



# Heron Resources Limited

## ASX/TSX Release

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## Heron's MD Interview on Woodlawn Financing

**Heron Resources Limited** ("Heron" or the "Company")(ASX:HRR TSX:HER) is pleased to advise that a Financial News Network interview with Heron's Managing Director, Mr Wayne Taylor, covering the recent Woodlawn Project financing package is now available on the Heron website. The interview can be accessed at [www.heronresources.com.au](http://www.heronresources.com.au)

### Highlights:

- Heron secures complete A\$240 million funding package<sup>1</sup> for development of its Woodlawn Zinc-Copper Project
- Heron to be fully funded through construction and ramp-up at Woodlawn
- US\$60<sup>2</sup> million senior secured loan facility, US\$16 million silver stream prepayment and A\$29 million<sup>3</sup> equity investment from Orion Mine Finance
- A\$32 million raised from new and existing investors in oversubscribed placement
- Up to A\$5 million Share Purchase Plan to allow eligible existing retail shareholder participation
- Transaction is subject to various conditions precedent including Heron shareholder approval and Castllake FIRB approval
- Heron's Independent Directors unanimously recommend shareholders vote in favour of all resolutions at a planned General Meeting on 17 August 2017
- Heron to commence construction works immediately with first production targeted during late 2018

### Finance News Network interview:

**Jessica Amir:** Hello I'm Jessica Amir for the Finance News Network. Joining me from Heron Resources Limited (ASX:HRR/TSX:HER) is Managing Director and CEO, Wayne Taylor. Wayne welcome to Finance News Network.

**Wayne Taylor:** Thank you Jessica.

**Jessica Amir:** First up Wayne, can you give us an introduction to Heron Resources?

**Wayne Taylor:** Heron is a resource company with a project, the Woodlawn project, which is zinc-copper located in New South Wales. The project, high-grade polymetallic project principal commodities are zinc-copper, but also appreciable lead, silver and gold. Current market cap's around \$32 million.

**Jessica Amir:** You're seeking a shareholder approval for a \$240 million funding package. What does it contain?

**Wayne Taylor:** It contains both debt and equity. In the debt we have two components, a \$USD60 million senior secured loan and a \$USD16 million silver pre-payment. On the equity side we have cornerstone investments to the tune of \$AUD104 million, a private placement to the tune of \$AUD31 million and a \$5 million share purchase plan.

**Jessica Amir:** What does the proposed funding package mean for the project and existing shareholders?

<sup>1</sup> Assumes full take-up of the A\$5 million SPP and exchange rate of AUD/USD 0.76

<sup>2</sup> Plus interest capitalised during a 15 month period from first drawdown

<sup>3</sup> Assumes exchange rate of AUD/USD 0.76



**Wayne Taylor:** The proposed funding package provides us with full project funding, through construction, through commissioning and through into full production. So this is realising a goal that we've set out for ourselves three years ago, when we merged with TriAusMin Limited (ASX:TRO/TSX:TOR). So the shareholders are seeing us bring to fruition what was outlined some years ago.

**Jessica Amir:** And you've already got some private equity providers. So who's supporting the project?

**Wayne Taylor:** We have three, Greenstone who's currently our largest shareholder. Between Greenstone and their partners, they'll be contributing around \$42 million. We have Orion Mine Finance with their debt, silver and equity components, contributing about \$130 million. And then we have Castlake, a more diverse fund and they'll be contributing around \$33 million.

**Jessica Amir:** And of course, what's the Board recommending?

**Wayne Taylor:** The Board is recommending that all shareholders support all resolutions, to give effect to the funding package and allow us to start construction immediately.

**Jessica Amir:** Now to the Woodlawn project in a little bit more detail. Can you tell us about the timeline, the resource and the economics?

**Wayne Taylor:** Woodlawn is a project that consists of two production sources. We have the high-grade underground, around 6.5 million tonnes in resources, which through our conversion process, produces about 2.8 million tonnes of reserves. It is what we consider a starter case on the underground, given that all we've done is outlined enough to get the project financed, at this point in time. The other production source is the tailings. We have 11 million tonnes in resources there, around about six per cent zinc equivalent, about 9.5 million tonnes reports to reserves. That will be processed through a single process plant to produce zinc, lead and copper concentrates with some precious metal credits.

