



Heron Resources Limited

ABN 30 068 263 098

NOTICE OF ANNUAL GENERAL MEETING, EXPLANATORY STATEMENT AND MANAGEMENT CIRCULAR

TIME: 2:00 pm AEDT

DATE: 29 November 2017

PLACE: The Grace Hotel, York Room
Level 1, 77 York Street
Sydney, New South Wales, 2000

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on +61 2 9119 8111

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at **2:00pm (AEDT) on 29 November 2017** at:

The Grace Hotel, York Room
Level 1, 77 York Street
Sydney, New South Wales, 2000

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your Shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

In Australia, to vote by proxy, please complete and sign the enclosed Proxy Form and return:

- Online at www.securitytransfer.com.au and follow the instructions on your proxy form
- In person at:
Security Transfer Registrars Pty Ltd
Suite 913, Exchange Tower
530 Little Collins Street
Melbourne, Victoria
- By post to:
Security Transfer Registrars Pty Ltd
PO Box 52
Collins Street West, Victoria, 8007
- By facsimile to +61 8 9315 2233
- By scan and email to registrar@securitytransfer.com.au

Please note that the Proxy Form must be received by the Company not later than **2:00pm (AEDT) on 27 November 2017**.

Proxy Forms received later than this time will be invalid.

In Canada, a Shareholder desiring to appoint some other person to represent him or her at the Meeting may do so either by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, mailing, faxing or emailing the form as above, or depositing the completed proxy at the office of:

TSX Trust Company
301-100 Adelaide Street West,
Toronto, Ontario, M5H 4H1.

Tel: 1-866-393-4891
Fax: 416-595-9593
Email: TMXEInvestorServices@TMX.com

All duly completed and executed proxies of Shareholders in Canada must be received by Equity Financial Trust Company not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof. The information circular containing additional interest prepared in accordance with National Instrument 51-102 – Continuous Disclosure Obligation adopted by Canadian Securities Administrators is attached at Annexure B.

Proxy forms received later **5:00pm (Toronto Time) on 24 November 2017** will be invalid.

ENTITLEMENT TO ATTEND AND VOTE

The Company may specify a time, not more than 48 hours before the Meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Annual General Meeting.

The Company’s Directors have determined that all Shares of the Company that are quoted on the ASX at 7:00pm (AEDT) on 27 November 2017 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of the Shareholders of Heron Resources Limited (**Heron** or the **Company**) will be held at The Grace Hotel, York Room Level 1, 77 York Street Sydney, New South Wales, 2000 on 29 November 2017 commencing at 2:00pm (AEDT) to consider, and if thought fit, to pass the Resolutions set out below.

Terms used in this Notice of Annual General Meeting and accompanying Explanatory Statement are defined in the glossary to this document.

The Explanatory Statement which accompanies and forms part of this Notice of Annual General Meeting describes the matters to be considered at the Annual General Meeting.

ORDINARY BUSINESS

1. FINANCIAL STATEMENTS AND REPORTS – PERIOD 1 JULY 2016 – 30 JUNE 2017

To receive and consider the annual financial statements, the directors' report and the audit report of Heron for the year ended 30 June 2017.

Note: there is no requirement for Shareholders to approve these reports.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (NON-BINDING RESOLUTION)

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **non-binding resolution**:

That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the annual remuneration report as set out in the directors' report for the financial year ended 30 June 2017.

Voting exclusion: The Company will disregard any votes cast on Resolution 1 by any member of the Key Management Personnel of the Company whose remuneration is included in the remuneration report, or a closely related party of such member. However, the Company will not disregard any votes cast on Resolution 1 by such person if:

- (a) the person is acting as proxy and the Proxy Form specifies how the proxy is to vote on the Resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair of the Meeting voting an undirected proxy and their appointment expressly authorises the Chair to exercise the proxy even though Resolution 1 is connected with the remuneration of the Key Management Personnel of the Company.

If you are a member of the Key Management Personnel of the Company or a closely related party of such person (or are acting on behalf of any such person) and purport to cast a vote (other than as a proxy as permitted in the manner set out above), that vote will be disregarded by the Company (as indicated above) and you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

3. RESOLUTION 2 – RE-ELECTION OF BORDEN PUTNAM III AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That Mr Borden Putnam III, being a Director of the Company, who retires in accordance with Listing Rule 14.4 and clause 12.3 of the Company's Constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company.

