



Heron Resources Limited

Quarterly Report

June 2017

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27 July 2017

HIGHLIGHTS

Woodlawn Zinc-Copper Project – Update

- **Project Financing:** The Company secured the full A\$240 million funding package¹ required for construction and ramp-up of the Woodlawn Project. The funding is subject to conditions including shareholder approval with a General Meeting scheduled for 17 August. The package includes:
 - A Heron equity, Woodlawn loan facility and a silver streaming agreement totalling A\$129 million with Orion Mine Finance Group;
 - A Heron equity subscription totalling A\$42 million, through an agreement with a subsidiary of existing shareholder Greenstone Resources L.P. and co-investment parties;
 - A Heron equity subscription totalling A\$33 million agreement from Castlake L.P.;
 - The receipt of commitments totalling approximately A\$32 million from various sophisticated and professional investors to subscribe for fully paid ordinary shares in the Company, and;
 - A Share Purchase Plan to raise A\$5 million from existing shareholders.
- **Project Readiness:** Continuation of site activities in preparation for construction, including:
 - **EPC** – Engineering, Procurement and Construction contract for the Woodlawn Project awarded to Sedgman. The EPC contract is in the form of a guaranteed maximum price (GMP) of A\$107 million.
 - **Offtake Contracts** – Louis Dreyfus Company Metals (LDC Metals) was awarded 100% of the base metal concentrate off-take from the Woodlawn Project from commencement of production through to the end of 2021.
 - **Earthworks Contract** – The Company entered into the project development earthworks contract with Ertech Pty Ltd covering the main road access, process plant site, haulage road construction, excavation of the box cut, and construction of Tailings Storage Facility 4.

Woodlawn Exploration

- Initial assays were received from current G2 Lens drilling program, including:
 - **4.7m at 53.0% ZnEq²** from 107.2m (10.8% Zn, 0.7% Cu, 8.6% Pb, 10.4g/t Au, 802g/t Ag) WNDD0114
Including **2.7m at 87.2% ZnEq** from 107.2m (18.4% Zn, 1.2% Cu, 14.4% Pb, 16.9g/t Au, 1,299g/t Ag)
 - **14.0m at 12.4% ZnEq** from 146.0 (7.5% Zn, 1.0% Cu, 1.7% Pb, 0.1g/t Au, 8.7g/t Ag) WNDD0114
Including **6.9m at 21.6% ZnEq** from 150.6m (13.0% Zn, 1.9% Cu, 2.8% Pb, 0.1g/t Au, 22g/t Ag)

Corporate

- **General Meeting:** A General Meeting of Shareholders has been called for 17 August to consider the Woodlawn financing. In the absence of a superior offer, Heron's Independent Directors unanimously support and recommend shareholders to vote in favour of all resolutions.
- **Cash:** Heron held A\$11.7 million in cash (excluding bonds) and A\$1.0 million in investments as at 30 June 2017. Subsequent to the end of the Quarter, the Company received an additional A\$3.2 million as part of the Woodlawn development financing.
- **Board of Directors:** Founding Director, Mr Ian Buchhorn, stepped down from the Board on 2 June.

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

² ZnEq % used in this release refers to the calculated Zn equivalent grade based on the Zn, Cu, Pb, Au and Ag grades, the formula for which is provided at the end of this report.



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Heron Resources Ltd (“Heron” or the “Company”) is pleased to provide its report for the June 2017 Quarter. During this reporting period the Company principally focused on the advancement of the Woodlawn Zinc-Copper Project.

WOODLAWN ZINC-COPPER PROJECT

Heron holds a direct 100% ownership of the mineral rights at the Woodlawn Mine site situated 40km south of Goulburn and 250km south-west of Sydney, in southern NSW, Australia (Figure 1). It is Heron’s aim to create a profitable, long-life, low-cost mining operation producing base metal concentrates.

Heron also holds a portfolio of advanced stage exploration tenements adjacent to and contiguous with the Woodlawn site covering the prospective felsic volcanic units that host the Volcanogenic Massive Sulphide (VMS) deposit at Woodlawn.

The last 24 months have seen Heron directing its efforts to developing the Woodlawn Zinc-Copper Project with the successful completion of a Preliminary Economic Assessment (PEA) in 2015, followed by the Feasibility Study (FS) in June 2016. This was conducted in a commodity market environment that continues to support a strengthening zinc price forecast over the next several years driven by a significant and growing supply shortfall.

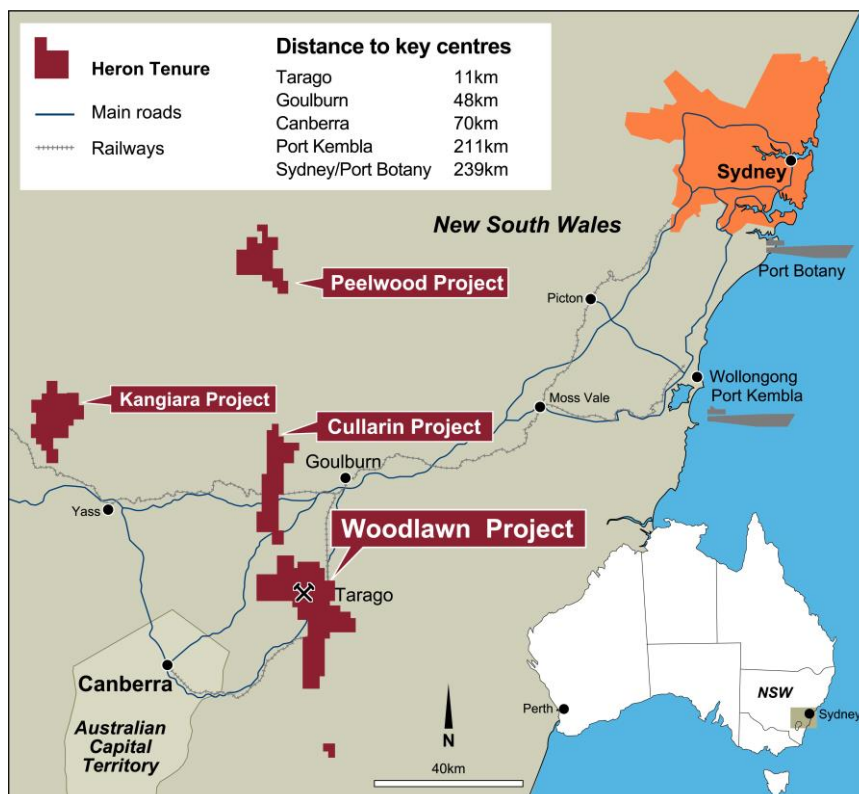


Figure 1: Woodlawn Location

Woodlawn Project – Project Financing

The Company announced on 30 June that it had secured the full A\$240 million funding package required for the construction and ramp-up of the Woodlawn Project. The financing comprises:

- A\$129 million funding package comprising Heron equity, Woodlawn loan facility and a silver streaming agreement from Orion Mine Finance Group (“Orion”);
- A\$42 million Heron equity subscription agreement with a subsidiary of existing shareholder Greenstone Resources L.P. (“Greenstone”) and co-investment parties;
- A\$33 million equity subscription agreement from new cornerstone equity investor, Castlake L.P. (“Castlake”); and
- The receipt of commitments to raise approximately A\$32 million from various sophisticated and professional investors that subscribed for fully paid ordinary shares in the Company (“Institutional Placement”).



