



Woodlawn Project Update – Underground Mining Commences

- Pybar commences underground mining
- First tailings reclaim mining infrastructure installed
- Plant construction rate escalates
- Stage 1 grid power connected and energised
- Overall EPC completion 73% at end of August and on track for year-end commissioning
- Physical markets for zinc, copper and lead remain supportive

Heron Resources Limited (ASX:HRR “Heron” or the “Company”) is pleased to provide the following update on the Company’s wholly owned Woodlawn Zinc-Copper Project in New South Wales, Australia. Significant progress continues to be made at the site, and the commencement of underground activities by Pybar Mining Services (Pybar) marks a significant milestone in the project development schedule. Construction is progressing on track to commence commissioning by the end of the year. Commenting on the progress, Heron’s Managing Director, Mr Wayne Taylor said:

“It is very pleasing to see the start of underground activities at Woodlawn. Exploration over the last 4 years has defined a high-grade, high-quality Resource and Reserve position, and the access which has now commenced will enable us to deliver underground ore into the processing plant in 2019. Once underground, our geological team will focus on further expanding the known mineralised positions to build upon the excellent and cost-effective work they have undertaken to date. Elsewhere on site, I am pleased to report that good progress continues to be made with all aspects of the build, and that works remain on schedule for the commencement of commissioning by the end of the year.”

Underground Mining



Figure 1: The first portal development firing to access the high grade underground resource (23 September 2018).



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The Company entered into a 4-year underground mining contract with Pybar during February of this year. Pybar are now mobilised to site and have commenced mining activities including the ground support of the box cut walls and the first portal blast of the decline. Completion of this activity signifies the commencement of underground operations.

As previously reported, the recent receipt of the G2 Lens drilling results paves the way for the mine planning team to complete final adjustments to the decline route and the access design to this new found, shallow area of mineralisation which is expected to provide the initial underground production source.

Reclaimed Tailings Mining

At Tailings Dam South (TDS), an internal wall has been constructed and a storage dam created to provide a water source for hydraulic mining operations. Hydraulic mining equipment infrastructure is being installed adjacent to the dam and the mining of reclaimed material from TDS will provide the first ore for commissioning of the processing plant.



Figure 2: Hydraulic mining infrastructure – pump foundations and trash screen substrate (13 September 2018)

Engineering, Procurement & Construction

Sedgman continues to advance the EPC works at the main process and paste plant sites in accordance with the project timeline. Current activities are focused on equipment installation, piping and electrical wiring. Almost all major items of equipment have now been delivered to site. The project construction progress measures at the end of August were:

- **Overall Project (73% complete)**
- Earthworks (substantially completed)
- Equipment Purchase (98% complete)
- Concrete (substantially complete)
- Offsite Fabrication (92% complete)



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Figure 3: Aerial view of the plant site showing construction progress (7 September 2018)



Figure 4: All flotation units have been installed into the flotation building (6 September 2018)



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Figure 5: Secondary (cone) crusher electrical connections (13 September 2018)



Figure 6: IsaMill installation (15 August 2018)

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Figure 7: Fine ore bin construction completed (13 September 2018)

Supply & Service Contracts

The major supply and service contracts are all in place. Specialised concentrate “half-height” transport containers have been ordered for the zinc and copper concentrates, and major reagent and plant consumables supply contracts have been awarded with initial orders in place for commissioning requirements.



Figure 8: Reagents area MCC being craned into position (13 September 2018)

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Earthworks

Across the site the earthworks are substantially complete, with minor remediation works continuing to be closed out. Work is continuing on the lining of the ED2 evaporation dam in readiness to receive underground water.



Figure 9: Lining of evaporation dam – cell 3 (1 August 2018)

Production Readiness

Recruitment of operating personnel is continuing, with a rapid expansion in on site team numbers expected over the next few months as operational roles are filled. With mining now under way, the mining technical team is fully focused on supporting mining operations and continuing detailed production planning. The process and site services teams continue to focus on other elements of production readiness including plant commissioning, site services and logistics, stores and maintenance, and health, safety, environment and community.

The Company is actively seeking to recruit operating staff from the local area, and recently undertook the first Heron Careers Expo in the nearby town of Goulburn. There was strong interest from the community in job opportunities at Woodlawn, with around 100 people coming along to speak with the Heron team members in attendance.



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Figure 10: Goulburn Careers Expo (19 September 2018)

Commodity Market Outlook

Base metals prices have experienced an increased level of volatility and some significant price falls predominantly as result of the perceived risks associated with the escalating US-China trade war, but nevertheless remain significantly above those assumed in Heron's 2016 Feasibility Study.

Heron's view is that the pricing pull-back in zinc is not supported by the market supply-demand fundamentals, with global zinc stocks continuing to be drawn down to low levels, and the International Lead Zinc Study Group has reported that mine production in the first half of 2018 below the equivalent levels in 2017. The pull-back in pricing is, however, likely to reduce the probability of new zinc projects (especially those at the higher end of the cost curve) being financed in what was already a challenging market.

Heron considers that the long term outlook for zinc, copper and lead remains highly supportive for the Company's Woodlawn mine.

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 tenement holding regional to the Woodlawn Project.

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

Australia:

Mr Wayne Taylor
Managing Director and Chief Executive Officer
Tel: +61 2 9119 8111 or +61 8 6500 9200
Email: heron@heeronresources.com.au



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