



Heron Resources Limited

Offer Investor Presentation

Galvanising Heron's future at Woodlawn

30 June 2017

TSX:HER

ASX:HRR

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Compliance Statement (JORC 2012 and NI 43-101)

This presentation incorporates by reference the complete ASX announcement relating to the Feasibility Study results which were released to the market on 29 June 2016 and is entitled "Heron Resources delivers robust Feasibility Study for Woodlawn Project" ("FS Announcement"). The FS Announcement is available from the Company's website at www.heronresources.com.au or from the ASX or SEDAR, and contains the JORC Table 1 relating to the Mineral Resources and Ore Reserves as well as the detailed technical and financial assumptions which underpin the FS results. These detail assumptions are included in the 'Technical Report (NI 43-101) Feasibility Study for the Woodlawn Project' as released on SEDAR 25 July 2016.

The technical information in this release relating to the exploration results and forward program at the Woodlawn Project is based on information compiled by Mr David von Perger, who is a Member of the Australian Institute of Mining and Metallurgy (Chartered Professional – Geology). Mr von Perger is a full time employee of Heron Resources Limited and has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 edition) and "qualified person" as this term is defined in Canadian National Instrument 43-101 ("NI 43-101"). Mr von Perger has reviewed and approved the technical information this presentation.

The **zinc equivalent ZnEq calculation** takes into account, mining costs, milling costs, recoveries, payability (including transport and refining charges) and metal prices in generating a Zinc equivalent value for each block grade for Au, Ag, Cu, Pb and Zn. $ZnEq = Zn\% + Cu\% * 3.12 + Pb\% * 0.81 + Au \text{ g/t} * 0.86 + Ag \text{ g/t} * 0.03$
Metal prices used in the calculation are: Zn US\$2,300/t, Pb US\$ 2,050/t, Cu US\$6,600/t, Au US\$1,250/oz and Ag US\$18/oz. It is Heron's view that all the metals within this formula are expected to be recovered and sold.

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

Heron to be fully funded through construction and ramp-up at Woodlawn

- Overall package of ~A\$240 million⁽¹⁾ means Heron will be fully funded to complete development of its 100% owned Woodlawn Zinc-Copper Project in NSW, Australia (“**Woodlawn Project**”)
- Heron intends to commence construction works immediately with first production targeted end 2018 / early 2019
- All major project approvals and contracts in place (mining lease, EPC, offtake, environmental, Veolia co-operation agreement)
- Recent shallow exploration success in G2 lens continues to expand the mineralised footprint of the underground

Equity Funding

- Oversubscribed conditional placement to sophisticated and professional investors to raise A\$31.8 million (“**Placement**”)
- Three high quality cornerstone PE investors contributing ~A\$103⁽¹⁾ million in equity – Greenstone Resources (“**Greenstone**”), Castlelake L.P. (“**Castlelake**”) and Orion Mine Finance (“**Orion**”)
- Security Purchase Plan (“**SPP**”) to raise up to a maximum of A\$5 million (the Placement and SPP together, the “**Offer**”)

Debt Funding

- Orion to provide US\$60 million⁽²⁾ senior secured loan facility (“**Loan**”) and US\$16 million silver stream prepayment (“**Stream**”)
- Highly commercial and experienced lender offering low financial covenant package with major CPs already satisfied

1) Based on an exchange rate of 0.76 AUDUSD

2) Plus interest capitalised during a 15 month period from first drawdown

EQUITY FUNDING DETAILS



EQUITY INVESTMENT STRUCTURE

- ~A\$103 million⁽¹⁾ Cornerstone investment via two tranches
 - Tranche 1 under the Company's LR7.1 and LR7.1A 25% capacity – cornerstone participation only
 - Tranche 2 – as part of and on the same terms as the Placement
- All equity investments, including A\$32 million Placement and A\$5 million SPP to be at the same price of A\$0.07 / CAN\$0.07 per share
- Greenstone, Orion and Castlelake board positions post-transaction and to provide support through construction and production
- Unanimous board support and intention to vote in favour of all resolutions

Cornerstone Equity and The Offer ⁽²⁾	Current ownership	Tranche 1		Tranche 2 – Conditional		Total investment		Proforma Ownership ⁽⁵⁾	
Participation	Shares (#m)	Shares (#m)	A\$m	Shares (#m)	A\$m	Shares (#m)	A\$m	Shares (#m)	%
Greenstone ^(1,3)	54	30	2	368	26	398	28	453	18.7%
Greenstone LPs ⁽¹⁾	-	-	-	203	14	203	14	203	8.4%
Castlelake ^(1,4)	-	46	3	421	29	467	33	467	19.3%
Orion ^(1,3)	-	28	2	380	27	408	29	408	16.9%
Placement – Institutional investors	-	-	-	454	32	454	32	454	18.8%
Sub-total	54	104	7	1,826	128	1,930	135	1,984	82.1%
Existing shareholders (excl. Greenstone)	361	-	-	-	-	-	-	361	14.9%
SPP	-	-	-	-	-	71	5	71	3.0%
Totals	415	104	7	1,826	128	2,417	140	2,417	100.0%

1) Based on an exchange rate of 0.76 AUDUSD

2) Total amounts may be subject to rounding

3) Greenstone and Orion tranche 1 funds will be held on escrow, with funds to be released and shares settled upon Greenstone's / Orion's election, or automatically upon Completion of tranche 2 (i.e. shareholder approval)

4) Castlelake tranche 1 funds to settle within ~5 days of announcement of the transaction

5) Assumes full take-up of A\$5 million SPP

PLACEMENT AND SPP OVERVIEW

Placement to raise A\$32 million

Placement Size & Structure	<ul style="list-style-type: none">• Placement of ~454 million new ordinary shares ("New Shares") to sophisticated and professional investors to raise A\$31.8 million• Placement is subject to approval by Heron's shareholders at General Meeting to be held on or around Thursday, 10 August 2017• Eligible investors can elect to subscribe for ASX or TSX listed New Shares
Pricing	<ul style="list-style-type: none">• Fixed price of A\$0.07 (ASX New Shares) and C\$0.07⁽¹⁾ (TSX New Shares) per New Share ("Placement Price"), which represents⁽³⁾:<ul style="list-style-type: none">ASX discounts:<ul style="list-style-type: none">- 17.6% discount to the last closing price of A\$0.085- 14.6% discount to the 5 day VWAP of A\$0.082- 14.3% discount to the 10 day VWAP of A\$0.082TSX discounts:<ul style="list-style-type: none">- 12.5% discount to the last closing price of C\$0.080- 18.5% discount to the 5 day VWAP of C\$0.086- 23.8% discount to the 10 day VWAP of C\$0.092
SPP	<ul style="list-style-type: none">• SPP at the same price as the Placement Price offering of up to A\$15,000 per eligible Heron shareholder who has a registered address in Australia or New Zealand on the Record Date of Thursday, 29 June 2017• Overall cap of A\$5 million• Heron reserves the right (at its absolute discretion) to scale-back the maximum participation amount per shareholder• An SPP offer booklet will be mailed to eligible shareholders on or around Wednesday, 12 July 2017 and released on the ASX
Syndicate	<ul style="list-style-type: none">• Euroz Securities limited ("Euroz") is Global Co-ordinator, Lead Manager and Sole Bookrunner to the Placement• Paradigm Capital Inc. ("Paradigm") and Numis Securities Limited ("Numis") are Co-Lead Managers to the Placement

1) Currency converted at an AUD:CAD exchange rate of 1.00 as at 26 June 2017; all proceeds in AUD dollars are assumed at this rate

2) Last traded price of HRR ordinary shares on the ASX & TSX on 26 June 2017 and 23 June 2017 respectively

3) Volume weighted average trading prices based on period of days Heron was able to be traded on the TSX and ASX, as applicable