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The issue price for all new shares under the total funding package was A\$0.07 per share, and represented a 14% discount to the volume weighted average price of Heron shares traded on the ASX during the 10 days up to and including 26 June 2017 (the last trading day before the transaction announcement). A summary of the key terms of the Institutional Placement and the arrangements with the Greenstone, Orion and Castlake, including the conditions precedent attaching to each of these commitments, is set out in the Company's announcement of the 30 June 2017.

Heron is also offering eligible existing shareholders the opportunity to participate in a Share Purchase Plan to raise up to a further A\$5 million at the same price as the Institutional Placement and the equity component of the funding package with Orion, Greenstone and Castlake.

On 4 July, 2017 Castlake were issued with 45.85 million shares to raise \$3.21 million, being the initial subscription under the equity subscription agreement with Castlake.

A General Meeting of shareholders is to be held on Thursday 17 August, 2017 to consider proposals relating to the Woodlawn financing. Approval of the Proposed Funding Package will deliver a complete financing solution for Woodlawn and enable Heron to commence construction immediately. With commissioning of the project expected to commence in late 2018, it is anticipated that first production will be delivering zinc into a market which is becoming increasingly constrained in terms of mine supply. Heron's transition to becoming a significant producer of zinc and other metals will be a major milestone for the Company.

Woodlawn Project – Development Progress

A number of the pre-financing development activities were completed in the Quarter, including:

- EPC (4 May) - Heron awarded an Engineering, Procurement and Construction (EPC) contract for the Woodlawn Project to Sedgman, a member of the CIMIC Group (Sedgman). The EPC contract follows a front-end engineering design (FEED) program that commenced in October 2016 after the completion of the Woodlawn Project Feasibility Study. The scope of the EPC contract is for a 1.5 million tonne per annum mineral processing plant to enable the processing of both underground and tailings ore to produce zinc, copper and lead concentrates. The design also includes a paste backfill plant and supporting infrastructure at the project site. The EPC contract is in the form of a guaranteed maximum price (GMP) of A\$107 million with cost under-run and performance incentives to support an early completion and under budget result.
- Offtake Contracts (10 May) – Louis Dreyfus Company Metals ("LDC Metals") was awarded the base metal concentrate off-take from the Woodlawn Project from commencement of production through to the end of 2021, a period of approximately three and a quarter-years. The off-take contract covers 100% of the zinc, copper and lead concentrates to be produced over this period.
- Earthworks Contract (24 May) – The Company has entered into the project development earthworks contract (A\$12 million) for Woodlawn with Ertech Pty Ltd ("Ertech"). The earthworks will be the first significant site development activity at the commencement of construction with the scope of work covering construction of the main road access from the sealed Collector Road, process plant site levelling and foundation preparation, haulage road construction from the plant site to the underground box cut, excavation of the box cut for the underground access, and construction of Tailings Storage Facility 4.

Project related activities advanced numerous work streams to support the commencement of construction immediately following project finance being secured. These work activity areas and main tasks included:

- Compliance Activities – Eight management plans required for construction were approved by Department of Planning and Environment. A traffic protocol was submitted and does not require formal approval. A Section 138 permit for the main road entrance was approved by Goulburn Mulwaree Council;



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- Project Engineering – Sedgman further progressed engineering design for the plant and infrastructure. Work completed included tendering of major equipment packages including long lead items. Engineering design progressed detailed layouts for filter and concentrate buildings and thickener area;
- Mine plan – Probe drilling to place fill into existing workings adjacent to the landfill commenced during the Quarter. The vent raises VR4 and VR6 were excavated to confirm their location as part of mine re-entry planning;
- Water management – Water management activities continued the emptying of Tailings Dam South in readiness for tailings mining. This work slowed over the current cooler months. Mine dewatering commenced in the Quarter;
- Water treatment – A tender for Water treatment services was issued; and
- Community – The quarterly project community consultation committee met on 17 May with no concerns being raised.

Woodlawn Exploration

Woodlawn exploration activities are currently focusing on defining additional mineralisation proximal to the planned decline route that can be accessed early in the mine schedule. In particular, the G2 Lens, described below, shows promise in this regard.

G2 Lens Drilling

The G2 Lens is located to the south of the Kate Lens, 100-200m below surface. Recent drilling has targeted this area for its ability to add to the planned early mine production inventory. A program of approximately 4,300m of diamond core drilling commenced in early May to define and expand the shallow resource base. To date 19 holes for 3,687m have been drilled with several holes intersecting both the hanging wall zone (G2HW) and the main G2 Lens which consists of high-grade zinc-sulphide stringers.

Of particular note is drill hole WNDD0114, which has returned (see Figures 2-4):

- **4.7m at 53.0% ZnEq** from 107.2m (10.8% Zn, 0.7% Cu, 8.6% Pb, 10.4g/t Au, 802g/t Ag) WNDD0114
 - **Including 2.7m at 87.2% ZnEq** from 107.2m (18.4% Zn, 1.2% Cu, 14.4% Pb, 16.9 g/t Au, 1,299 g/t Ag)
- **14.0m at 12.4% ZnEq** from 146.0m (7.5% Zn, 1.0% Cu, 1.7% Pb, 0.1g/t Au, 8.7g/t Ag) WNDD0114
 - **Including: 6.9m at 21.6% ZnEq** from 150.6m (13.0% Zn, 1.9% Cu, 2.8% Pb, 0.1g/t Au, 21.7g/t Ag)

Drill hole WNDD0114 is up-dip of WNDD0110 which intercepted high grade mineralisation in the 2016 program, including:

- **9.8m @ 28% ZnEq from 107m** (8.7% Zn, 0.5% Cu, 5.2% Pb, 4.0g/t Au, 326g/t Ag) WNDD0110
 - **Including 3.7m @ 56% ZnEq** (18.7% Zn, 1.2% Cu, 10.0% Pb, 6.9g/t Au, 650g/t Ag) WNDD0110
- **6.0m @ 10% ZnEq from 140m** (7.9% Zn, 0.2% Cu, 0.7% Pb, 0.2g/t Au, 13g/t Ag) WNDD0110

These high grade massive sulphide zones are interpreted as a thickening of the sulphide stringers within the lens, probably along a structural position, and improves the overall potential of the lens to provide a higher-grade production source of greater widths.

