



**Heron Resources** Limited

# 2020 AGM CEO PRESENTATION



TIM DOBSON

24 NOVEMBER 2020

# WOODLAWN C&M DECISION: 24 MARCH 2020

*COVID-19 timing coincided with incomplete ramp up and negative cash flow*

## Ramp up incomplete

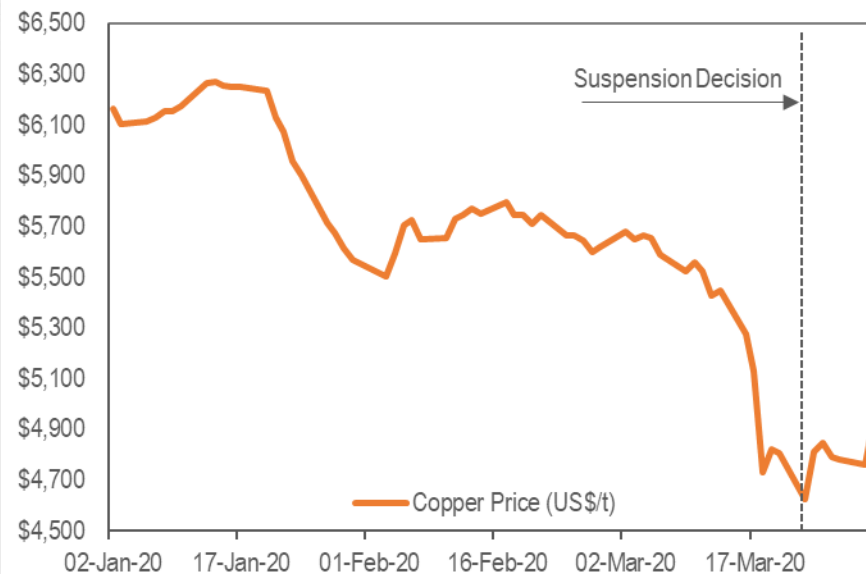
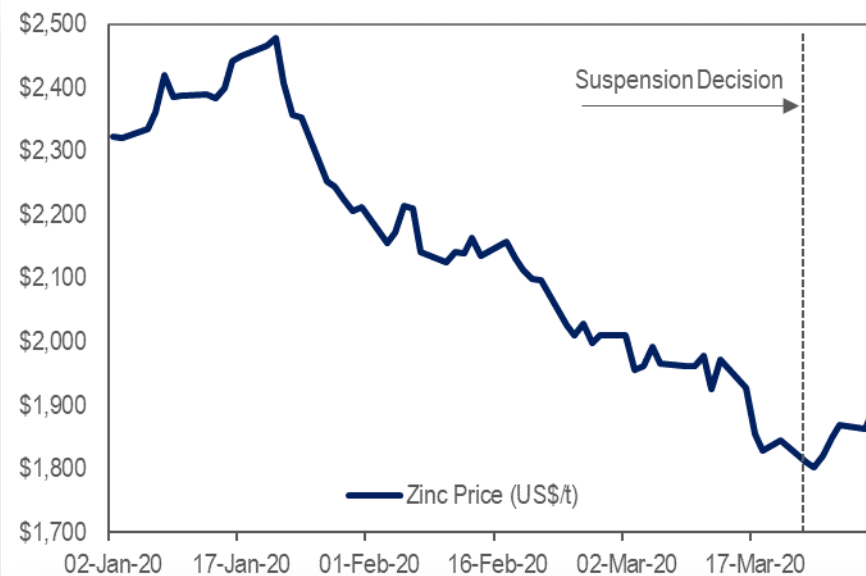
- ▶ Underground Mine production was improving but remained below target
- ▶ Process Plant stability affected by equipment reliability & severe weather
- ▶ Metal recoveries were improving but had not yet reached target
- ▶ Concentrate quality had not yet met specification, decreasing revenues

## COVID-19 impacts

- ▶ Zn & Cu prices plummeted in Feb/March as COVID-19 emerged globally
- ▶ Critical support personnel returned home as state borders closed

## C&M decision

- ▶ Woodlawn not yet cash flow positive
- ▶ Cash position trending towards debt facility event of default
- ▶ Unable to support ramp up with expert personnel
- ▶ Further COVID-19 restrictions and price impacts unknown



# WOODLAWN SUSPENSION OF OPERATIONS

*Orderly shutdown; underground mine within days of accessing high-grade ore*

## Underground Mine

- ▶ Development ceased within 25 m of high-grade Kate Lens

## Tailings Reclaim

- ▶ Reclaiming ceased in Tailings Dam South (first of 3)

