



# Heron Resources Limited

## ASX Release

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### **Sedgman persists with claim for additional costs despite multiple contractual failures**

Heron Resources Limited (“Heron” or “The Company”) advises that after market-close on Friday 1 March, 2019 it received the next monthly Progress Claim from Sedgman Pty Ltd (“Sedgman”), a wholly owned CIMIC Group Limited company, claiming additional costs of A\$53M. This claim amount includes the \$49.9M claimed in the previous month that was rejected by the Contract Superintendent.

Sedgman’s claim remains above the agreed A\$109M Guaranteed Maximum Price (GMP) Engineer Procure & Construct (EPC) contract (“the Contract”) that forms the contractual basis for construction of the Woodlawn Project. The total claim now exceeds the agreed GMP by 49%.

As with the previous claim, the Contract Superintendent will now assess Sedgman’s latest claim within the next 10 business days. Heron remains of the view that the claim components that have already been assessed by the Contract Superintendent have no merit and does not expect any change in this view in the 10-day assessment period.

### **Sedgman’s claim and conduct inconsistent with contractual terms**

Since its previous ASX announcement on 18 February 2019, Heron has attempted to verify the extra costs claimed by Sedgman by seeking to invoke the right to undertake a cost audit. Sedgman has refused to allow Heron to complete this audit, contrary to the provisions of the Contract.

Notably, the current claim includes a forecast to complete estimate of \$25M for a project that was reported by Sedgman to Heron being as 98% complete at the end of January 2019. The claim for \$25M forecast extra costs is an extraordinary sum given the stage of project development Sedgman is reporting.

Heron entered into a GMP contract with Sedgman in order to provide a high level of financial certainty for the capital costs associated with the development of its Woodlawn Mine. In addition, the parties agreed to this style of contract as it provided 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.

The Contract Superintendent has now certified liquidated damages are payable by Sedgman to Heron as a consequence of the delay to the delivery schedule. Heron holds bank guarantees valued at \$10.8M and will continue to enforce its legal rights under the terms of the Contract. Heron confirms that it has made all payments which have been agreed and are due under the Contract.

### **Woodlawn Project commissioning is under way despite dispute with Sedgman**

Heron’s Board, management and employees continue to focus on progressing development and commissioning activities at the Company’s Woodlawn Zinc-Copper Project. 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 by Sedgman has not influenced construction, commissioning or production activities, and as reported to the ASX earlier today, wet commissioning of the process plant has commenced.

*“We are surprised and disappointed that Sedgman continue to pursue this claim contrary to the nature and legal terms of the GMP contract. While we have been able to start commissioning of the process plant, the delivery of Sedgman’s scope of work is behind the agreed schedule. Heron and its shareholders relied upon Sedgman as experts in their field to deliver the project on time and on budget. They have failed on both counts. The circumstances presented to us by Sedgman late in the project development process are a source of real frustration,”* said Mr. Wayne Taylor, Managing Director and CEO of Heron Resources.

#### **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](http://www.heronresources.com.au) or contact:**

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