Drill holes located near and around WNDD0114 have intersected more typical G2 zinc stringer mineralisation which continues to help define the limits of this zone, including:

WNDD0112:

- **1.4m @ 23.4% ZnEq** from 110.2m (7.9% Zn, 0.6% Cu, 3.2% Pb, 0.3g/t Au, 353g/t Ag) (G2HW)
- **4.9m @ 7.6% ZnEq** from 116.2m (3.8% Zn, 0.2% Cu, 2.4% Pb, 0.4g/t Au, 28g/t Ag) (G2 Main)

WNDD0116:

- **2.4m at 16.0% ZnEq** from 108.1m (8.1% Zn, 0.4% Cu, 2.8% Pb, 0.8g/t Au, 119g/t Ag) (G2HW Lens)



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Several other significant sulphide intercepts have been drilled as part of the G2 program including:

WNDD0118:

5.8m of stringer and some massive zinc/lead/copper from 113.8m (G2 up-dip from WNDD0106)

10.8m of chlorite/sulphide stringers with zinc/lead/copper from 124.0m (G2 up-dip from WNDD0106)

WNDD0119:

16.1m of 50% semi massive pyrite from 110.0m (G2 Lens)

WNDD0120:

2.4m of stringer and disseminated zinc from 93.4m (G2HW)

9.1m of chlorite schist with zinc stringers from 121m (G2 main footwall chlorite)

WNDD0121:

3.5m of massive and stringer zinc/lead/copper from 102.1m (G2HW)

6.6m of stringer zinc mineralisation from 111.0m (G2 main lens)

WNDD0122: no intercept – geotechnical hole into Kate decline position – competent rhyolite intersected

WNDD0123:

8.0m of stringer copper mineralisation from 184.4m (G2 upper)

8.2m of stringer copper in chlorite from 208.0m (G2 Main)

12.4m of copper stringers in broad alteration halo on north extent of G2 from 250.0m

WNDD0124:

2.5m of high grade massive zinc/lead/copper polymetallic ore below G1 stopes from 200.6m

WNDD0126:

10.4m of copper stringer mineralisation from 151.6m in main G2 position

WNDD0127:

1.8m of zinc/copper stringers from 131.4m (G2)

WNDD0129

12.5m of massive and stringer copper from 216.0m (G2 footwall, G2FW)

WNDD0130

2.8m of massive and stringer copper from 204.4m (G2FW)



Figure 2: Part of the high grade zone of mineralisation intersected in WNDD0114 within the main G2 Hanging-wall Lens (G2HW). Up-hole direction is to the left in the tray.



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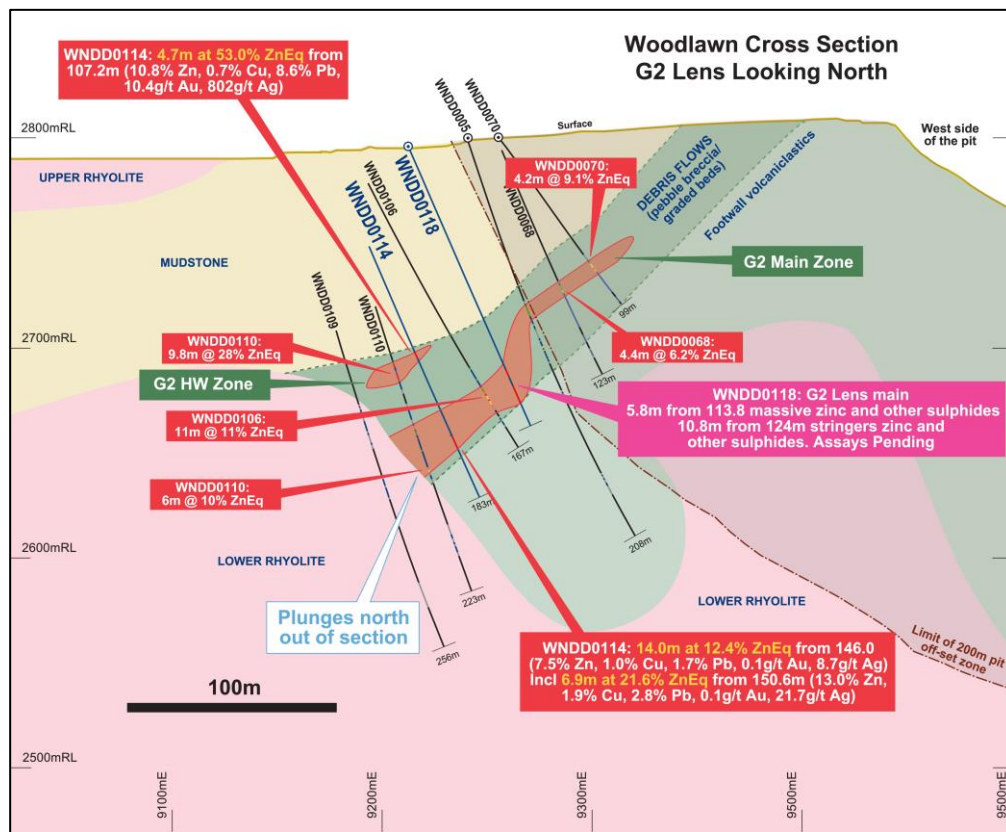


Figure 3: G2 Lens cross-section showing location of WNDD0114 in relation to previous drilling.