THE CORNERSTONE INVESTORS



- Founded in 2013, Greenstone Resources is a private equity fund specialising in the mining and metals sector whose approach to investing is to develop a collaborative relationship with management and leverage its own in-house skill, expertise and global network to add value to projects (as well as capital)



Equity-only investment of ~A\$42 million⁽¹⁾
(including co-investment LPs)



- The Orion Mine Finance Group is a mining-focused investment business with approximately US\$3.04 billion⁽²⁾ under management who specialise in providing flexible capital investment solutions to mining companies in the base and precious metals sector



Structured funding package comprising equity, senior debt & stream components to ~A\$129 million⁽¹⁾



- Founded in 2005, Castlelake is a global private investment firm that currently manages more than US\$10.3 billion⁽²⁾ in assets on behalf of more than 125 endowments, foundations, public and private pension plans, private funds, family offices, insurance companies and sovereign wealth funds



Equity-only investment of ~A\$33 million⁽¹⁾

1) Based on an exchange rate of 0.76 AUDUSD
2) As of 31 March 2017

ORION DEBT & STREAM FUNDING

- US\$60⁽¹⁾ million Loan (senior secured)
- Maturity date 31 December 2022
 - Interest rate of 7.25% per annum plus the greater of 3 month USD LIBOR and 2.5%
 - Early repayment of the Loan may occur at any time without penalty following a 12-month period from last drawdown
- US\$16 million stream over silver by-product (~7% of revenue) at agreed percentages, paid for at 20% of market price:
 - 80% of silver until the delivery of 2.15 million ounces; then
 - 40% of silver until the delivery of 3.40 million ounces; then
 - 25% of silver for remaining life of mine
- Stream security subordinate to the Loan, released following agreed repayment amount (approximately in line with Loan)⁽²⁾
- Heron able to participate in any future sales process that Orion commences over the Stream
- No mandatory hedging, discretionary hedging permitted
- Commercial funding package with minimal financial covenants
- All due diligence requirements have been completed with major conditions precedent satisfied, with only typical conditions precedent required to be satisfied prior to first draw down, which is anticipated to occur early 2018

1) Plus interest capitalised during a 15 month period from first drawdown

2) Following release of security, a second ranking mining mortgage over SML20 will remain as long as the stream is in place

SOURCES AND USES OF FUNDS

Heron will be fully funded to develop the Woodlawn Project

Sources ⁽¹⁾	A\$m
Cornerstone equity and Placement ^(2,4)	135
SPP ⁽³⁾	5
Stream deposit ^(4,5)	21
Loan facility ^(4,5)	86
Cash on hand (31 May 2017) ⁽⁶⁾	14
Total Sources	261

Uses ⁽¹⁾	A\$m
Construction and development of the Woodlawn Project ⁽⁷⁾ :	
Pre-production capex	156
Post-production capex	23
Reserve accounts / overruns	33
Interest during construction	7
Environmental bond and bank guarantees	8
Working capital	6
Sub-total	232
Financing and Offer Costs	7
Corporate:	
Corporate office	15
Woodlawn land purchase	2
Woodlawn regional exploration (non-SML20)	5
Total Uses	261

- 1) Total amounts may be subject to rounding
- 2) Gross proceeds from A\$32 million Placement (excluding raising costs) and A\$104 million cornerstone participation
- 3) Assumes full take-up of A\$5 million SPP
- 4) Based on an exchange rate of 0.76 AUDUSD
- 5) See slide 10 for additional details on the Loan and Stream; includes ~A\$7m in capitalised interest during construction
- 6) Unaudited internal accounts as at 31 May 2017
- 7) See slide 17 for further breakdown on capital costs of development

INDICATIVE EQUITY RAISING TIMETABLE

Placement and Cornerstone Investment Events	Time / Date ⁽¹⁾
ASX & TSX Trading Halt	Monday, 26 June 2017 (after ASX market close)
T1 shares settle	Tuesday, 4 July 2017
Notice of Meeting materials (including IER) despatched to shareholders	Mid July
General Meeting to approve Placement	Mid August
Settlement of New Shares issued under the Placement	Late August / Early September

SPP Events	Time / Date ⁽¹⁾
Opening date of SPP	Mid July
Closing date of SPP	Early August
Allotment date of SPP Shares	Late August / Early September

1) This timetable is indicative only and is subject to change by Heron without notice

HERON OVERVIEW



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Heron Resources is focused on the near term development of the high grade Woodlawn Zinc-Copper Project



CAPITAL STRUCTURE

Dual listing:	ASX: HRR TSX:HER
Shares:	415 million
Options:	23.5 million
Share Price:	A\$0.085
Market Cap:	A\$35 million
Cash:	
(31 May 2017)	A\$13.5 million
Investments:	A\$1.5 million*



BOARD

Chairman
Stephen Dennis

MD & CEO
Wayne Taylor

Non-Executive Director
Borden Putnam III

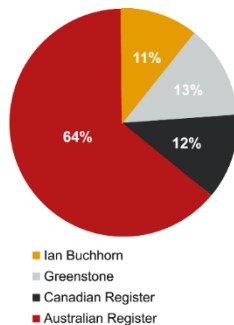
Non-Executive Director
Fiona Robertson

Non-Executive Director
Mark Sawyer

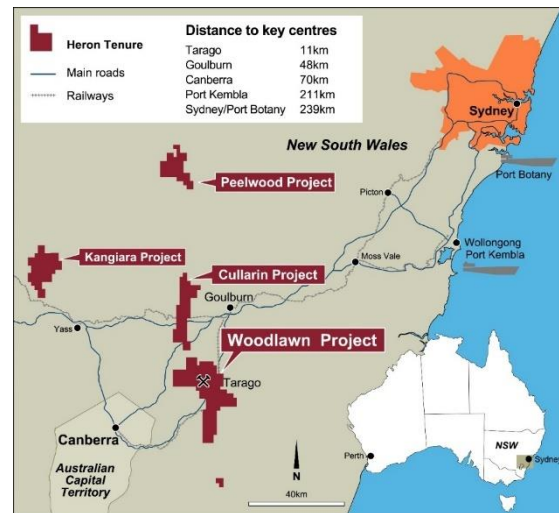
Supported by strong and experienced management team



SHARE REGISTER



PROJECT PORTFOLIO



* Excludes 10 million 25c ARL options

HERON INVESTMENT PROPOSITION

TSX: HER ASX:HRR

ZINC STRENGTH

- Leading base metal performer
- Fundamentals for continued price strength
- Important by-products – copper, lead, silver, gold

WOODLAWN ZINC-COPPER PROJECT

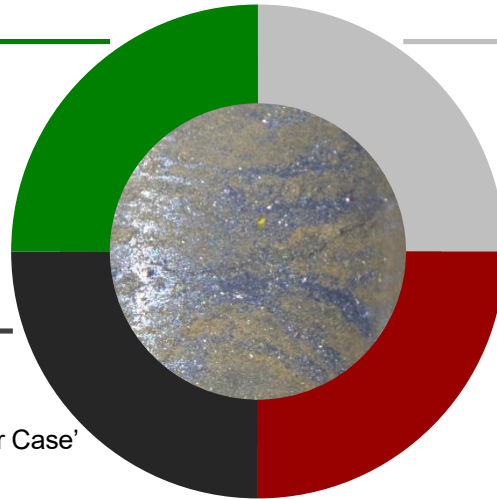
- High grade / low risk / long life asset
- Feasibility Study – delivered compelling ‘Starter Case’
- Short lead time to production:
 - Site preparatory works in progress
 - Imminent construction start – 20 months to production
 - All approvals received and minimal CPs remaining on debt
- Demonstrated mine life and discovery upside
- Favourable jurisdiction supported by excellent infrastructure