## Process Plant

- ▶ Vessels & equipment emptied and flushed

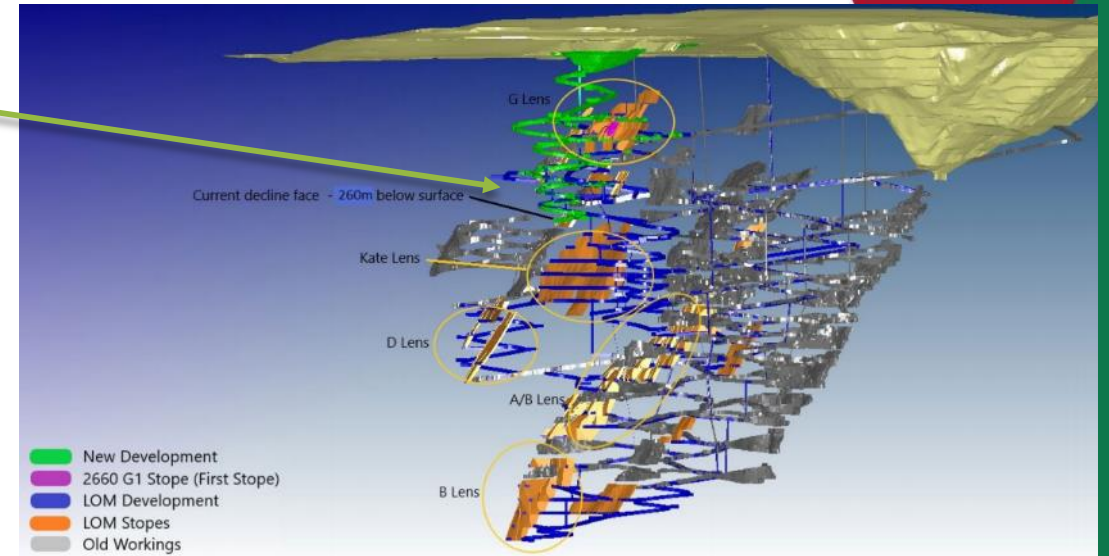
## Employees

- ▶ All Woodlawn employees laid off except small C&M team
- ▶ Corporate office reduced to 3 employees

## Commercial

- ▶ All contractors demobilised
- ▶ Underground mining contract terminated
- ▶ Consumables contracts terminated
- ▶ All creditors in agreed forbearance or paid up to date

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# WOODLAWN CARE & MAINTENANCE

*Site being maintained in good standing for efficient restart*

## Objectives

- ▶ Preserve remaining cash
- ▶ Maintain site facilities for efficient re-start

## Compliance

- ▶ HSE and risk management policies maintained on site
- ▶ Regulatory reporting obligations continued
- ▶ 24/7 site security in place

## Underground Mine

- ▶ Decline ventilation and dewatering maintained
- ▶ Regular inspection to base of new development

## Process Plant

- ▶ Equipment preventative maintenance routines in place
- ▶ Surface water management maintained



# WOODLAWN RESTART PLAN

*Circa. A\$56 million cash required for successful re-start*

## Re-start period: 8 months from green light

- ▶ Implement identified improvement capital projects
- ▶ Employ operational workforce ~120 employees
- ▶ Re-tender and mobilise underground mining contractor
- ▶ Reinstate commercial supply contracts

## A\$15M capital works to de-risk operations

- ▶ Execute improvement projects identified by operational reviews:
- ▶ Mine: UG infrastructure installation; grade control & probe drilling
- ▶ Plant: Tailings reclaim, crushing, flotation and water balance improvements

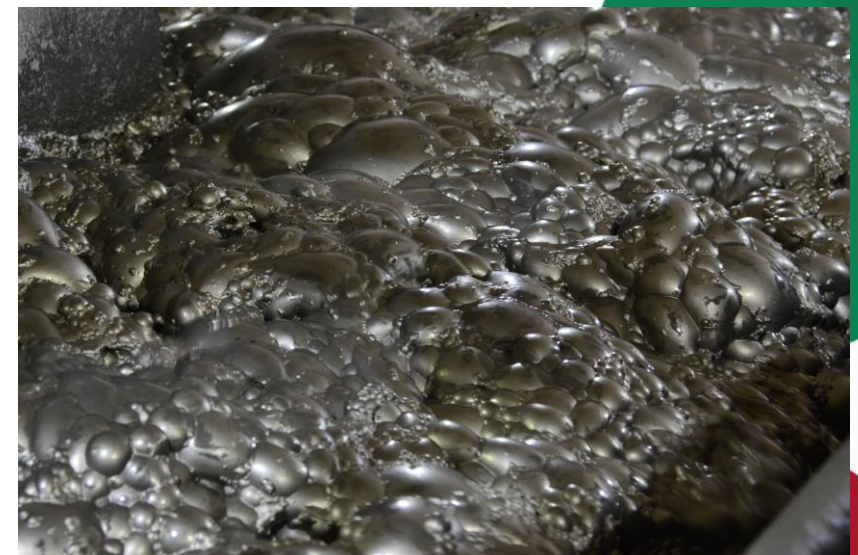
## \$16M operating expenditure during re-start period

- ▶ Recruit, relocate, and pay new workforce
- ▶ Remobilise contractors
- ▶ Re-establish supply chain contracts and consumable inventories

## A\$25M additional working capital required

- ▶ Support ramp-up once restarted through to positive cash flow

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# STRATEGIC PROCESS ANNOUNCED 14 AUGUST 2020

*Improvement studies completing; market engagement commenced*

## **Strategic Process**

- ▶ Exploring all options for Woodlawn: re-financing, joint ventures, partial or complete divestment
- ▶ Azure Partners (corporate advisors) appointed; market engagement commenced
- ▶ Market conditions have improved: base metals prices increasing; Australian borders re-opening; NSW mining M&A activity increasing

## **Forbearance agreements in place with major creditors to August 2021**

- ▶ Senior secured creditors (Orion Mine Finance, Nomad Royalty Company)
- ▶ Convertible note holders (Castlelake, Greenstone, Orion Mine Finance)
- ▶ Major trade creditors (4 of)

## **C&M budget funding in place to August 2021**

- ▶ Augmented by A\$3.5M loan from Castlelake with forbearance until August 2021

## **Improvement studies nearing completion**

- ▶ Mine: Old workings re-entry plan; mine design optimisation
- ▶ Process: Flow sheet optimisation test work and engineering; water balance optimisation



# SUMMARY HIGHLIGHTS

*Woodlawn: remains a compelling opportunity with solid upside potential*

1. **Great location:** mining friendly jurisdiction, surrounded by supportive infrastructure
2. **Strong community support** and all regulatory approvals in place
3. **Brand new mine and process plant;** access to high-grade UG ore within weeks of restart
4. **Improvement projects** defined to de-risk remaining technical issues
5. **Strong exploration potential** to expand mine life beyond current 9 years