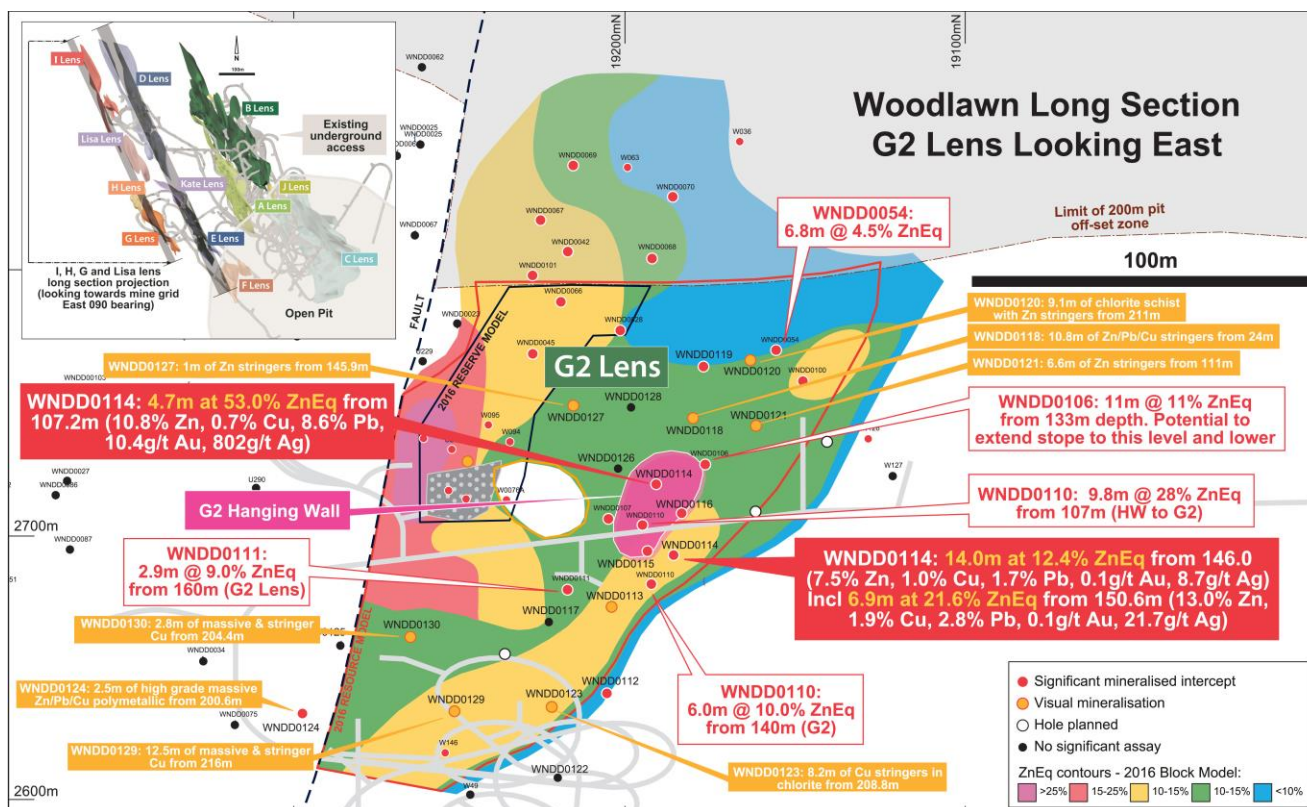


Figure 4: Woodlawn G2 Lens long-section showing interpreted lens shape, recent drilling and proposed infill holes. The pit off-set refers to the area 200m from the pit surface and is a limited access zone as per agreement with Veolia.



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WOODLAWN REGIONAL PROSPECTS

Heron continues to maintain and explore a strategic, 974km² tenement package over the prospective Silurian volcanic rocks around the Woodlawn Mine (Figure 5).

The exploration strategy is to focus on known mineralisation with comparable metallurgy to Woodlawn and within proximal trucking distance of the proposed Woodlawn concentrator. A number of excellent targets exist, which are described in more detail below.

Currawang Prospect

The Currawang Prospect, wholly owned by Heron, is located 10km north west of the Woodlawn mine (Figure 5) and produced approximately 0.5Mt of high-grade polymetallic ore from an underground operation in the early 1990s that was processed at Woodlawn.

The attraction of the Currawang mine is its potential to open up a second, nearby production centre at Woodlawn which could provide an additional high grade production source.

A number of significant historical intercepts that occur outside the mining stopes have been identified, including:

- 10.1m @ 17% ZnEq (9.0% Zn, 0.9% Cu, 4.3% Pb, 54g/t Ag), CU054
- 8.6m @ 16% ZnEq (8.8% Zn, 0.8% Cu, 5.2% Pb, 34g/t Ag), CU056

These drill holes are in the northern part of the old mined areas and at the time of their drilling were not followed-up. Further assessment is on-going and a follow-up drill hole program has been designed to test the down plunge extension of these intercepts. Combined with a high-powered DHEM survey, this program has the potential to identify new extensions to the Currawang mineralisation.

An initial diamond drill program has received a New Frontiers Cooperative Drilling Grant from the NSW Government which provides for reimbursement of 50% of the direct drilling costs, with drilling expected to commence in the current Quarter.

Montrose Prospect: 6km west north west of Woodlawn, where broad zones of intense pyrite-sericite alteration in Woodlawn Volcanics are present. Limited drilling in the 1980s and 1990s intercepted zones of modest-grade mineralisation which received little follow-up work. Remodelling of the numerous historic EM geophysical anomalies has provided clear targets for follow-up.

Other Woodlawn Prospects: The Allianoyonyiga and Kalua Prospects are both grassroots prospects defined by pre-Heron moving loop EM surveys, situated along strike, west and east respectively from the Cowley Hills deposit. Moderate silica/pyrite alteration in rhyolitic volcanic rocks has been mapped at Kalua along strike from the EM anomalies, whereas the Allianoyonyiga Prospect is wholly covered by alluvium of the Allianoyonyiga Creek and will require drilling to test further.

East Lachlan Regional Projects

The Company retains a significant portfolio of tenements in the East Lachlan area of New South Wales within hauling distance of Woodlawn. The key project areas include Cullarin, Kangiara and Peelwood (recent application) (see Figure 5).

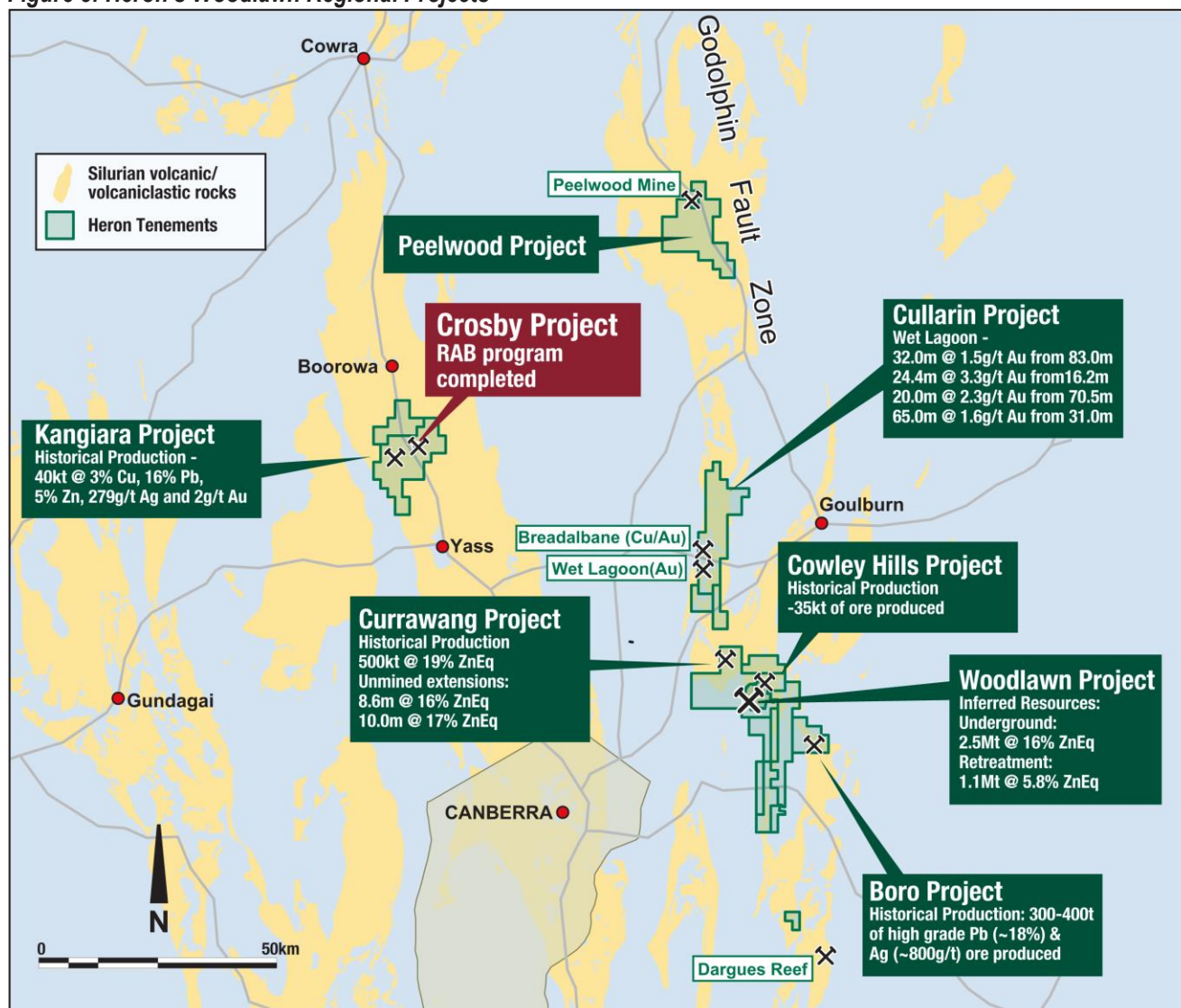


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Figure 5: Heron's Woodlawn Regional Projects