EXCLUSIVE WOODLAWN FOCUS

- Reduced asset portfolio gives 100% focus on bringing Woodlawn into production
- Strong potential already shown in shallow target drilling, with satellite deposit still to be exploited

WELL FUNDED

- A\$14 million cash (31 May 2017)
- A\$1.5 million in listed investments*
- Debt package agreed with strong cornerstone support for a market raising



* Excludes 10 million 25c ARL options

MAJOR MILESTONES ALREADY ACHIEVED



PERMITS & APPROVALS

- Mining Lease – SML 20
- NSW State development approval
- Environmental approval received – EPA Licence (EPL)



AGREEMENTS & MANAGEMENT PLANS

- Veolia Co-operation Agreement in place
- Construction management plans approved by DPE
- Internal Project Execution Plan completed



EPC & EARTHWORKS (SUBJECT TO FINANCING)

- Sedgman – A\$107M Guaranteed Maximum Price EPC
- Front End Engineering Design continued with Sedgman
- Ertech – A\$12M earthworks contract



EARLY OPERATIONS

- Open shallow positions (G2 Lens)
- New high grade intercepts adjacent to existing access
- Underground dewatering commenced



OFFTAKE

- Louis Dreyfus Metals
- First 3.5 years of production across all concentrates
- Very strong commercial terms



FINANCING

- Debt package agreed
- Strong cornerstone support for a market raising

WOODLAWN DEVELOPMENT COSTS AND SCHEDULE

	A\$m	Months	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Pre-Production Capital Estimate								
Underground Development and Rehabilitation	5	Earthworks	█					
Resource Upgrade Drilling	1	Civil Works		█				
Mining Services	8	SMP works			█			
Paste Plant	7	Mine Development			█			
Treatment Plant and Services	88	First Production						★
Earthworks and Roads	8							
Construction and Engineering	12							
Tailings Storage (TSF4)	5							
Commissioning, First Fills, Other	3							
Owners Costs and Pre-Operating Costs	8							
Contingency	12							
Total Pre-Production Capital Estimate	156							
Post-Production Capital Estimate								
Underground Development and Rehabilitation	14							
Resource Upgrade Drilling	1							
Mining Services	5							
TSF4 First Lift	2							
Contingency	2							
Total Post-Production Capital Estimate	23							



KEY INFRASTRUCTURE AND PERSONNEL IN PLACE



ACCESS

- Heavy haulage rated, sealed road – 350m from plant site
- Rail access 6km east



WATER

- Existing bore field 6km southwest
- Pump and pipe installation in place



POWER

- NSW State grid substation – 350m from plant site
- Renewable power options available



PORT

- 211km to dedicated concentrate berth at Port Kembla
- 239km to Australia's second largest container berth – Port Botany



PEOPLE & COMMUNITY

- Labour source - >400,000 people within driving distance
- Strong local support for project development

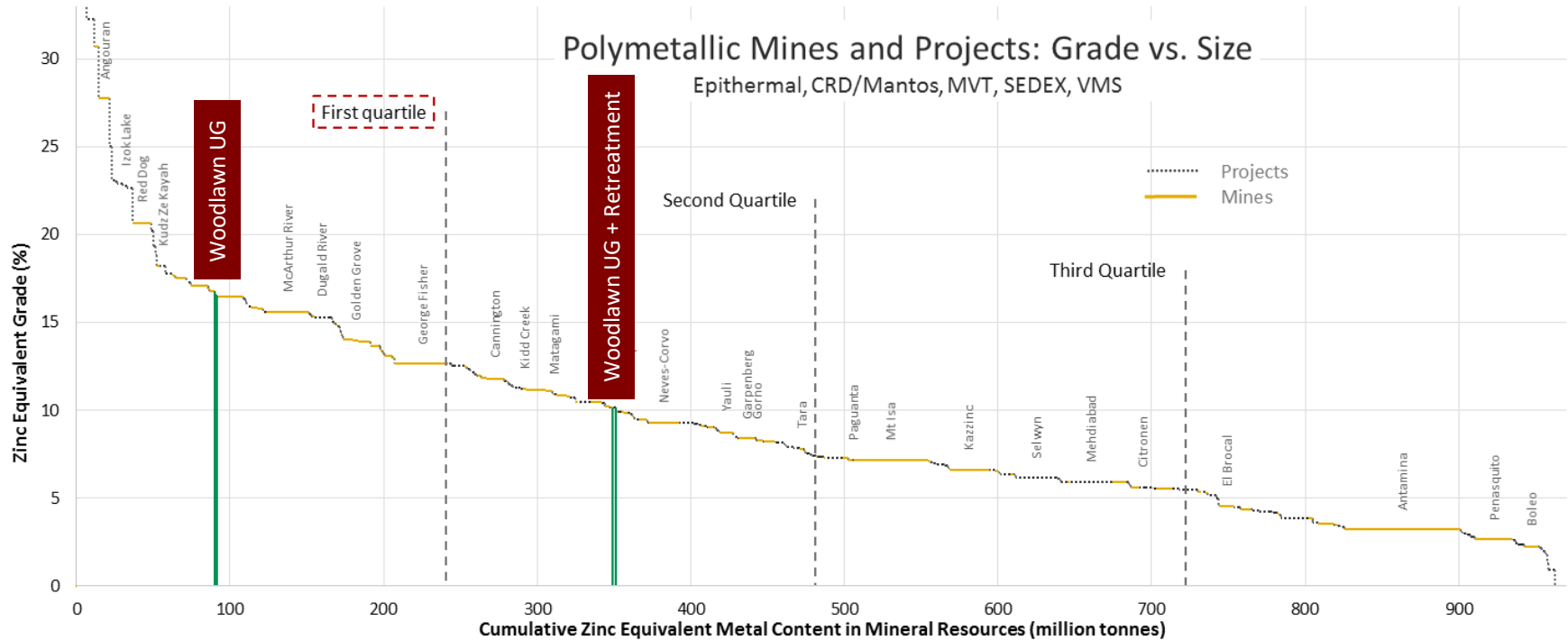


HIGH CALIBRE TEAM

- General Manager & Process Manager recruited
- Exceptional metallurgical/construction experience base (COO+GM+PM) + 100yrs
- Includes previous Woodlawn operating knowledge

WOODLAWN A HIGH GRADE DEPOSIT

A compelling peer comparison



Notes: Polymetallic deposits containing at least 100,000 t of zinc metal, all deposit types except porphyry and deposit where zinc is non significant compared to other metals. Zinc equivalent grades and metal contents calculated using the following metal prices: copper \$2.20/lb, gold \$1,300/oz, lead \$0.80/lb, silver \$20/oz and zinc \$0.90/lb . Source: SNL Metals & Mining, Terra Studio.