4. RESOLUTION 3 – RE-ELECTION OF PETER ROZENAUTERS AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That Mr Peter Rozenauers, being a Director of the Company, who retires in accordance with Listing Rule 14.4 and clause 14.3(b) of the Company's Constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company.

5. RESOLUTION 4 – RE-ELECTION OF RICARDO DE ARMAS AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That Mr Ricardo De Armas, being a Director of the Company, who retires in accordance with Listing Rule 14.4 and clause 14.3(b) of the Company's Constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company.

6. RESOLUTION 5 – CONSOLIDATION

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That, for the purpose of Section 254H(1) of the Corporations Act and for all other purposes, the Shares of the Company be consolidated through the conversion of every ten (10) Shares held by a Shareholder into one (1) Share with any resulting fractions of a Share rounded up to the next whole number of Shares with a corresponding consolidation of all other securities on issue, with the consolidation to take effect in accordance with the timetable and otherwise on the terms and conditions set out in the Explanatory Statement that forms part of this Notice.

7. RESOLUTION 6 – APPROVAL OF LONG TERM INCENTIVE PLAN

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That, for the purpose of Listing Rule 7.2 Exception 9(b), sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the employee incentive scheme known as the "Long Term Incentive Plan", a summary of which is set out in the Explanatory Statement accompanying this Notice of Annual General Meeting, and the issue of securities there under, until 29 November 2020, as an exception to Listing Rule 7.1.

Voting exclusion: The Company will disregard any votes cast on Resolution 6 by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any person associated with that Director. However, the Company will not disregard any votes cast on Resolution 6 by such person if:

- (a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the person is the Chair of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will disregard any votes cast on Resolution 6 by any member of the Key Management Personnel of the Company, or a closely related party of such member, acting as proxy if their appointment does not specify the way the proxy is to vote on Resolution 6. However, the Company will not disregard any votes cast on Resolution 6 by such person if:

- (a) the Proxy Form specifies how the proxy is to vote on the Resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair of the Meeting voting an undirected proxy and their appointment expressly authorises the Chair to exercise the proxy even though Resolution 6 is connected with the remuneration of the Key Management Personnel of the Company.

8. RESOLUTION 7 – APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR WAYNE TAYLOR, MANAGING DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That, for the purpose of Listing Rule 10.14, sections 208, 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of up to 4,850,000 Performance Rights (on a pre-Consolidation basis) under the Long Term Incentive Plan to Mr Wayne Taylor (or his nominee), on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on Resolution 7 by any Director of the Company (who is eligible to participate in the employee incentive scheme in respect of which the approval is sought), and any person associated with those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy, appointed in writing that specifies how the Proxy is to vote on the Resolution, for a person who is entitled to vote, and it is not cast on behalf of Mr Taylor and any associate of Mr Taylor; or
- (b) it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A vote must not be cast on this Resolution by a member of the Key Management Personnel, or a closely related party of a Key Management Personnel, acting as proxy if their appointment does not specify the way the proxy is to vote on this Resolution. However, the Company will not disregard any proxy votes cast on that Resolution by a Key Management Personnel if the Key Management Personnel is the chairman of the Meeting acting as proxy and their appointment expressly authorised the proxy even though the Resolution is connected with the remuneration of the Key Management Personnel for the Company.

Where the Chair is the related party the subject of the Resolution or is an associate of the related party, the Chair cannot cast undirected proxies in respect of the Resolution.

9. RESOLUTION 8 – APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR STEPHEN DENNIS, CHAIRMAN

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That, for the purpose of Listing Rule 10.14, sections 208, 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of up to 1,150,000 Performance Rights (on a pre-Consolidation basis) under the Long Term Incentive Plan to Mr Stephen Dennis (or his nominee), on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on Resolution 8 by any Director of the Company (who is eligible to participate in the employee incentive scheme in respect of which the approval is sought), and any person associated with those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy, appointed in writing that specifies how the Proxy is to vote on the Resolution, for a person who is entitled to vote, and it is not cast on behalf of Mr Dennis and any associate of Mr Dennis; or

- (b) it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A vote must not be cast on this Resolution by a member of the Key Management Personnel, or a closely related party of a Key Management Personnel, acting as proxy if their appointment does not specify the way the proxy is to vote on this Resolution. However, the Company will not disregard any proxy votes cast on that Resolution by a Key Management Personnel if the Key Management Personnel is the chairman of the Meeting acting as proxy and their appointment expressly authorised the proxy even though the Resolution is connected with the remuneration of the Key Management Personnel for the Company.