Kangiara (EL8400, EL8573, 100% Heron)

The Kangiara Project is located 90km NW of Woodlawn and 26km NNW of the town of Yass, and is a historical copper mine where previous explorers (to 2014) have delineated a small, low-grade, gold, silver, copper, lead, zinc deposit (non JORC). The geology comprises felsic volcanic and related sedimentary rocks of the Silurian Douro Group.

At the Crosby Prospect (named after the nearby survey point) 5km to the NE of the Kangiara mine, previous explorers outlined a strong gold anomaly (up to 2.3g/t Au in rock chips and 0.17g/t Au in soils) within a 2.5km NW-trending zone of anomalous geochemistry (Au, As, Zn, Pb, Cu, Bi, Mo, Sb). Heron conducted check sampling which confirmed the soil geochemistry, with levels above 150ppb Au being returned and rock-chips up to 4g/t from an area northwest of the soil anomaly. The geological setting is similar to the McPhillamys gold deposit (approximately 2.2Moz Au as reported by Regis Resources Ltd <http://www.regisresources.com.au/>) located 130km to the NNE.

A program of 33 rotary air-blast (RAB) holes for 743m was completed in May 2017 providing a first pass test of the soil geochemical anomalies. The drill holes encountered a thin residual regolith cover before penetrating the Silurian sequence of dacitic intrusive rocks with lesser intercalated breccias and shales. Pervasive sericite alteration and fine-grained disseminated pyrite (phyllic alteration) was observed in many of the intercepts, with lesser biotite and some fine-grained base



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metal sulphides. Where alteration was strong, the drill rig was able to penetrate deeper; the deepest intercept was in strong alteration from surface to a depth of 64m (CRRB024) which was close to the capacity of the rig.

Samples were collected on 4m, 2m or 1m intervals depending on the degree of alteration, and assayed using an aqua-regia digest and ICP finish for gold and other elements. The drill logs and assays confirmed a broad zone of phyllic alteration within the Silurian sequence at both the Crosby Main and Central areas.

Better results include:

- 10m @ 0.11g/t Au, from 30m to end of hole (CRRB007)
- 3m @ 0.77 g/t Au, from 33m depth to end of hole (CRRB008)
- 4m @ 0.96% Zn, 0.36% Pb and 0.07g/t Au, from 54m (CRRB024)
- 42m @ 0.20 g/t Au and 0.26% Cu from 4m to end of hole (CRRB027)
- 4m @ 0.25% Cu from 24m to end of hole (CRRB029)

The results from the Crosby Main area (CRRB007, -008 and -024) are associated with strong sericite and fine grained disseminated pyrite alteration and elevated zinc and lead similar to the McPhillamys style of mineralisation.

The results from the very limited drilling in the Crosby Central area (CRRB027 and 029) are consistent with an intrusive-related or porphyry style of mineralisation, and the thick intercept in CRRB0027 suggests the potential for the presence of a significant mineralising system. Strongly anomalous silver (Ag), molybdenum (Mo), arsenic (As) levels associated with these copper/gold results is encouraging and supports an intrusive-related model for the mineralisation.

This first-pass reconnaissance drilling program has successfully identified the potential for a significant, intrusive-related copper/gold mineralised system. The fine disseminated nature of the sulphides in the dacitic rocks can most likely be mapped with IP geophysical methods to help target future drilling programs.

Cullarin Project (EL7954, EL7468, 100% Heron)

The Cullarin Project is located 20km north west of Woodlawn and 30km west of Goulburn (Figure 5) and covers the prospective Silurian-aged Wet Lagoon Volcanics – a sequence of rhyolite and dacitic volcanic and volcanoclastic rocks with potential for VMS, skarn and shear-related gold and base-metal deposits. A previous compilation of historic drilling (1970 Astley Consolidated Holding P/L) identified significant Cu results at B2:

- B2-01: 12.8m @ 1.15% Cu from 73m
- B2-02: 5.7m @ 0.25% Cu from 103m incl. 0.4M @ 2.0% Cu
- B2-03: 2.7m @ 3.3% Cu from 102.8m and 2.0m @ 1.1% Cu from 113.7m
- B2-04: 1.6m @ 8.0% Cu from 168.4m

Little drilling has been completed at this prospect since the 1970s and there is good potential for skarn-style magnetite/copper mineralisation to be delineated through further drilling in this area. In addition, a broad weaker magnetic high to the north of the B2 prospect represents a first-rate porphyry copper target under shallow alluvial cover – that again has not been drill tested. No field work was undertaken during the Quarter, with statutory annual reporting being completed.

Peelwood Project (ELA5473, 100% Heron)

The Peelwood Project is located 100km north of Woodlawn (Figure 5) and covers felsic volcanic and related sedimentary rocks of the Silurian Campbells Group. The Peelwood Mine is a VMS system that was a historic copper, lead, zinc and silver producer. The Company has applied for ground directly to the south of the historical mining area and will assess the position for high-grade zones of mineralisation. Only very limited exploration has been conducted in the area covered by the ELA in recent years, however a number of good drill intercepts have been reported.

The central part of the project area contains a cluster of five north west striking mineralized gossans over a strike length of about 6 km. Historic soil sampling has delineated an anomalous lead-zinc mineralized zone. A significant exploration target for follow up is south of the main Black Springs prospect where previous drilling has returned intersections including 4m at 9.7% Zn, 3.6% Pb and 29g/t Ag from 111.2m (BSJ-7) and 2.5m at 0.2% Zn, 11.8% Pb and 130ppm Ag from 26m (BSDH7). Mineralization is associated with foliated interbedded, porphyritic tuffs and fine grained sediments. Structural setting is



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excellent, being on the Godolphin Fault which hosts the McPhillamys and Lewis Ponds polymetallic resources located some 70km north along structure.

Heron will assess the historical data and look to generate new targets with modern, high-powered electro-magnetic surveys.

EXPLORATION JOINT VENTURE PROJECTS

Heron retains a high quality tenement holding in the Lachlan Fold Belt of NSW and the Eastern Goldfields of Western Australia. This tenure is held through farm-in and joint ventures interests and includes several other free-carried residual or royalty interests which results in minimal costs to Heron. The key joint venture projects are described below.