WOODLAWN FEASIBILITY STUDY

June 2016 – Robust project economics – A Reserves only (“starter”) case

Underground Mineral Reserves - 2.8Mt

Polymetallic: 1.8Mt @ 16% ZnEq (8.1% Zn, 1.2% Cu, 2.9% Pb, 0.56g/t Au, 57g/t Ag)
 Copper: 1.0 Mt @ 9% ZnEq (0.6% Zn, 2.4% Cu, 0.1% Pb, 0.23g/t Au, 14g/t Ag)
 TOTAL: 2.8Mt @ 14% ZnEq (5.5% Zn, 1.6% Cu, 1.9% Pb, 0.45g/t Au, 42g/t Ag)

Reclaimed Tailings Mineral Reserves - 9.5Mt

9.5Mt @ 6% ZnEq (2.2% Zn, 0.5% Cu, 1.3% Pb, 0.31g/t Au, 31g/t Ag)



Steady State Production

Zinc 40,000 tpa
 Copper 10,000 tpa
 Lead 12,000 tpa

Mine Life

9.3 Years

Post Tax NPV *

A\$207M

Post Tax IRR

32%

Payback

2.3 Years

Net Cashflow Post Tax

A\$402M

Peak Cash Requirement

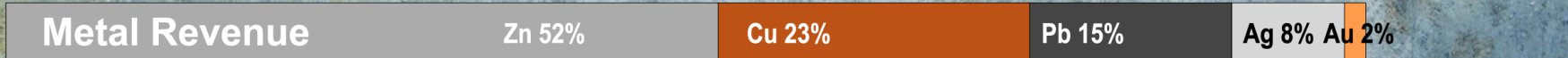
A\$163M

C1 **

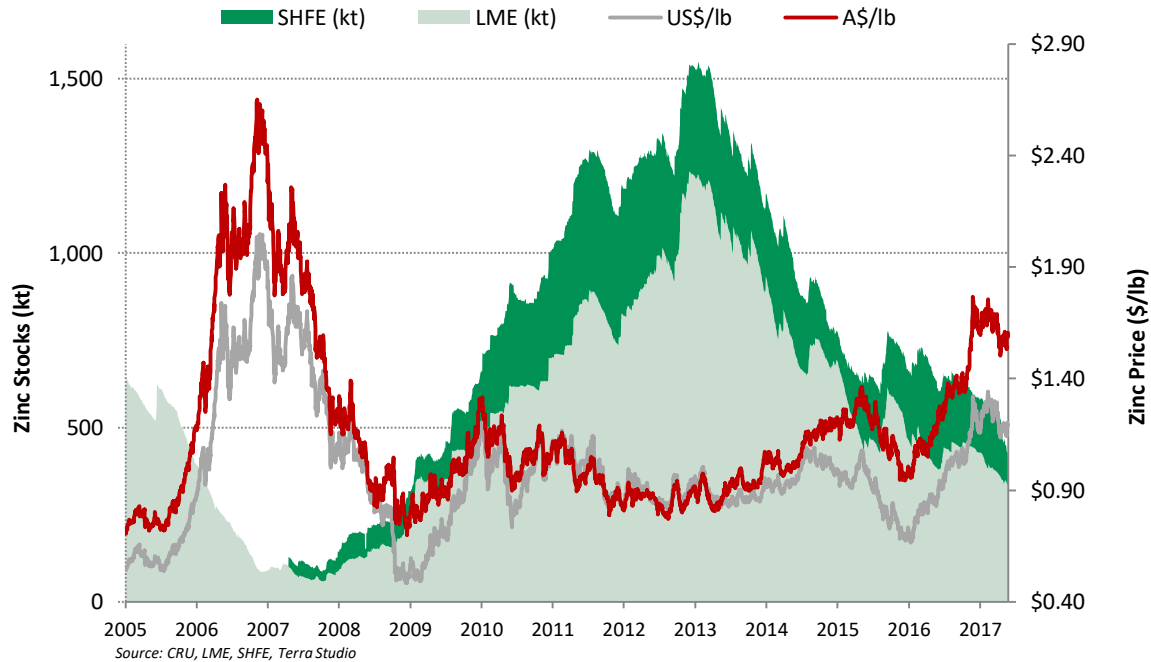
-US\$0.06/lb

C3 **

US\$0.34/lb



ZINC MARKET

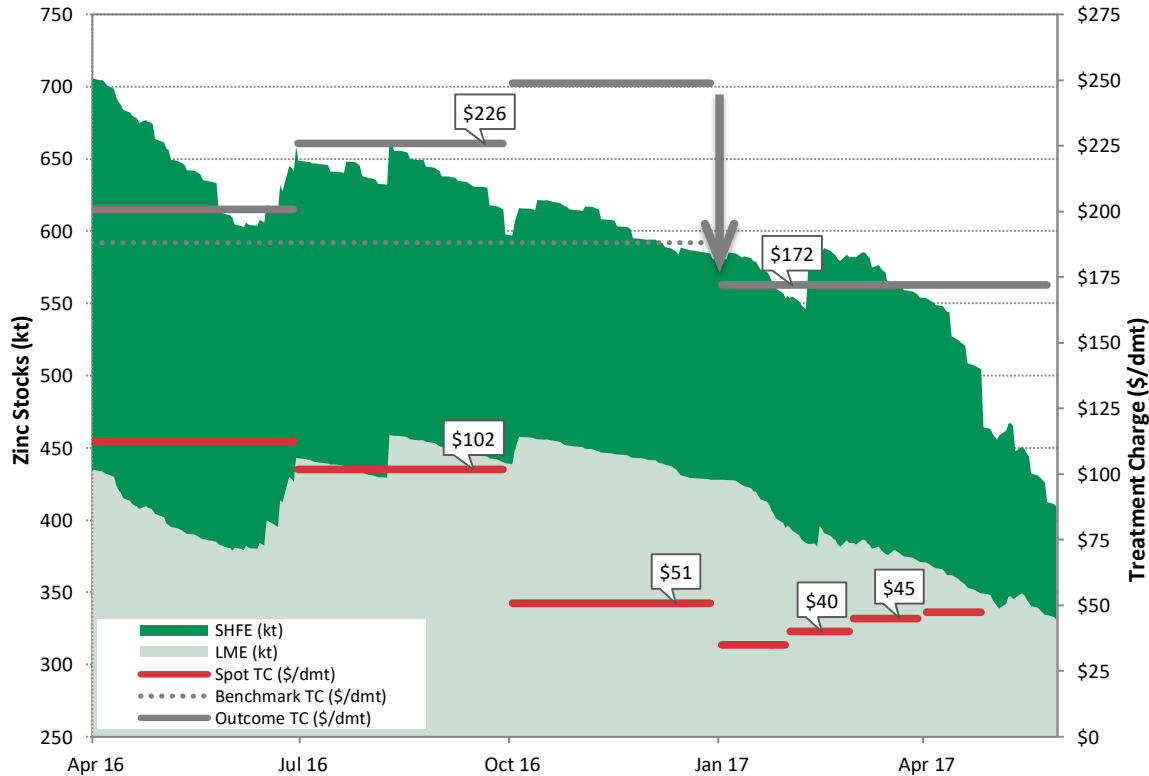


- Market fundamentals:
 - Supply < Consumption
 - Stocks have insulated from a physical metal shortage to date
 - Projections are for a continued draw on remaining stocks
- Forecasters tipping strong price activity when stocks reach 10 day consumption level – currently at 13.3 days¹

Forecast remains for a continued tightening in the physical market that will support zinc prices

¹ Scotiabank 1 June 2017

ZINC MARKET SUPPLY SHORTAGE



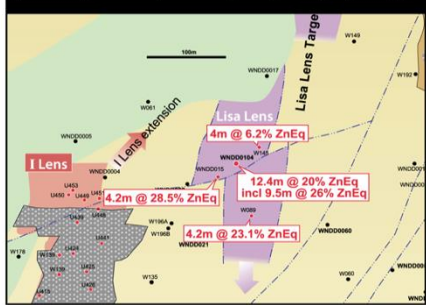
- Low TC spot terms and lower reset of the annual Benchmark TC - strong indicators that the front end of the supply chain continues to struggle for material
- Structural shift in 2017 Benchmark TC with removal of escalators:
 - Q4 2016 \$249/dmt (realised with escalators)
 - 2017 \$172/dmt (no escalators)
- Recent rapid draw on SHFE zinc stocks (-51% '17 YTD)
- Steady draw on LME zinc stocks (-23% '17 YTD)