In terms of the economics, we've produced a feasibility study around 12 months ago. That generated 9.3-year mine life on reserves only, over \$400 million in post-tax free cash and an IRR post-tax of 32 per cent. A cost base, which should see us in the lower half of the producer cost curve. From a revenue perspective, around 52 per cent of our revenue from zinc, 23 from copper, 15 from lead and around 10 from the precious metals. Looking at the timeline, we expect to be into production at the tail end of 2018/early 2019, which is a good time in terms of delivery of zinc into the marketplace at the moment.

**Jessica Amir:** A more general question now Wayne. Can you tell us about your outlook for copper and zinc prices and what type of interest you've had from offtake partners, say commodity traders?

**Wayne Taylor:** Zinc is the strongest in terms of supply demand fundamentals in the base metal complex. There is a shortage of supply at the moment and that's been driven by a lack of investment in zinc mines, for quite a number of years. And for that reason with consumption growing, we've got a gap and that is drawing on stocks, and giving good support to the price. We do expect that to continue for the short to medium term and that's a part of the market that we want to go and enjoy being in.

Copper, probably not quite as strong fundamentally at the moment, but in the medium to long-term it's still looking very, very good, driven by everything that's electric. And we see that being a good space to be involved in, as Woodlawn progresses. Offtake, we've signed up an agreement with Louis Dreyfus Metals Company after a very competitive process, with quite a number of off takers. And it just showed that there is a shortage of material. The terms we've got are very attractive and we're very pleased with that result.

**Jessica Amir:** Last question now Wayne. What's your goal for the next 12 months and what's your long-term ambition for the company?

**Wayne Taylor:** Our objectives for the next 12 months are very clear. We've got the construction of Woodlawn to see through and get that into production. Beyond that we have a great portfolio of projects or tenements around Woodlawn, where we can see some more organic growth coming from. And once we've got Woodlawn bedded down, well then we're quite happy to look beyond that. Probably of note, we cleaned up our project portfolio earlier this year, through the spinout of our non-



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Woodlawn assets into Ardea Resources Limited (ASX:ARL), which became an IPO listing in February, so we were able to return, through an in species distribution, shares to our shareholders. That means that we're now able to fully focus our time and effort on Woodlawn.

**Jessica Amir:** Wayne Taylor, thanks so much for the update and good luck with the funding proposal.

**Wayne Taylor:** Thank you Jessica.

**ENDS**

For further information regarding Heron please visit [www.heronresources.com.au](http://www.heronresources.com.au) or contact:

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**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.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

*This report contains forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws, which are based on expectations, estimates and projections as of the date of this report. This forward-looking information includes, or may be based upon, without limitation, estimates, forecasts and statements as to management's expectations with respect to, among other things, the timing and amount of funding required to execute the Company's exploration, development and business plans, capital and exploration expenditures, the effect on the Company of any changes to existing legislation or policy, government regulation of mining operations, the length of time required to obtain permits, certifications and approvals, the success of exploration, development and mining activities, the geology of the Company's properties, environmental risks, the availability of labour, the focus of the Company in the future, demand and market outlook for precious metals and the prices thereof, progress in development of mineral properties, the Company's ability to raise funding privately or on a public market in the future, the Company's future growth, results of operations, performance, and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend", "may" and similar expressions have been used to identify such forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the information is given, and on information available to management at such time. Forward-looking information involves significant risks, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors, including, but not limited to, fluctuations in currency markets, fluctuations in commodity prices, the ability of the Company to access sufficient capital on favourable terms or at all, changes in national and local government legislation, taxation, controls, regulations, political or economic developments in Canada, Australia or other countries in which the Company does business or may carry on business in the future, operational or technical difficulties in connection with exploration or development activities, employee relations, the speculative nature of mineral exploration and development, obtaining necessary licenses and permits, diminishing quantities and grades of mineral reserves, contests over title to properties, especially title to undeveloped properties, the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drill results and other geological data, environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding, limitations of insurance coverage and the possibility of project cost overruns or unanticipated costs and expenses, and should be considered carefully. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Prospective investors should not place undue reliance on any forward-looking information. Although the forward-looking information contained in this report is based upon what management believes, or believed at the time, to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with such forward-looking information, as there may be other*



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