



Heron Resources Limited

ASX Release

14 August 2020

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Woodlawn Mine Strategic Process

- Woodlawn Mine strategic process to be conducted with long-term standstill from secured lenders and major unsecured creditors
 - Azure Capital appointed to assist Company to maximise the inherent value at Woodlawn for all stakeholders
 - Care and maintenance funding secured from funds managed by Castlake, one of Heron's major shareholders
 - Optimisation studies and key work programs commenced targeting value-add opportunities
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Heron Resources Limited (ASX:HRR "Heron" or the "Company") announced on 25 March 2020 that it had suspended operations at Woodlawn, an event of default under the Company's senior secured debt facility and silver stream facility ("Senior Facilities") with Orion Mine Finance ("Orion"), and that it sought and received waivers of this default event from Orion until 23 April 2020. Heron further announced extensions to the waivers on 23 April 2020, 15 May 2020, 26 June 2020, and 17 July 2020 with the latter extension current until 31 July 2020. In May 2020, the Nomad Royalty Company Limited acquired the secured silver stream from Orion.

Strategic Process

Heron is today announcing the commencement of a strategic process in relation to its Woodlawn Zinc-Copper Project ("Woodlawn") and the appointment of Azure Capital ("Azure") as financial advisers to that process ("Strategic Process"). Azure will, in conjunction with the Board and a Strategic Process committee, have a broad mandate to explore various options for Woodlawn including refinancing, joint ventures, and partial or complete divestment.

In support of the Strategic Process, the Company has received a further twelve month extension of the Senior Facilities waivers until 13 August 2021, subject to certain conditions including the Company continuing the Strategic Process and implementing the recommendations of the Strategic Process committee. Heron has also agreed parallel forbearance with its major unsecured creditors.

Woodlawn will remain on Care and Maintenance (C&M) until such time as the Strategic Process terminates or as otherwise agreed between Heron and its stakeholders.

Heron believes there is significant inherent value in Woodlawn and the primary objective of the Strategic Process will be to maximise value for all stakeholders. The Company will provide updates as appropriate and notes that the Strategic Process will not necessarily result in any transaction.

Commenting on the Strategic Process, Heron CEO, Mr Tim Dobson said *"It has been a challenging time for Heron since taking the difficult, but right decision to suspend operations at Woodlawn in March this year, and we acknowledge the patience and support of our creditors during this period. It is pleasing that Heron's key stakeholders have agreed to provide a clear runway and financial support to execute the Strategic Process over the next 12 months"*



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C&M funding

In support of the Strategic Process, funds managed by Castlake, L.P. have agreed to provide a new secured debt facility that will be subordinated to the Company's Senior Facilities ("C&M Loan"). The amount to be provided under the C&M Loan is A\$3.5 million and will be funded in a single tranche at closing. The terms of the C&M Loan are consistent with market terms for a loan of this nature, with a variable interest rate at a minimum of 15% per annum maturing on the earlier of 12 months after execution of the C&M Loan and the end of the Strategic Process. Repayment will be from any proceeds from the Strategic Process. Heron also has unrestricted cash reserves of A\$9.7 million as at 31 July 2020 (unaudited).

The C&M Loan, together with existing cash reserves, are expected to provide the Company with sufficient working capital for the duration of the Strategic Process. In accordance with the terms of the C&M Loan, the Company has sought and received an ASX waiver from Listing Rule 10.1 to permit the security provided under the C&M Loan to be perfected without the need for shareholder approval, on the conditions set out in Annexure A.

In accordance with the conditions of the waiver, the Company notes that:

- the instruments supporting the security for the C&M Loan contains the terms required by subparagraph (c) of the waiver in Annexure A; and
- the Company sought to enter into the C&M Loan with Castlake as the Company's financial position required a source of funding to be provided in a short time frame, and it needed to procure funding in a manner that would not have the potential to frustrate the Strategic Process and forbearance from its Senior Facilities. The Board considered that C&M Loan, which was negotiated and approved by its creditors as part of the overall implementation of the Strategic Process, to be fair and reasonable to the Company's shareholders. The Company is also satisfied that the C&M Loan was negotiated on arm's length terms, with both parties having separate financial and legal advisers.

Optimisation studies / programs

In conjunction with the C&M program, the Company is undertaking studies and engineering programs aimed at optimising technical issues that were identified during Woodlawn's commissioning and ramp-up period in 2019 and the first quarter of 2020. These studies and programs will include optimisation of mine design and scheduling, flotation circuit operation and water usage and balancing.

This announcement has been authorised by the Board of Heron Resources Limited.

-ENDS-

About Heron Resources Limited (ASX:HRR)

Heron Resources Limited is engaged in the exploration and development of base and precious metal deposits in Australia. Heron's primary focus is on its 100% owned, high grade Woodlawn Zinc-Copper Project located 250km southwest of Sydney, New South Wales, Australia.

For further information visit www.heronresources.com.au or contact:

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**ANNEXURE A
CONDITIONS OF ASX WAIVER**

The waiver granted by ASX from Listing Rule 10.1 to the extent necessary to grant security over its assets to Castllake in respect of the C&M Loan is conditional on:

- (a) the material terms of the transaction and of the waiver are announced to the market;
- (b) the announcement includes a description of the reasons why Company has chosen to enter into the C&M Loan, rather than a lender that is not a party to which ASX Listing Rule 10.1 applies and the steps the board of the Company has taken to satisfy itself that the C&M Loan is being entered into on arm's length terms and is fair and reasonable from the perspective of the holders of the Company's ordinary securities;
- (c) the instruments supporting the security contain the following terms:
 - (i) it is limited to the funds due under the C&M Loan;
 - (ii) the security will be discharged when the funds advanced under the C&M Loan are repaid in full;
 - (iii) if an event of default occurs and the security is exercised, the assets can only be disposed of to Castllake or its associates if the disposal is first approved by the Company's shareholders under Listing Rule 10.1; and
 - (iv) otherwise, if Castllake exercises, or appoints a receiver, receiver or manager (or analogous person) exercising its power of sale under the security, the assets must be sold to an unrelated third party on arm's length commercial terms and conditions and the net proceeds of the sale distributed to the Castllake in accordance with their legal entitlements;
- (d) any variation to the terms of the C&M Loan and security which:
 - (i) advantages the Lender in a material respect;
 - (ii) disadvantages the Company in a material respect; or
 - (iii) is inconsistent with the terms of the waiver,must be subject to shareholder approval; and
- (e) for each year while they remain on foot, a summary of the material terms of the C+M Loan and the security is included in the related party disclosures in the Company's annual accounts.