REINFORCES PHYSICAL TIGHTENING OF AVAILABLE ZINC METAL

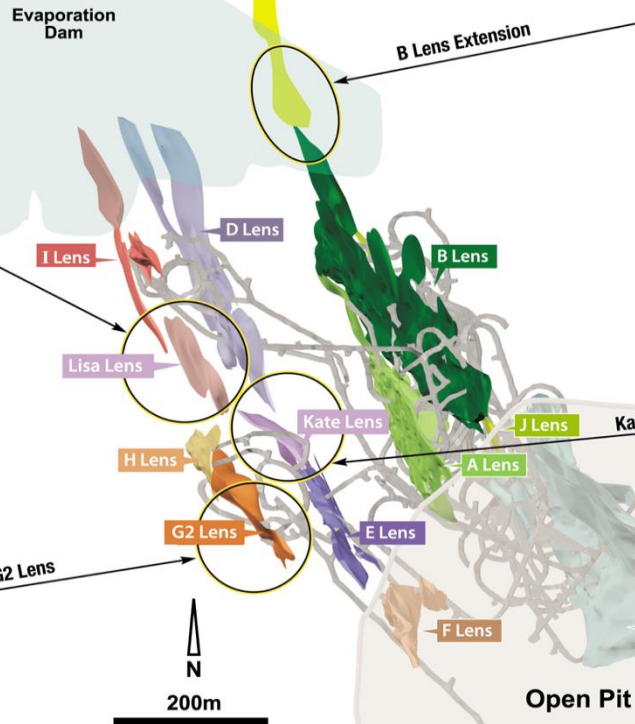
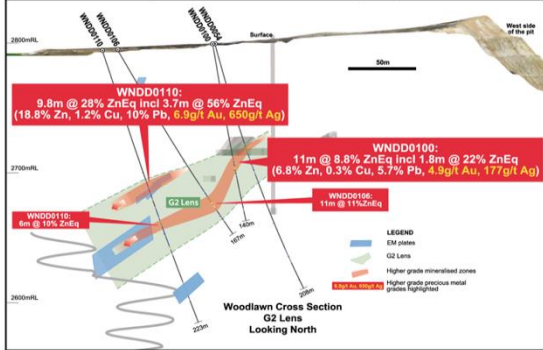
WOODLAWN NEW DISCOVERIES

Kate, Lisa, B North & G2 Lenses

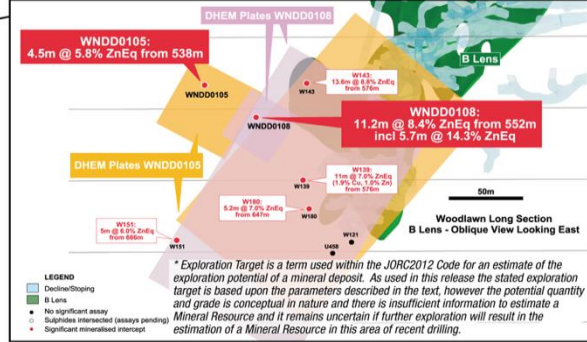
Lisa Lens: 90kt @ 14% ZnEq (Inferred Mineral Resource)
 (5.4% Zn, 1.9% Cu, 1.5% Pb, 0.59g/t Au, 17g/t Ag)



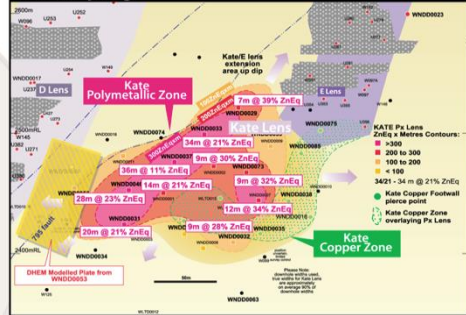
G2 Lens: 49kt @ 10% ZnEq (Inferred Mineral Resource)
 (5.4% Zn, 0.3% Cu, 3.1% Pb, 0.46g/t Au, 34g/t Ag) - potential to add additional high value reserves for first year production



B Lens Extension: 0.6 – 1.1Mt @ 7-14% ZnEq (Exploration Target*)

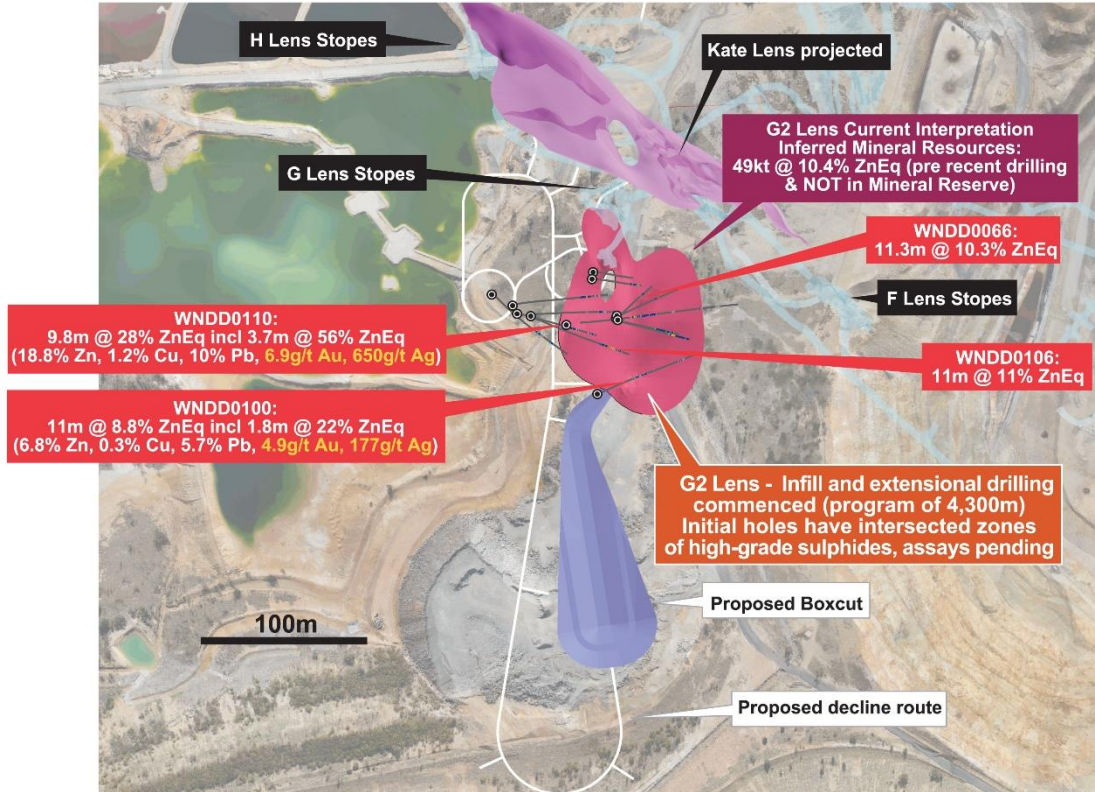


Kate Lens: 0.99Mt @ 18% ZnEq (Total Mineral Resource)
 (6.2% Zn, 2.3% Cu, 2.0% Pb, 1.0g/t Au, 55g/t Ag)
 + potential for significant additions to the north & down-plunge