Where the Chair is the related party the subject of the Resolution or is an associate of the related party, the Chair cannot cast undirected proxies in respect of the Resolution.

10. RESOLUTION 9 – APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MS FIONA ROBERTSON, NON EXECUTIVE DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That, for the purpose of Listing Rule 10.14, sections 208, 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of up to 900,000 Performance Rights (on a pre-Consolidation basis) under the Long Term Incentive Plan to Ms Fiona Robertson (or her nominee), on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on Resolution 9 by any Director of the Company (who is eligible to participate in the employee incentive scheme in respect of which the approval is sought), and any person associated with those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy, appointed in writing that specifies how the Proxy is to vote on the Resolution, for a person who is entitled to vote, and it is not cast on behalf of Ms Robertson and any associate of Ms Robertson; or
- (b) it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A vote must not be cast on this Resolution by a member of the Key Management Personnel, or a closely related party of a Key Management Personnel, acting as proxy if their appointment does not specify the way the proxy is to vote on this Resolution. However, the Company will not disregard any proxy votes cast on that Resolution by a Key Management Personnel if the Key Management Personnel is the chairman of the Meeting acting as proxy and their appointment expressly authorised the proxy even though the Resolution is connected with the remuneration of the Key Management Personnel for the Company.

Where the Chair is the related party the subject of the Resolution or is an associate of the related party, the Chair cannot cast undirected proxies in respect of the Resolution.

11. RESOLUTION 10 – APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR BORDEN PUTNAM III, NON EXECUTIVE DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That, for the purpose of Listing Rule 10.14, sections 208, 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of up to 900,000 Performance Rights (on a pre-Consolidation basis) under the Long Term Incentive Plan to Mr Borden Putnam III (or his nominee), on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on Resolution 10 by any Director of the Company (who is eligible to participate in the employee incentive scheme in

respect of which the approval is sought), and any person associated with those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy, appointed in writing that specifies how the Proxy is to vote on the Resolution, for a person who is entitled to vote, and it is not cast on behalf of Mr Putnam and any associate of Mr Putnam; or
- (b) it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A vote must not be cast on this Resolution by a member of the Key Management Personnel, or a closely related party of a Key Management Personnel, acting as proxy if their appointment does not specify the way the proxy is to vote on this Resolution. However, the Company will not disregard any proxy votes cast on that Resolution by a Key Management Personnel if the Key Management Personnel is the chairman of the Meeting acting as proxy and their appointment expressly authorised the proxy even though the Resolution is connected with the remuneration of the Key Management Personnel for the Company.

Where the Chair is the related party the subject of the Resolution or is an associate of the related party, the Chair cannot cast undirected proxies in respect of the Resolution.

12. **RESOLUTION 11 – APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR MARK SAWYER, NON EXECUTIVE DIRECTOR**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That, for the purpose of Listing Rule 10.14, sections 208, 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of up to 900,000 Performance Rights (on a pre-Consolidation basis) under the Long Term Incentive Plan to Mr Mark Sawyer (or his nominee), on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on Resolution 11 by any Director of the Company (who is eligible to participate in the employee incentive scheme in respect of which the approval is sought), and any person associated with those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy, appointed in writing that specifies how the Proxy is to vote on the Resolution, for a person who is entitled to vote, and it is not cast on behalf of Mr Sawyer and any associate of Mr Sawyer; or
- (b) it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A vote must not be cast on this Resolution by a member of the Key Management Personnel, or a closely related party of a Key Management Personnel, acting as proxy if their appointment does not specify the way the proxy is to vote on this Resolution. However, the Company will not disregard any proxy votes cast on that Resolution by a Key Management Personnel if the Key Management Personnel is the chairman of the Meeting acting as proxy and their appointment expressly authorised the proxy even though the Resolution is connected with the remuneration of the Key Management Personnel for the Company.