Alchemy Farm-In and JV (Overflow, Girilambone, Eurow and Yellow Mountain)

Heron entered into a Farm-In Agreement with Alchemy Resources Limited (Alchemy) (ASX:ALY) covering a portfolio of Heron's NSW exploration tenements (see Figure 6) in May 2016. The Farm-In Agreement covers 674 km² of the central Lachlan Orogen in NSW, including the following exploration tenements: EL5878 Overflow, EL7941 Overflow, EL8267 Overflow, EL8192 Eurow, EL8318 Girilambone and EL8356 Yellow Mountain.

During the previous Quarter a 361m diamond core hole was completed with two significant intersections (refer ASX:ALY release dated 29th March 2017):

- 18m @ 2.1g/t Au, 111g/t Ag from 245m (OFDD001) including 11m @ 3.0g/t Au, 141g/t Ag from 253m
- 3m @ 7.3g/t Au, 43g/t Ag from 286m (OFDD001)

These results are considered to be significant and represent an extension to the known zones of mineralisation. A ground EM program is being planned to follow up the strong VTEM (airborne EM) anomaly at in this area, prior to further drilling being conducted. In addition, a significant EM anomaly identified in both 2011 VTEM and 2008 ground EM surveys at the Black Range Tank Prospect and is being targeted for follow-up RC drilling.

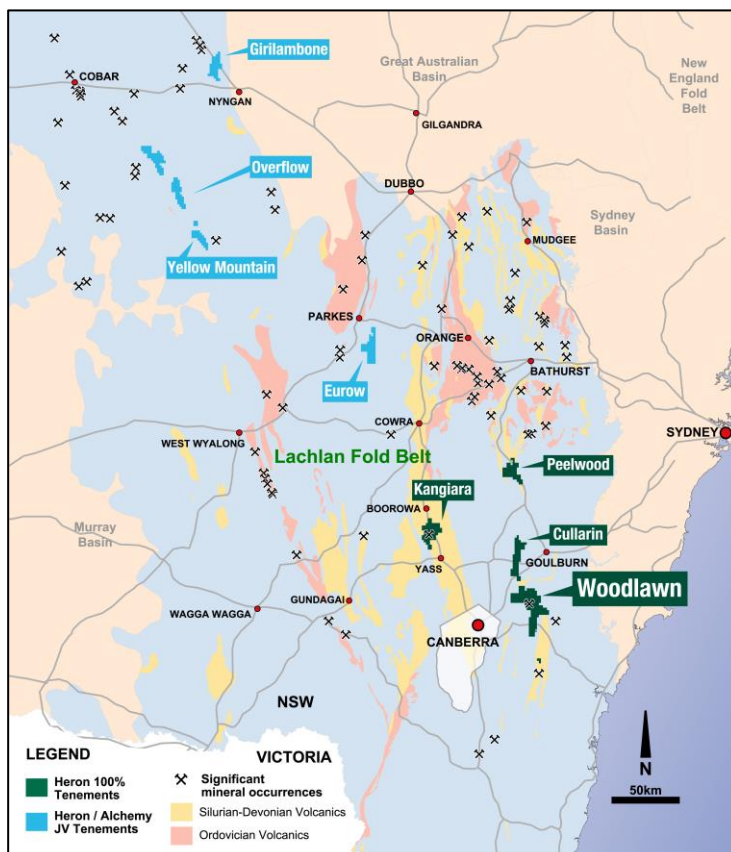


Figure 6: Heron NSW Projects (including Alchemy JV tenure)



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Rocky Gully Nickel-Copper JV (10% Heron, 90% Metalicity Ltd)

Metalicity Ltd (ASX:MCT) have acquired a 90% interest in the Rocky Gully Project comprising the three tenements: E70/2801, E70/4543 and E70/4437. Heron retains a 10% interest in the tenements free carried through to the completion of a pre-feasibility study. Some reduction in tenement numbers and sizes is anticipated over the coming months to rationalise the tenement holding. Heron currently holds 13,375,000 MCT shares.

Bulong Gold JV (Heron 20%, Southern Gold Ltd 80%; Heron 100% nickel laterite rights Bulong East)

The Bulong Gold Project is located 30km east of Kalgoorlie with Southern Gold (ASX:SAU) managing the joint venture as part of their exploration efforts around the producing Cannon Gold Mine. Work completed by SAU during the Quarter included:

- A hyperspectral survey (HyMapper) has identified several targets across the JV tenement package associated with mineral signatures of the both the Cannon and Glandore gold mineralisation.
- Field mapping and sampling (33 rock chip samples) of geochemical anomalies on P25/2062, M25/134 and M25/209. Results pending.
- A trial hand auger sampling program was conducted on P25/2062 to test if detailed infill sampling would resolve geochemical anomalies more clearly. Results pending.

Work planned for the next quarter includes:

- Testing of the airborne spectral targets will be conducted with collection of surface samples for hand held and laboratory spectral analysis.
- A geochemical survey (~500 samples) will be undertaken to define drill targets on P 25/2062 at the Hammersmith and Perivale prospects. If successful, it is anticipated that a RC drilling program will be undertaken in the second half of the year.
- Biogeochemical sampling will be undertaken in the second half of the year on M25/0161 to test for anomalies through the palaeochannel cover. Previous drilling in the area was only sampled for base metals.
- Preparations for an RC drilling program on several tenements later in the second half of the year will be undertaken.

CORPORATE

General Meeting: A General Meeting of Shareholders has been called for 17 August to consider the Woodlawn financing. In the absence of a superior offer, Heron's Independent Directors unanimously support and recommend shareholders to vote in favour of all resolutions.

Cash: Heron held A\$11.7 million in cash (excluding bonds) and A\$1.0 million in investments as at 30 June 2017. The investments exclude 10 million, \$0.25 options in Ardea Resources Limited which are escrowed for 24 months from 9 February 2017. Subsequent to the end of the Quarter, the Company received \$3.2 million from Castlake (Tranche 1) as part of the Woodlawn development financing.

Board of Directors: Founding Director, Mr Ian Buchhorn, stepped down from the Board on 2 June.



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Compliance Statements (JORC 2012 and NI43-101)

The technical information in this report relating to the exploration results 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 mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the “Australasian Code for Reporting of Exploration Results and “qualified person” as this term is defined in Canadian National Instrument 43-101 (“NI 43-101”). Mr. von Perger has reviewed this report and approves the scientific and technical disclosure within. He consents to the inclusion in this report of the information in the form and context in which it appears.

Zinc Equivalent Formula - Woodlawn

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 Au, Ag, Cu, Pb and Zn. $ZnEq = Zn\% + Cu\% \times 3.12 + Pb\% \times 0.81 + Au\text{ g/t} \times 0.86 + Ag\text{ g/t} \times 0.03$. 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This news release contains forward-looking statements and forward-looking information within the meaning of applicable Australian and Canadian securities laws, which are based on expectations, estimates and projections as of the date of this news release. 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 ability to complete the Ardea spin-off, 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, the ability to complete the Ardea spin-off on the basis of the proposed terms and timing or at all, the 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 news release 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 factors that cause results not to be as anticipated, estimated or intended, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of any such forward-looking information. The Company does not undertake, and assumes no obligation, to update or revise any such forward-looking statements or forward-looking information contained herein to reflect new events or circumstances, except as may be required by law.