WOODLAWN EXPLORATION

The Shallow G2 Lens – Drilling NOW

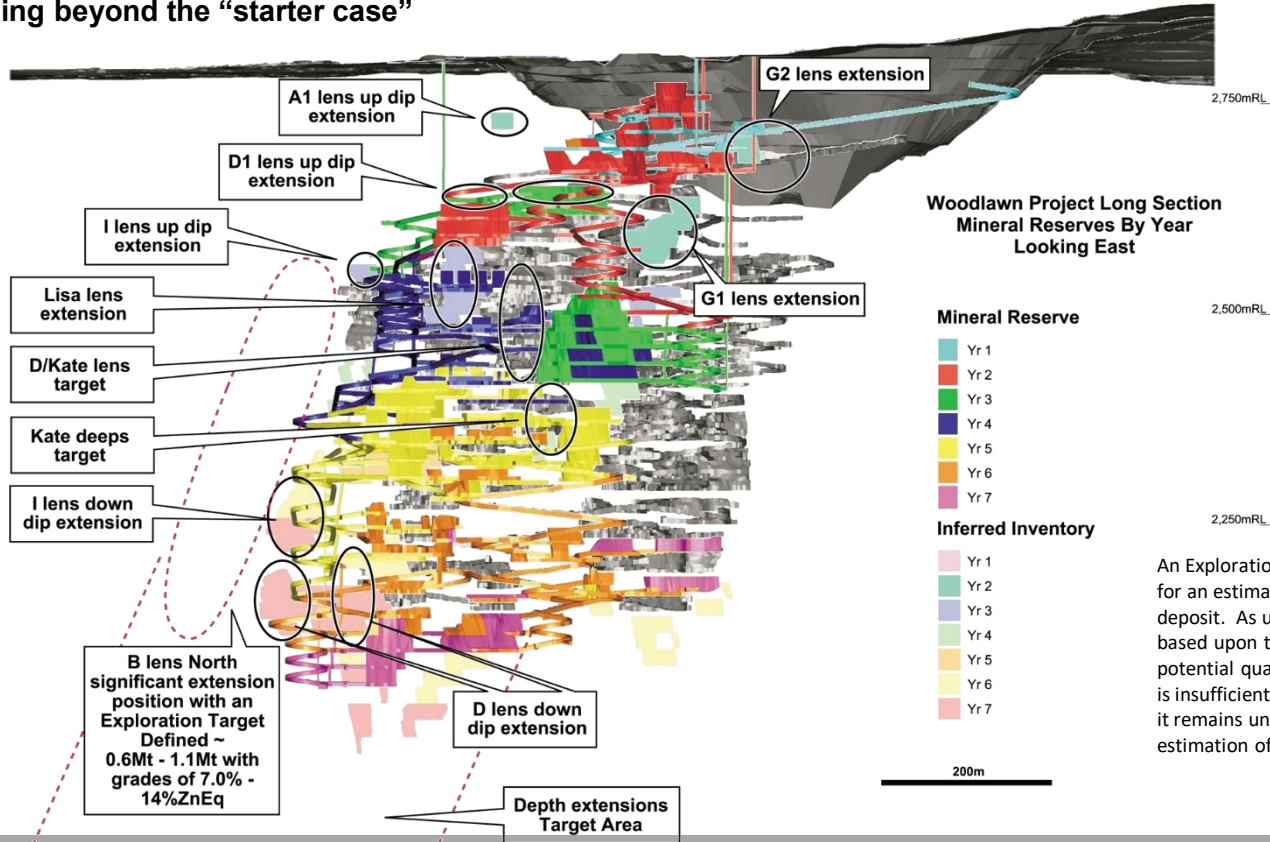


Drill Core – G2 HW WNDD0114
G2 Lens Drilling Program - May 2017



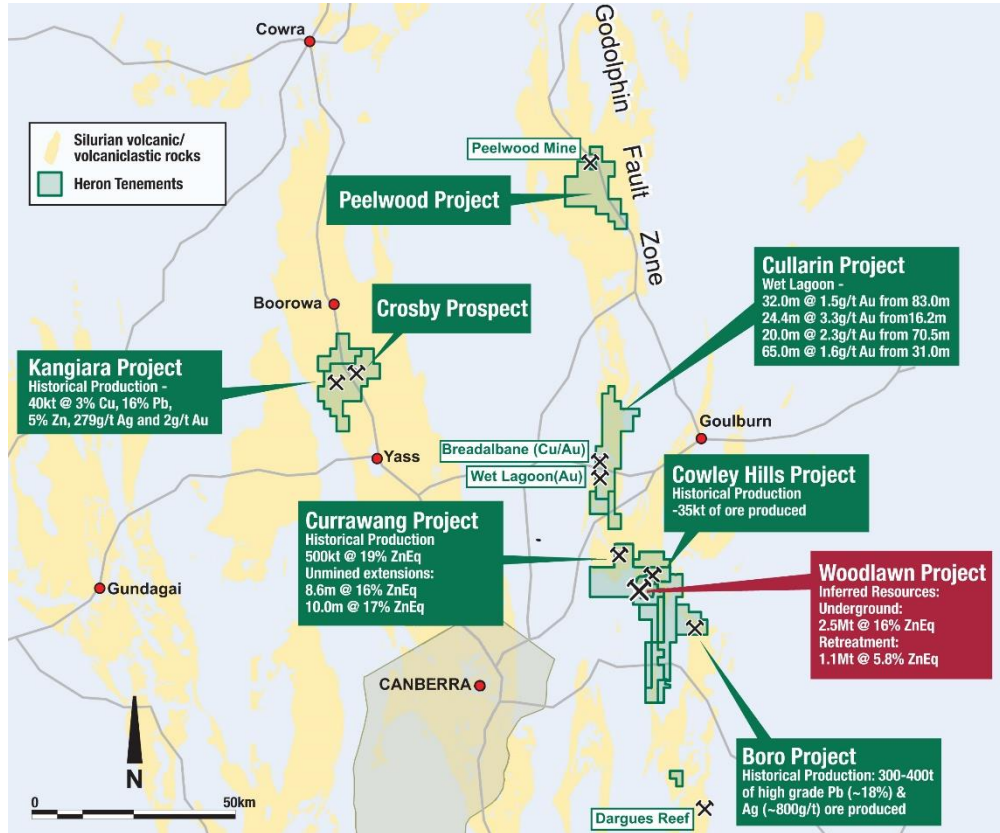
WOODLAWN EXPANSION THROUGH EXTENSIONS

Building beyond the “starter case”



An Exploration Target is term used within the JORC2012 Code for an estimate of the exploration potential of a mineral deposit. As used in this release the stated exploration target is based upon the parameters described in the text, however the potential quantity and grade is conceptual in nature and there is insufficient information to estimate a Mineral Resource and it remains uncertain if further exploration will result in the estimation of a Mineral Resource in this area of recent drilling.

WOODLAWN EXPANDING THE POTENTIAL



A High Quality VMS District

Dominant Regional Position

- Tenure of 974 km²
- Coverage of VMS host rocks

Confirmed Prospectivity - Satellite Production

- Currawang Mine
- Cowley Hills Mine

Prospect & Target Generation

- New and historic remote sensing datasets
- Geochem anomalies
- Extensive areas under cover
- Limited systematic exploration for >30 yrs

APPENDIX: OTHER INFORMATION



2016 WOODLAWN MINERAL RESOURCES

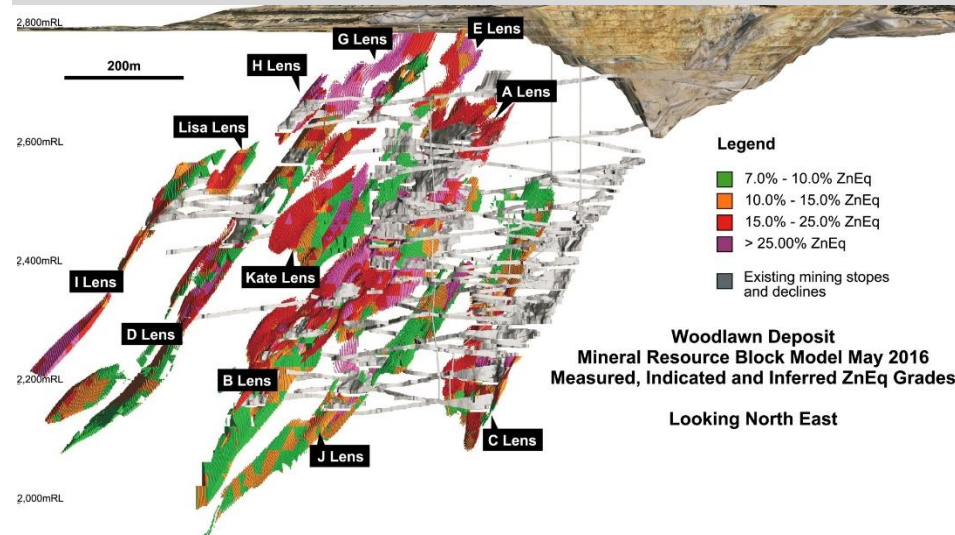
Retreatment



Woodlawn Reclaimed Tailings Mineral Resource – All Dams

Resource Category	Tonnes (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Mea+Ind	9.8	6.2	2.3	0.51	1.3	0.31	32
Inferred	1.1	5.8	2.3	0.47	1.2	0.25	27