Where the Chair is the related party the subject of the Resolution or is an associate of the related party, the Chair cannot cast undirected proxies in respect of the Resolution.

13. **RESOLUTION 12 – APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR PETER ROZENAUEERS, NON EXECUTIVE DIRECTOR**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That, for the purpose of Listing Rule 10.14, sections 208, 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of up

to 900,000 Performance Rights (on a pre-Consolidation basis) under the Long Term Incentive Plan to Mr Peter Rozenauers (or his nominee), on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on Resolution 12 by any Director of the Company (who is eligible to participate in the employee incentive scheme in respect of which the approval is sought), and any person associated with those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy, appointed in writing that specifies how the Proxy is to vote on the Resolution, for a person who is entitled to vote, and it is not cast on behalf of Mr Rozenauers and any associate of Mr Rozenauers; or
- (b) it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A vote must not be cast on this Resolution by a member of the Key Management Personnel, or a closely related party of a Key Management Personnel, acting as proxy if their appointment does not specify the way the proxy is to vote on this Resolution. However, the Company will not disregard any proxy votes cast on that Resolution by a Key Management Personnel if the Key Management Personnel is the chairman of the Meeting acting as proxy and their appointment expressly authorised the proxy even though the Resolution is connected with the remuneration of the Key Management Personnel for the Company.

Where the Chair is the related party the subject of the Resolution or is an associate of the related party, the Chair cannot cast undirected proxies in respect of the Resolution.

14. **RESOLUTION 13 – APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR RICARDO DE ARMAS, NON EXECUTIVE DIRECTOR**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That, for the purpose of Listing Rule 10.14, sections 208, 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of up to 900,000 Performance Rights (on a pre-Consolidation basis) under the Long Term Incentive Plan to Mr Ricardo De Armas (or his nominee), on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on Resolution 13 by any Director of the Company (who is eligible to participate in the employee incentive scheme in respect of which the approval is sought), and any person associated with those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy, appointed in writing that specifies how the Proxy is to vote on the Resolution, for a person who is entitled to vote, and it is not cast on behalf of Mr De Armas and any associate of Mr De Armas; or
- (b) it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A vote must not be cast on this Resolution by a member of the Key Management Personnel, or a closely related party of a Key Management Personnel, acting as proxy if their appointment does not specify the way the proxy is to vote on this Resolution. However, the Company will not disregard any proxy votes cast on that Resolution by a Key Management Personnel if the Key Management Personnel is the chairman of the Meeting acting as proxy and their appointment expressly authorised the proxy even though the Resolution is connected with the remuneration of the Key Management Personnel for the Company.

Where the Chair is the related party the subject of the Resolution or is an associate of the related party, the Chair cannot cast undirected proxies in respect of the Resolution.

15. **RESOLUTION 14 – APPROVAL TO INCREASE AGGREGATE FEE POOL FOR NON-EXECUTIVE DIRECTORS**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

That, for the purpose of Listing Rule 10.17, the Company's Constitution and for all other purposes, the aggregate amount of fees that may be paid to non-executive Directors as a whole be increased from \$500,000 to an aggregate of \$750,000 per annum, effective from 29 November 2017.

Voting Exclusion: The Company will disregard any votes cast on Resolution 14 by any Director of the Company, and any person associated with the Directors. However, the Company need not disregard a vote if:

- (a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the person is the Chair of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will disregard any votes cast on Resolution 14 by any member of the Key Management Personnel of the Company, or a closely related party of such member, acting as proxy if their appointment does not specify the way the proxy is to vote on Resolution 14. However, the Company will not disregard any votes cast on Resolution 14 by such person if:

- (a) the Proxy Form specifies how the proxy is to vote on the Resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair of the Meeting voting an undirected proxy and their appointment expressly authorises the Chair to exercise the proxy even though Resolution 14 is connected with the remuneration of the Key Management Personnel of the Company.

EXPLANATORY STATEMENT

The Explanatory Statement accompanying this Notice of Meeting is incorporated in and comprises part of this Notice of Meeting.

Shareholders are specifically referred to the glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice of Meeting and the Explanatory Statement.

PROXIES

Please note that:

- (a) a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. An appointment of corporate representative form is enclosed if required.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, Simon Smith on +61 2 9119 8111 if they have any queries in respect of the matters set out in this document.