No stock exchange, regulation services provider, securities commission or other regulatory authority has approved or disapproved the information contained in this news release.



Heron Resources Limited

Quarterly Report

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Corporate Directory

Directors Stephen Dennis** <i> Chairman</i> Borden Putnam III** Fiona Robertson ** Wayne Taylor Mark Sawyer** <i>* Denotes Non-executive</i> <i>+ Denotes Independent</i>	Issued Share Capital As at the date of this report, Heron Resources Limited had 460,865,497 ordinary shares and 25,229,828 options. The options have expiry dates ranging from 23 October 2017 to 1 February 2022 and have exercise prices ranging from A\$0.07 to A\$0.29 Heron trades on the ASX as 'HRR' and on the TSX as 'HER'.	Registered Office and Address for Correspondence Sydney Suite 702, 191 Clarence Street Sydney NSW 2000 Telephone +61 2 9119 8111 Perth Level 1, 7 Havelock Street West Perth, WA 6005 Telephone +61 8 6500 9200 Email heron@heronresources.com.au In Canada Telephone + 1 647 862 1157 Email CMuir@heronresources.com.au Website www.heronresources.com.au Share Registry (Australia) Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross, 6153, WA Telephone +61 8 9315 2333 Facsimile +61 8 9315 2233 Email registrar@securitytransfer.com.au Please direct enquiries regarding Australian shareholdings to the Share Registrar. Transfer Agent (Canada) TSX Trust Transfer Services Inc 200 University Avenue, Suite 300 Toronto ON M5H 4H1 Toll Free: 1 (866) 393-4891 Tel: (416) 361-0930 Email:TMXInvestorservices@tmx.com Please direct enquiries regarding North American shareholdings to the Transfer Agent.																																																																																																								
Executive Management Wayne Taylor <i>Managing Director & Chief Executive Officer</i> Simon Smith <i>General Manager – Finance & Administration & Company Secretary.</i> David von Perger <i>General Manager - Exploration</i> Charlie Kempson <i>General Manager - Strategy & Business Development</i> Andrew Lawry <i>Chief Operating Officer</i> Brian Hearne <i>General Manager - Woodlawn</i>	Monthly Share Price Activity (A\$ per share - ASX) <table><tr><th>Month</th><th>High</th><th>Low</th><th>Close</th></tr><tr><td>Jul 16</td><td>0.170</td><td>0.140</td><td>0.155</td></tr><tr><td>Aug 16</td><td>0.180</td><td>0.145</td><td>0.155</td></tr><tr><td>Sept 16</td><td>0.160</td><td>0.130</td><td>0.145</td></tr><tr><td>Oct 16</td><td>0.150</td><td>0.130</td><td>0.130</td></tr><tr><td>Nov 16</td><td>0.150</td><td>0.125</td><td>0.140</td></tr><tr><td>Dec 16</td><td>0.140</td><td>0.110</td><td>0.115</td></tr><tr><td>Jan 17</td><td>0.135</td><td>0.115</td><td>0.130</td></tr><tr><td>Feb 17</td><td>0.135</td><td>0.120</td><td>0.120</td></tr><tr><td>Mar 17</td><td>0.125</td><td>0.096</td><td>0.100</td></tr><tr><td>Apr 17</td><td>0.105</td><td>0.091</td><td>0.092</td></tr><tr><td>May 17</td><td>0.095</td><td>0.078</td><td>0.083</td></tr><tr><td>Jun 17</td><td>0.085</td><td>0.070</td><td>0.070</td></tr></table> (CA\$ per share - TSX) <table><tr><th>Month</th><th>High</th><th>Low</th><th>Close</th></tr><tr><td>Jul 16</td><td>0.170</td><td>0.135</td><td>0.140</td></tr><tr><td>Aug 16</td><td>0.170</td><td>0.140</td><td>0.165</td></tr><tr><td>Sept 16</td><td>0.150</td><td>0.130</td><td>0.130</td></tr><tr><td>Oct 16</td><td>0.135</td><td>0.110</td><td>0.125</td></tr><tr><td>Nov 16</td><td>0.140</td><td>0.105</td><td>0.140</td></tr><tr><td>Dec 16</td><td>0.145</td><td>0.110</td><td>0.110</td></tr><tr><td>Jan 17</td><td>0.165</td><td>0.115</td><td>0.130</td></tr><tr><td>Feb 17</td><td>0.145</td><td>0.120</td><td>0.120</td></tr><tr><td>Mar 17</td><td>0.135</td><td>0.100</td><td>0.110</td></tr><tr><td>Apr 17</td><td>0.110</td><td>0.090</td><td>0.092</td></tr><tr><td>May 17</td><td>0.095</td><td>0.080</td><td>0.080</td></tr><tr><td>Jun 17</td><td>0.095</td><td>0.080</td><td>0.080</td></tr></table>	Month	High	Low	Close	Jul 16	0.170	0.140	0.155	Aug 16	0.180	0.145	0.155	Sept 16	0.160	0.130	0.145	Oct 16	0.150	0.130	0.130	Nov 16	0.150	0.125	0.140	Dec 16	0.140	0.110	0.115	Jan 17	0.135	0.115	0.130	Feb 17	0.135	0.120	0.120	Mar 17	0.125	0.096	0.100	Apr 17	0.105	0.091	0.092	May 17	0.095	0.078	0.083	Jun 17	0.085	0.070	0.070	Month	High	Low	Close	Jul 16	0.170	0.135	0.140	Aug 16	0.170	0.140	0.165	Sept 16	0.150	0.130	0.130	Oct 16	0.135	0.110	0.125	Nov 16	0.140	0.105	0.140	Dec 16	0.145	0.110	0.110	Jan 17	0.165	0.115	0.130	Feb 17	0.145	0.120	0.120	Mar 17	0.135	0.100	0.110	Apr 17	0.110	0.090	0.092	May 17	0.095	0.080	0.080	Jun 17	0.095	0.080	0.080	
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Heron Resources Limited

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Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HERON RESOURCES LIMITED

ABN

30 068 263 098

Quarter ended

30 June 2017

Consolidated statement of cash flows

	Current Qtr \$A'000	Year to Date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) production (b) development (c) administration	(2,985)	(9,697)
1.3 Dividends received	596	1,482
1.4 Interest and other items of similar nature received	-	3,171
1.5 Interest and other costs of finance paid	-	-
1.6 Taxes (paid)/refunded (R&D)		
1.7 Other –GST		
Net Operating Cash Flows	(2,388)	(5,044)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investment (c) other fixed assets (d) exploration activities	- - - (2,362)	- - - (6,722)
1.9 Proceeds from sale of: (a) prospects (b) equity investment (c) other fixed assets	100 - -	100 465 -
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
Net Investing Cash Flows	(2,262)	(6,157)
1.12 Total operating and investing cash flows (carried forward)	(4,650)	(11,201)