Underground



Reported at a 7% ZnEq lower cut-off grade

Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Poly-metallic	Mea+Ind	2.6	21	10	1.5	4.0	0.69	79
	Copper	Indicated	1.5	10	0.8	2.8	0.2	0.23
All Total	Mea+Ind	4.1	18	7.2	2.0	2.6	0.52	55
All Total	Inferred	2.5	15	5.9	1.8	2.3	0.61	47

Notes: Refer to Slide 2 for ZnEq (%) calculation. Mineral Resources are inclusive of Mineral Reserves.

WOODLAWN MINERAL RESERVES & MINE PLANNING

A new high grade underground mine



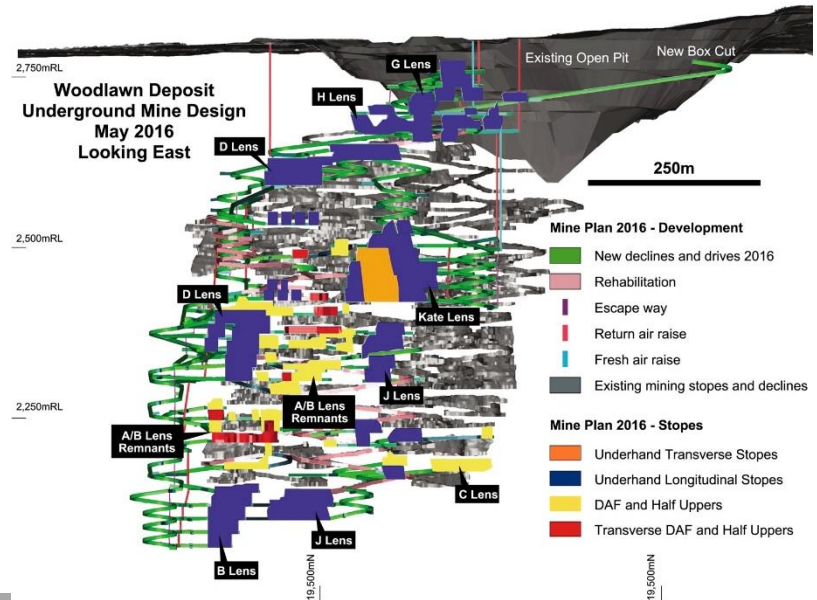
Reclaimed Tailings Mineral Reserves - 9.5Mt

9.5Mt @ 6% ZnEq
(2.2% Zn, 0.5% Cu, 1.3% Pb, 0.31g/t Au, 31g/t Ag)



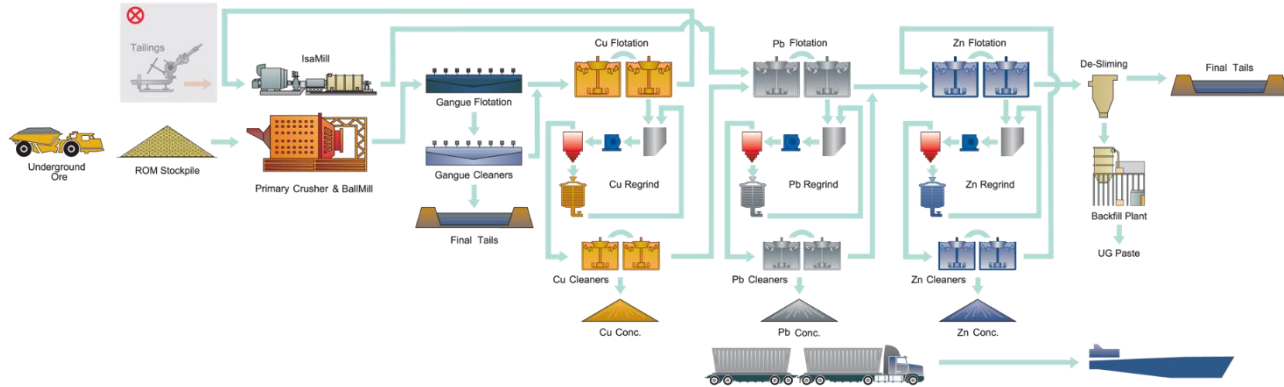
Underground Mineral Reserves - 2.8Mt

Polymetallic: 1.8Mt @ 16% ZnEq (8.1% Zn, 1.2% Cu, 2.9% Pb, 0.56g/t Au, 57g/t Ag)
Copper: 1.0 Mt @ 9% ZnEq (0.6% Zn, 2.4% Cu, 0.1% Pb, 0.23g/t Au, 14g/t Ag)
TOTAL: 2.8Mt @ 14% ZnEq (5.5% Zn, 1.6% Cu, 1.9% Pb, 0.45g/t Au, 42g/t Ag)

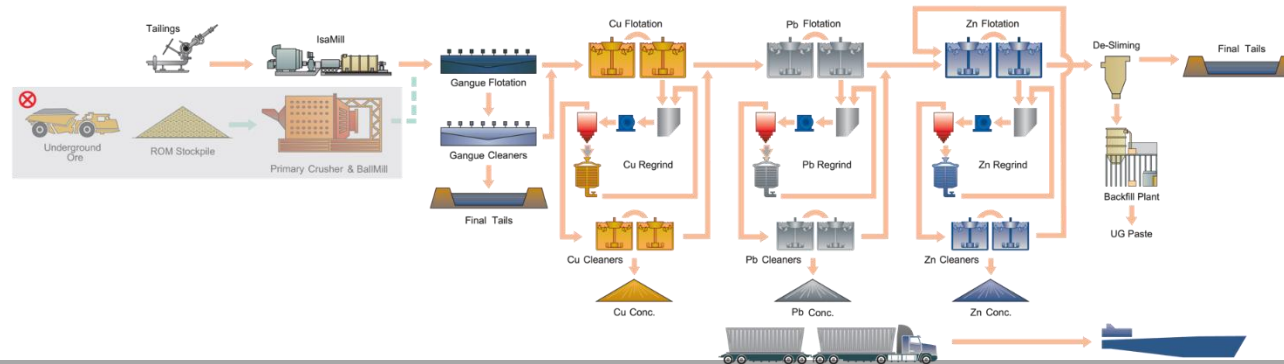


WOODLAWN PROCESS PLANT

Campaign treatment from two de-coupled ore sources



Underground
Ore Configuration
←



Reclaimed Tailings
Ore Configuration
←

APPENDIX: KEY RISKS AND OFFER RESTRICTIONS



KEY RISKS

There are a number of factors, both specific to the Company and of a general nature, which may, either individually or in combination, affect the future operation, exploration, development and financial performance and/or financial position of the Company, its prospects, and/or the value of the Shares. Many of the circumstances giving rise to these risks are beyond the control of the Company, the Directors or its management.

Set out below are the areas the Directors regard as the major risks associated with an investment in the Company. There may also be additional risks (including financial and taxation risks) that you should consider in light of your own personal circumstances. The following list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company.

The Offer of New Shares carries no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for new share offered under the Offer.