BY ORDER OF THE BOARD OF DIRECTORS



STEPHEN DENNIS
Non-executive Chairman
Heron Resources Limited

20 October 2017

The Notice of Annual General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's 2017 Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting preceding this Explanatory Statement. Capitalised terms in this Explanatory Statement are defined in the glossary to this document.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice of Annual General Meeting, please contact the Company Secretary, your stockbroker or other professional adviser.

The information circular containing additional interest prepared in accordance with National Instrument 51-102 – Continuous Disclosure Obligation adopted by Canadian Securities Administrators is attached at Annexure B.

2. FINANCIAL STATEMENTS AND REPORTS – PERIOD 1 JULY 2016 – 30 JUNE 2017

The Corporations Act requires the annual financial report, directors' report and the auditor's report (**Annual Financial Statements**) be received and considered at the Annual General Meeting. The Annual Financial Statements for the period ended 30 June 2017 are included in the Company's Financial Report, Director's Report and Auditor's Report, a copy of which can be accessed on-line at www.heeronresources.com.au. Alternatively, a hard copy will be made available on request.

There is no requirement for Shareholders to approve these reports and no vote will be taken on the Annual Financial Statements. However, Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Annual Financial Statements and the management of the Company.

The Company's auditor, Ernst & Young, will be present at the Annual General Meeting and Shareholders will have the opportunity ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the Annual Financial Statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 22 November 2017 to:

Mr Simon Smith
Company Secretary
Heron Resources Limited
Suite 702, 191 Clarence Street
Sydney NSW 2000
Email: ssmith@heeronresources.com.au

3. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (NON-BINDING RESOLUTION)

3.1 Background

Pursuant to Section 250R(2) of the Corporations Act, the Company submits to Shareholders for consideration and adoption, by way of a non-binding resolution, its remuneration report for the year ended 30 June 2017 (the **Remuneration Report**). The Remuneration Report is a distinct section of the annual directors' report (the **Directors' Report**) which deals with the remuneration of Directors, executives and senior managers of the Company. More particularly, the Remuneration Report can be found within the Directors' Report in the Company's 2017 Annual Report. The Annual Report is currently available on the Company's website at www.heronresources.com.au.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out the remuneration details for each Director and executive officer named in the Remuneration Report for the financial year ended 30 June 2017.

The remuneration levels for Directors, executives and senior managers are competitively set to attract and retain appropriate Directors and key management personnel.

The Chair of the Annual General Meeting will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

3.2 Regulatory Requirements

The Corporations Act provides that Resolution 1 need only be an advisory vote of Shareholders and does not bind the Directors. However, the Corporations Act provides that if the Company's Remuneration Report resolution receives a "no" vote of 25% or more of votes cast at the Annual General Meeting, the Company's subsequent Remuneration Report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for not making any changes. The Board will take into account the outcome of the vote when considering the remuneration policy, even if it receives less than a 25% "no" vote.

In addition, sections 250U and 250V of the Corporations Act sets out a "two strikes" re-election process, pursuant to which:

- (a) if, at a subsequent annual general meeting (**Later Annual General Meeting**), at least 25% of the votes cast on a resolution that the remuneration report be adopted are against the adoption of that remuneration report;
- (b) at the immediately preceding annual general meeting (**Earlier Annual General Meeting**), at least 25% of the votes cast on a resolution that the remuneration report be adopted were against the adoption of that remuneration report; and
- (c) a resolution was not put to the vote at the Earlier Annual General Meeting under an earlier application of section 250V of the Corporations Act,

then the Company must put to vote at the Later Annual General Meeting a resolution, requiring Shareholders to vote on whether the Company must hold another general meeting (**Spill Meeting**) to consider the appointment of all of the Directors at the time the Directors Report was approved by the Board who must stand for re-appointment (other than the Managing Director) (**Spill Resolution**). The Spill Resolution may be passed as an ordinary resolution.

If the Spill Resolution is passed, the Spill Meeting must be held within 90 days after the Spill Resolution is passed. All of the Company's Directors who were Directors at the time when the resolution to make the Directors' Report was passed (excluding the Managing Director of the Company who may, in accordance with the ASX Listing Rules, continue to hold office

indefinitely without being re-elected to the office) cease to hold office immediately before the end the Spill Meeting and may stand for re-election at the Spill Meeting.

