



Heron Resources Limited

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Sedgman Progress Claim Rejected and Heron Claims Liquidated Damages

Heron Resources Limited (“Heron” or “the Company”) advises that following an assessment of the progress claim submitted on 1 February 2019 by Sedgman Pty Ltd (“Sedgman”), a wholly owned CIMIC Group Limited company, for additional costs of \$49.9M, the Contract Superintendent has – with the exception of some minor agreed contract works totalling \$223,057 – rejected the Sedgman progress claim.

The progress claim received from Sedgman included purported actual additional costs of c. \$22M and forecast costs of c. \$28M to the end of March 2019 over and above the Guaranteed Maximum Price (GMP) agreed under the contract. Sedgman is attempting to circumvent the GMP through the submission of a list of 22 alleged variations claiming for unsubstantiated costs. The Contract Superintendent has determined that the majority of the variations either have no merit, or are time barred under the EPC Contract, and in some cases refer to events that predate the parties entering into the EPC Contract. The contract works agreed by the Contract Superintendent since the previous progress claim total \$223,057 and were requested by Heron during the construction phase.

Integrity of Guaranteed Maximum Price contracts must be preserved

As previously advised, Heron entered this GMP style EPC contract to provide development cost certainty as well as providing an incentive for Sedgman to share in any cost savings that might be generated by efficient work practices, effective project management and timely execution of the works. Heron supports the Contract Superintendent’s determination to reject the claim as it believes it to be a gross departure from the intent of a GMP contract. To validate such a claim would set an undesirable precedent that would have an ongoing impact on an industry that relies – as Heron has done in this instance – on this style of contract to provide a high level of financial certainty for stakeholders on the capital costs associated with project development.

Heron will now claim liquidated damages from Sedgman

In assessing Sedgman’s Progress Claim, delay liquidated damages (LDs) have been applied as a result of the later than planned completion of the processing facility. With the inclusion of the delay LDs the assessed payment schedule finds Sedgman owing Heron and the Company will seek payment in accordance with contract provisions. Heron continues to hold \$10.8M in bank guarantees from Sedgman.

Construction at the Woodlawn Project approaches completion

Heron’s Board, management and employees continue to focus on progressing development and commissioning activities at the Company’s Woodlawn Zinc-Copper Project as it prepares to meet its first quarter CY2019 start to production milestone. Plant construction at Woodlawn, to the end of January, was reported by Sedgman as 98% complete, and commissioning activities at 52%. The Company re-confirms that the lodgment of this claim has not influenced construction, commissioning or production activities.

“Commissioning of the Woodlawn Plant is well under way and all necessary processes are in place. Our people are ready to start moving ore through the facility. The plant is designed to the highest industry standards and using some of the best equipment available today. We are confident that it will perform very well”, said Mr. Wayne Taylor, Managing Director and CEO of Heron Resources.

Heron will continue to keep its shareholders and the market informed of further material developments.

About Heron Resources Limited:

Heron’s primary focus is on base and precious metal production in early 2019 from its 100% owned, high grade, Woodlawn Zinc-Copper Project located 250km southwest of Sydney, New South Wales, Australia. In addition, the Company holds a significant high quality, base and precious metal tenements regional to the Woodlawn Project.

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

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