



Heron Award A\$107M EPC Contract at Woodlawn

- Heron executes a A\$107M guaranteed maximum price EPC contract with Sedgman for a 1.5 million tonne per annum mineral processing plant and associated infrastructure at Woodlawn
- This major milestone positions Heron to commence construction and development immediately following completion of project financing

Heron Resources Limited (ASX:HRR TSX:HER, “Heron” or the “Company”) is pleased to advise that it has awarded an Engineering, Procurement and Construction (EPC) contract for its wholly-owned Woodlawn Project to Sedgman, a member of the CIMIC Group (Sedgman). The EPC contract follows a front-end engineering design (FEED) program that commenced in October 2016 after the completion of the Woodlawn Project Feasibility Study. The scope of the EPC contract is for a 1.5 million tonne per annum mineral processing plant to enable the processing of both underground and tailings ore to produce zinc, copper and lead concentrates. The design also includes a paste backfill plant and supporting infrastructure at the project site, located near Tarago, 250km southwest of Sydney, New South Wales, Australia.

The EPC contract is in the form of a guaranteed maximum price (GMP) of A\$107 million with cost under-run and performance incentives to support an early completion and under budget result.

Heron Resources Managing Director and CEO, Mr Wayne Taylor, said:

“This contract award follows the successful undertaking of a FEED program that included a value engineering approach incorporating significant improvements on the earlier feasibility study work. The nature of the contract, which includes guaranteed maximum price and performance incentives, aligning Sedgman and Heron in delivering an under-budget and early result. We are very pleased to be working with Sedgman as they have demonstrated their ability to provide a superior solution with technical and commercial advantages, having already delivered a reduction in projected capital expenditure. The execution of this contract represents another important milestone in Heron’s progress to become an important Australian zinc producer.”



Figure 1: 3D view of the Woodlawn process plant



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Full project engineering is approximately 20% complete (to March) and onsite work is scheduled to commence immediately following the completion of project financing. More than 250 personnel will be employed on the construction project at its peak, with acceptance testing (production) scheduled for late 2018.

Work by Sedgman in the lead-up to entering this contract has enabled the Company to reduce the estimated plant and infrastructure capital cost at Woodlawn by A\$8.7 million. Further project refinement by Heron has resulted in bringing forward the timing of the initial underground development thereby improving project economics and reviewing contingencies that are in addition to those provided for and capped in the EPC contract. This brings the revised initial capital estimate to A\$151.6 million, which includes A\$105.8 million of plant and infrastructure, A\$13.2 million of underground mine establishment costs, A\$20.2 million of engineering and owners' costs and A\$12.4 million of contingency.

Sedgman is a wholly owned subsidiary of CIMIC Group Limited and is based in Brisbane with design offices in Perth and Vancouver. Sedgman has completed numerous EPC and GMP projects and first worked on the Woodlawn Project in 2007 through the completion of an earlier detailed project study.

The process treatment facility will be delivered in stages that aligns with mine development. The facility will commence with the tailings reprocessing and will switch over to underground processing when ore is available. Infrastructure to support the project includes an administration complex with offices, change rooms, car parking, workshops, laboratory, water treatment, infrastructure and power supply.

The Woodlawn Project Feasibility Study delivered ore reserves of 2.8 million tonnes at 14% ZnEq¹ (5.5% Zn, 1.6% Cu, 1.9% Pb, 0.45g/t Au and 42 g/t Ag) from underground and 9.5 million tonnes at 6% ZnEq (2.2% Zn, 0.5% Cu, 1.3% Pb, 0.31g/t Au and 31 g/t Ag) from reclaim tailings ore. The Company is continuing to progress the project including the recently announced program targeting the resource expansion at the shallow G2 Lens position along with confirmatory drilling of the initial decline route, and shallow mine excavation drilling to assist with backfilling.

The Company has also continued to advance project financing negotiations and documentation with debt and equity providers. These discussions are now well advanced and the Company expects that the financing process will be completed in the current quarter. Whilst the EPC is still subject to project financing, the execution of the contract represents one of the key pre-financing activities. Heron looks forward to working with Sedgman to bring Woodlawn into production.

About Heron Resources Limited:

Heron's primary focus is the development of its 100% owned, high grade Woodlawn Zinc-Copper Project located 250km southwest of Sydney, New South Wales, Australia.

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¹ ZnEq % used in this release refers to the calculated Zn equivalent grade based on the Zn, Cu, Pb, Au and Ag grades. The zinc equivalent ZnEq calculation takes into account, mining costs, milling costs, recoveries, payability (including transport and refining charges) and metal prices in generating a Zinc equivalent value for Au, Ag, Cu, Pb and Zn. $ZnEq = Zn\% + Cu\% * 3.12 + Pb\% * 0.81 + Au\text{ g/t} * 0.86 + Ag\text{ g/t} * 0.03$.



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