Risks associated with Heron's operations

Uncertainty of development of projects and exploration

Development activities and exploration are highly speculative, involve many risks and may be unsuccessful. Heron's ability to sustain or increase its proposed forecast levels of production is dependent on the success of development of projects. As a result of the uncertainties involved in these activities, the development of projects may not occur on time, on budget, or at all, which would adversely affect Heron's results of operation and its financial condition.

Metal prices and Exchange Rates

Changes in base and precious metal prices may impact on the cashflows and profitability of Heron. Low base and precious metal prices may have a materially adverse effect on Heron's cash flows, profitability and share price. A significant portion of Heron's revenue and expenditure are denominated in US currency and movements in currency exchange rates may affect cash flows, profitability, costs and revenue. It is not possible to accurately predict future movements in metal prices and/or exchange rates.

KEY RISKS (CONTINUED)

Resource and reserve estimates

Heron has made estimates of its resources and reserves based on relevant reporting codes, where required, and judgments based on knowledge, skills and industry experience. However, there is no guarantee that estimates will prove to be accurate. Actual mining results may materially differ from forecasts and estimates due to further findings and results not previously known or fluctuations in operating costs, exchange rates and metal prices.

Production estimates

Actual future production may vary materially from targets and projections of future production for a variety of reasons. There is greater risk that actual production will vary from estimates of production made for properties under exploration or not yet in production or from operations that are to be expanded.

Operating risks

In common with other enterprises in the minerals and mining industry, Heron's mineral exploration, development and related mining activities, including the delivery of supplies and consumables and the transportation of products are subject to conditions beyond Heron's control that can reduce production and sales and/or increase costs. These conditions include, but are not limited to: changes in legislative requirements; market conditions; government policies; exchange rates; abnormal or severe weather or climatic conditions; natural disasters; unexpected maintenance or technical problems; key equipment failures; industrial disruption; and variations in geological conditions. An inability to secure ongoing supply of such goods and services at prices assumed within production targets could potentially impact the results of Heron's operations, and in a worst case scenario, result in the shutdown of an operation.

Reliance on key personnel

The responsibility of overseeing day to day exploration, development and the strategic management of Heron is concentrated amongst a small number of key employees. While it is not currently anticipated, one or any number of these key employees may cease employment with Heron. The loss of any such key employees of Heron could have the potential to have a detrimental impact on Heron until the skills that are lost are adequately replaced.

KEY RISKS (CONTINUED)

Customer and off-take risk

Heron expects to generate its revenue from the sale of concentrates to customers under off-take and other agreements. There is potential that Heron will not receive payments for the sale of its concentrates if a customer becomes insolvent or fails to provide payment in accordance with its agreement with Heron.

Occupational health and safety

Heron manages certain risks associated with the occupational health and safety of its employees. Heron takes out insurance to cover these risks within certain parameters, however it is possible for injuries and/or incidents to occur which may result in expenses in excess of the amount insured or provided for with a resultant impact on Heron's earnings.

Industrial disputes

Industrial disputes may arise from claims for higher wages and/or better working conditions in the industry in which Heron operates. This could disrupt operations and impact on earnings.

Debt Facility

Orion is to provide a US\$60 million senior secured loan facility ("Loan") to Heron as part of the funding package to develop the Woodlawn Project. If the Company is unable to repay or refinance the Loan, this may have a materially adverse effect on the Company.

Competition

Heron faces competition in its business. To the extent that there are new entrants or changes in strategy by existing competitors or mine owners, Heron may lose market share with consequent adverse effects upon operating and financial performance.

Capital and operating costs

Heron's capital and operating costs estimates are based on the best available information at the time. Any significant unforeseen increases in the capital and operating costs associated with the development and construction of the Woodlawn Project would impact Heron's future cash flow and profitability. Capital and operating costs for the development of major projects in Australia have increased in recent years due to higher raw material prices as well as increased labour and contractor costs.

KEY RISKS (CONTINUED)

Environmental risks

Extensive national environmental laws and regulations in Australia affect the development activities and operations of Heron. The laws and regulations set various standards which regulate certain aspects of health and environmental quality, provide penalties or other remedies for any violation of standards and, in certain circumstances, impose obligations to undertake remedial action in current locations where operations are conducted. There is a risk that significant damages or penalties might be imposed on Heron, including for certain discharges into the environment, effects on employees, sub-contractors or customers, or as clean up costs. If significant damages or penalties are imposed on Heron this may have a material adverse affect on the Company.

Land and resource tenure

Heron may lose title to, or interests in, its tenements if the conditions to which those tenements are subject are not satisfied or if insufficient funds are available to meet expenditure commitments. Both the conduct of operations and the steps involved in acquiring interests involve compliance with numerous procedures and formalities. It is not always possible to comply with, or obtain waivers from, all such requirements and it is not always clear whether requirements have been properly completed, or that it is possible or practical to obtain evidence of compliance. In some cases, failure to follow such requirements or obtain relevant evidence may call into question the validity of the actions taken. Further, it is possible that tenements in which Heron has an interest in may be subject to a native title claim. If native title rights do exist in respect of a tenement, the ability of Heron to gain access to that tenement may be adversely affected.

Potential acquisitions

As part of its business strategy, Heron may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

KEY RISKS (CONTINUED)

General risks

Economic conditions

Adverse changes in economic conditions such as interest rates, exchange rates, inflation, government policy, international economic conditions and employment rates amongst others are outside Heron's control and have the potential to have an adverse impact on Heron and its operations.

Stock market fluctuations

There are risks associated with any investment in a company listed on the ASX or TSX. The value of Shares may rise above or below the current Share price depending on the financial and operating performance of Heron and external factors over which Heron and the Directors have no control. These external factors include:

- economic conditions in Australia and overseas which may have a negative impact on equity capital markets;
- changing investor sentiment in the local and international stock markets;
- changes in domestic or international fiscal, monetary, regulatory and other government policies; and
- developments and general conditions in the markets in which Heron proposes to operate and which may impact on the future value and pricing of shares.

There can be no guarantee that an active market in the Shares will develop or continue, or that the market price of the Shares will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their Shares, as there may be relative few, if any, potential buyers or sellers of the Shares on ASX at any time. It should also be noted that there is no guarantee that the New Shares will trade at or above the Placement Price.

Insurance

The Company intends to ensure that insurance is maintained to address insurable risks within ranges of coverage the Company believes to be consistent with industry practice, having regard to the nature of the Company's activities. However, no assurance can be given that the Company will be able to obtain insurance cover for all risks faced by the Company at reasonable rates or that the insurance cover it arranges will be adequate and available to cover all possible claims. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

KEY RISKS (CONTINUED)

Regulatory risk, government policy and taxation

Heron is exposed to any changes in the regulatory conditions under which it operates in Australia. Such regulatory changes can include, for instance, changes in:

- taxation laws and policies;
- royalty laws and policies;
- accounting laws, policies, standards and practices;
- environmental laws and regulations that may impact upon the operations and processes of Heron; and
- employment laws and regulations, including laws and regulations relating to occupational health and safety.

Any one of these regulatory changes may have a material adverse affect on the Company.

Other general risks

The future viability of and profitability of the Company is also dependent on a number of other factors which affect the performance of all industries, and not just mineral exploration and mining. These include, but are not limited to:

- default by a party to any contract to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities;
- industrial disputation by the Company's workforce or that of its contractors;
- litigation;
- natural disasters and extreme weather conditions; and
- acts of war and terrorism or the outbreak or escalation of international hostilities and tensions.

INTERNATIONAL OFFER RESTRICTIONS

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

INTERNATIONAL OFFER RESTRICTIONS (*CONTINUED*)

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

INTERNATIONAL OFFER RESTRICTIONS (*CONTINUED*)

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

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