Heron Resources Limited

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1.12 Total operating and investing cash flows (brought forward)	(4,650)	(11,201)
Cash flows related to financing activities		
1.13 Proceeds from the issue of shares, options, etc.	-	-
1.14 Proceeds from the sale of forfeited shares		
1.15 Proceeds from borrowings		
1.16 Repayment of borrowings		
1.17 Dividends paid		
1.18 Payment of Share issue costs	-	-
Net financing cash flows	(4,650)	(11,201)
Net increase (decrease) in cash held	(4,650)	(11,201)
1.19 Cash at beginning of quarter/year	16,340	22,891
1.20 Other	-	-
1.21 Cash at end of quarter	11,690	11,690

Payments to directors of the entity and associates of the directors, payments to related entities of the entity and associates of the related entities

	Current Qtr \$A'000
1.22 Aggregate amount of payments to the parties included in item 1.2 and 1.8	
1.23 Aggregate amount of loans to the parties included in item 1.10	

1.24 Explanation necessary for an understanding of the transactions

Director's fees, salaries and superannuation for the quarter (A\$275,539).

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

See attached schedule



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Financing facilities available

Add notes as necessary for an understanding of the position

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	4,000
4.3 Production	-
4.4 Administration	1,200
Total	5,700

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to related items in the accounts as follows.

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	10,690	1,839
5.2 Deposits at call		14,500
5.3 Bank Overdraft		
5.4 Other (provide details)		
Property Rental bond		
Environmental bonds		
Bank Guarantee	1,000	
Total: cash at end of quarter (Item 1.21)	11,690	16,339



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6.1 Interests in Mining Tenements transferred, relinquished, withdrawn, reduced or lapsed.

Interests in Mining Tenements sold, reduced or relinquished

Tenement	Location	Nature of Interest	% Beginning of Quarter	% At end of Quarter ^a
ELA 5474	35km SE of Woodlawn	100	100	0
ELA5484	35km SE of Woodlawn	100	100	0
M25/00210	40km E of Kalgoorlie	20	20	0
P25/02252	40km E of Kalgoorlie	20	20	0
P25/02253	40km E of Kalgoorlie	20	20	0
P25/02254	40km E of Kalgoorlie	20	20	0
P25/02255	40km E of Kalgoorlie	20	20	0
P25/02062	40km E of Kalgoorlie	20	20	0

Note a: includes changes between end of quarter and release of report; b: see details of Siberia sale agreement within body of report, subject to registration of transfer documents

Interests in Mining Tenements acquired or increased

Tenement	Location	Nature of Interest	% Beginning of Quarter	% At end of Quarter ^a
ELA5433	30km NNW of Yass	100	Pending	Approved
ELA5464	10km NW of Nyngan	100	Pending	Pending
ELA5465	16km NW of Nyngan	100	Pending	Pending
ELA5473	90km north of Woodlawn	100	Pending	Pending

Note a: includes changes between end of quarter and release of report

Heron Resources Ltd Tenement Schedule for March 2017 Quarterly Report

Tenement	Location	Heron Interest (%)	Status	Note
Western Australia Projects – Joint Ventures				
Southern Gold Farm In Project – Southern Gold Ltd 80%, HRR 20%				
M25/00059	34km East of Kalgoorlie	20	Live	1
M25/00134	40km E of Kalgoorlie	20	Live	1
M25/00145	40km E of Kalgoorlie	20	Live	1
M25/00161	40km E of Kalgoorlie	20	Live	1
M25/00171	40km E of Kalgoorlie	20	Live	1
M25/00209	40km E of Kalgoorlie	20	Live	1
P25/02256	40km E of Kalgoorlie	20	Live	1
P25/02257	40km E of Kalgoorlie	20	Live	1
P25/02258	40km E of Kalgoorlie	20	Live	1
New South Wales Projects				
Woodlawn Project				
EL7257	40km SSW of Goulburn	100	Live	
EL7468	5km E of Collector	100	Live	
EL7469	15km E of Bungendore	100	Live	
EL7954	25km W of Goulburn	100	Live	
EL8325	60km ENE of Canberra	100	Live	
EL8353	7.5km SE of Woodlawn	100	Live	
S(C&PL)L20	40km SSW of Goulburn	100	Live	
EL8400	27km NNE of Yass	100	Live	
EL8573	30km NNW of Yass	100	Live	
ELA5473	90km north of Woodlawn	100	Application	
ELA5474	35km SE of Woodlawn	100	Withdrawn	
ELA5484	35km SE of Woodlawn	100	Withdrawn	
Nyngan Project				
ELA5464	10km NW of Nyngan	100	Application	



Heron Resources Limited

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June 2017

Tenement	Location	Heron Interest (%)	Status	Note
ELA5465	16km NW of Nyngan	100	Application	
Alchemy Farm in & JV Tenements				
Girilambone				
EL8318	27km NW of Nyngan	100	Live	Alchemy
Overflow/Eurow/Parkes				
EL5878	100km NW of Condobolin	100	Live	Alchemy
EL7941	100km NW of Condobolin	100	Live	Alchemy
EL8267	70km SE of Cobar	100	Live	Alchemy
EL8356	59km WSW of Tottenham	100	Live	Alchemy
EL8192	23km SE of Parkes	100	Live	Alchemy

Notes:

1. Subject to Farm In agreement with Southern Gold Ltd (who have earned an 80% interest). Heron retains 100% of nickel laterite.
- Alchemy. Subject to Farm-in and Joint Venture between Alchemy Resources Ltd and Heron

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (\$)	Amount paid up per security (see note 3) (\$)
7.1 Preference securities (description)				
7.2 Changes during Quarter				
(a) Increases through share issues				
(b) Decreases through returns of capital, buybacks, redemptions				
Ordinary securities	415,009,381	415,009,381		
7.3 Changes during Quarter *				
(a) Increases through share issues				-
(b) Decreases through returns of capital, buybacks				
7.4 Convertible debt securities (description)				
7.5 Changes during Quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				



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7.6 Options

(description and conversion factor)

20,300,000	Nil	Exercise Price \$0.072	Expiry Date 4/12/2020
1,000,000	Nil	\$0.29	5/03/2018
21,459	Nil	\$0.12	23/10/2017
858,369	Nil	\$0.07	20/11/2018
400,000	Nil	\$0.134	1/09/2021
2,650,000	Nil	\$0.110	01/02/2022
7.7 Issued during Quarter			
7.8 Exercised during Quarter			
7.9 Expired during Quarter			
7.10 Debentures (totals only)			
7.11 Unsecured notes (totals only)			

Compliance 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest.

Nothing to report



Heron Resources Limited

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Compliance Statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.

Sign here: _____
Company Secretary
Print name: Simon Smith

Date: .27 July 2017

Notes

1. The Quarterly Report is to provide a basis for informing the market how the entity's activities have been financed for the past Quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of Interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.