At the Company's 2016 annual general meeting, less than 25% of the eligible votes cast in respect of the 2015 Remuneration Report were cast against the adoption of the 2016 remuneration report. Accordingly, a Spill Resolution will not be put to the Meeting even if 25% or more of the votes cast in respect of the 2017 Remuneration Report are against the adoption of the 2017 Remuneration Report.

3.3 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

4. RESOLUTION 2 – RE-ELECTION OF BORDEN PUTNAM III AS A DIRECTOR

4.1 Background

In accordance with Listing Rule 14.5 and clause 12.3 of the Company's Constitution, at every annual general meeting an election of Directors must take place. Listing Rule 14.4 prevents a Director from holding office (without re-election) past the third annual general meeting following the Director's appointment or 3 years, whichever is longer.

For this reason, Mr Borden Putnam III retires and, being eligible, offers himself for re-election as a Director.

Mr Putnam is a professional geologist with over 38 years of experience in the mineral industry, with focus on exploration and asset evaluations in the mineral investment business. From 1976-1991 he worked as a Project Geologist and a District Manager for AMAX Exploration and Newmont Exploration Limited respectively. He served as Vice-President and Chief Geologist for MRDI (now AMEC) an internationally recognized mining consultancy firm from 1991-1996. Mr. Putnam was Vice-President and Principal with Robertson Stephens Investment Management from 1996-2001, and from 2001-2009 was Managing Director of Eastbourne Capital Management; both firms which were engaged in mineral investment management principally as private hedge funds. In 2009, Mr Putnam, established his mining industry consultancy business providing technical evaluations, due diligence audits and investment advice to clients in the mineral resource industry.

Mr Putnam was first appointed on 12 February 2015 and is currently a non-executive Director of the Company.

Further details about Mr Putnam are set out in the Company's 2017 Annual Report which is available at www.heronresources.com.au.

4.2 Board Recommendation

The Directors (other than Mr Putnam) unanimously recommend that Shareholders vote in favour of Resolution 2.

5. RESOLUTION 3 – RE-ELECTION OF PETER ROZENAUEERS AS A DIRECTOR

5.1 Background

Mr Peter Rozenauers was appointed a Director of the Company on 22 September 2017 as an additional Director to the Board.

In accordance with Listing Rule 14.4 and clause 14.3(b) of the Company's Constitution, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office, without re-election, past the next general meeting of the Company.

For this reason, Mr Peter Rozenauers seeks re-election as a Director.

Mr Peter Rozenauers is a Portfolio Manager with Orion Mine Finance (**Orion**) and has over 25 years of experience in the natural resources and finance industry. He earned a BEng (Honours I) in Mining from the University of NSW, a Master in Applied Finance from the University of Technology Sydney and is a member of the Australasian Institute of Mining and Metallurgy. Prior to Orion, Mr Rozenauers was a Senior Investment Manager for a

predecessor business of Orion, and prior to that was the Managing Director and Head of Asian Commodities Distribution for Barclays Capital in Singapore, a leading global investment bank. Mr Rozenauers spent over 13 years working in senior banking roles in Singapore, New York and London. Mr Rozenauers is a non-executive director of Blackham Resources Ltd (ASX), non-executive director of MacPhersons Resources Limited (ASX) and chairman of Lynx Resources, a private company.

5.2 Board Recommendation

The Directors (other than Mr Peter Rozenauers) unanimously recommend that Shareholders vote in favour of Resolution 3.

6. RESOLUTION 4 – RE-ELECTION OF RICARDO DE ARMAS AS A DIRECTOR

6.1 Background

Mr Ricardo De Armas was appointed a Director of the Company on 22 September 2017 as an additional Director to the Board.

In accordance with Listing Rule 14.4 and clause 14.3(b) of the Company's Constitution, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office, without re-election, past the next general meeting of the Company.

For this reason, Mr Ricardo De Armas seeks re-election as a Director.

