with the historic nickel demand growth rates



Unrealized expectations of Australian laterites in the late 90s led to only two "Goro-size" projects being developed in the last 12 years

Production Capacity of Announced Nickel Projects 1992-2004

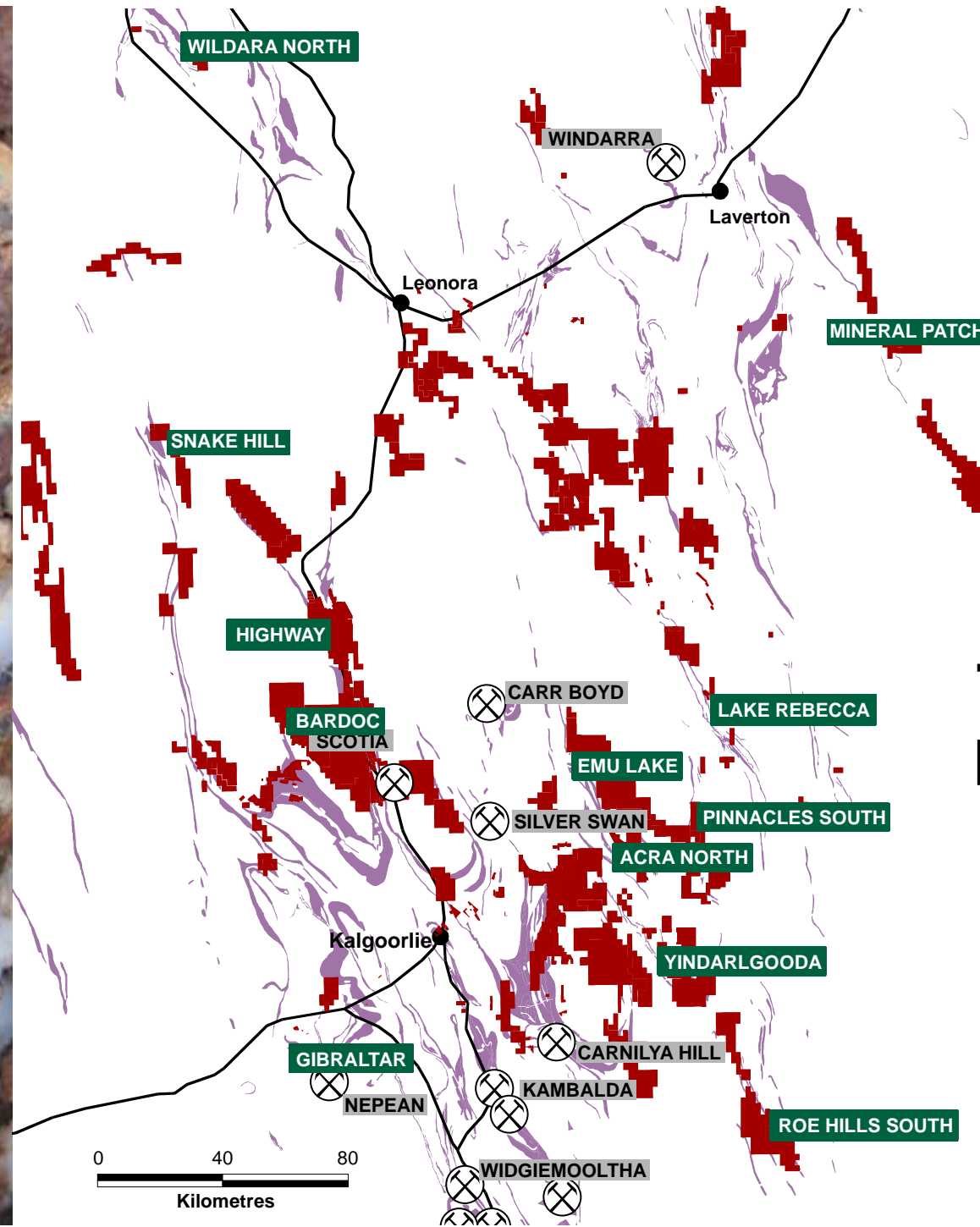


Persistent Deficits Filled by projects such as KNP



## **Heron & Inco WA Nickel Sulphide JV**

- ◆ **Explore Heron's ultramafic holding**
- ◆ **Inco will:**
  - **Fund 100% of all exploration costs until an agreed Discovery is made**
  - **Sole fund at least US\$0.5m in 1st year of JV**
  - **Keeps Heron land holding in good standing**
- ◆ **On Discovery, JV on development area**
  - **Similar terms to the Laterite Joint Venture**



Yilgarn ultramafics

Nickel sulphide mines

Major faults

**KALPINI** Heron Nickel Sulphide Prospect

Heron tenements

# Tenements and Nickel Sulphide Targets



# Investment Case

## ◆ Heron now offers investors:

**Strong  
shareholder  
returns**

**Milestone driven upside,  
associated with development  
of world class nickel project**

**Ability to invest  
alongside major  
industry players  
Inco & BHPB**

**Ni Sulphide  
exploration  
“blue sky”**

**Strong  
shareholder  
returns**

**Exposure to  
strong long term  
nickel market**

**Fully funded  
path towards  
40% interest in  
long-life 50,000  
tpa Ni operation**



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