Mr Ricardo De Armas is an investment professional at Castlelake LP (**Castlelake**), where he focuses on emerging market investments. Mr De Armas has more than 10 years experience in investment and corporate finance, including roles as vice president at De Jong Capital, principal at Zaff Capital, associate at Citigroup's investment banking division, and financial analyst at Proctor & Gamble. His expertise includes value investments, restructuring and financial advisory. Mr De Armas received his M.B.A. from Harvard Business School and a B. S. From Universidad Metropolitana in Business Administration. Mr De Armas is a resident of the USA.

6.2 Board Recommendation

The Directors (other than Mr Ricardo De Armas) unanimously recommend that Shareholders vote in favour of Resolution 4.

7. RESOLUTION 5 – CONSOLIDATION

7.1 Background

Resolution 5 seeks Shareholder approval for the Company to consolidate its issued Share capital through the conversion of every ten (10) Shares into one (1) Share (**Consolidation**).

7.2 Regulatory requirements

Pursuant to section 254H(1) of the Corporations Act, the Company may convert all or any of its Shares into a larger or smaller number of Shares by ordinary resolution passed at a general meeting. The result of the Consolidation is that each member's security holding will be reduced to 10% of its current level.

In compliance with the information requirements of Listing Rule 7.20, Shareholders are advised of the information:

(a) Effect of the Consolidation

If this Resolution is approved, every ten (10) Shares on issue will be consolidated into one (1) Share (subject to rounding). Overall, this will result in the number of Shares on issue reducing from 2,416,661,640 to approximately 241,666,164 (subject to rounding).

As the Consolidation applies equally to all Shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject to rounding). Accordingly, assuming no other market movements or impacts occur, the

Consolidation will have no effect on the percentage interest in the Company of each Shareholder.

The Consolidation will not result in any change to the substantive rights and obligations of existing Shareholders.

(b) **Fractional entitlements**

Where the Consolidation results in an entitlement to a fraction of a Share, that fraction will be rounded up to the next whole number of Shares. Each member's proportional interest in the Company's issued capital will, however, remain unchanged as a result of the Consolidation (other than minor variations resulting from rounding).

(c) **Proposed treatment of convertible securities**

If the Consolidation is approved:

- (i) in accordance with Listing Rule 7.22.1, all Options issued by the Company will be consolidated in the same ratio as the Shares, and their exercise price will be amended in inverse proportion to that ratio; and
- (ii) in the case of all performance rights issued by the Company, the number of Shares to be received upon vesting of the performance rights will be reorganised so that the holder of the performance rights will not receive a benefit that Shareholders will not receive.

7.3 Purpose of proposed resolution

The Directors propose the Consolidation as the Consolidation will result in a more appropriate and effective capital structure for the Company and a share price more appealing to a wider range of investors, particularly institutional, globally.

The Company currently has 2,416,661,640 Shares on issue, which for a company of its size, is a very large number and subjects Shareholders to several disadvantages, including:

- (a) poor market perception as investors equate the low share price with the perception of a troubled or poorly performing company;
- (b) vulnerability to speculative day-trading and short selling, which generates Share price volatility; and
- (c) discouraging quality, long term institutional investors, equity funds and lending institutions seeking stability and long term growth.

The Board believes these factors can be minimised by the Consolidation.

7.4 Holding statements

Taking effect from the date of the Consolidation, all existing holding statements will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post-Consolidation basis. New holding statements will be issued to security holders, who are encouraged to check their holdings after the Consolidation.

7.5 Taxation

The Consolidation should not result in a capital gains tax event for Australian tax residents. The cost base of the Shares held after the Consolidation will be the sum of the cost bases of the original Shares pre-Consolidation. The acquisition date of Shares held after the Consolidation will be the same as the date on which the original Shares were acquired.

This Explanatory Statement does not however consider the tax implications in respect of Shares or other securities held on revenue account, as trading stock or by non-resident Shareholders. Shareholders should consider their own circumstances and seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers or employees assumes any liability or responsibility for advising Shareholders or other security holders about the tax consequences of the proposed Consolidation.

7.6 Indicative timetable

If approved by Shareholders, the proposed Consolidation will take effect on 5 December 2017. The following is an indicative timetable (subject to change) of the key events:

Event	Date
General Meeting	29 November 2017
Notification to ASX that Consolidation is approved	29 November 2017
Last day for trading in pre-consolidated securities	30 November 2017
Trading in the consolidated securities on a deferred settlement basis commences	1 December 2017
Last day to register transfers on a pre-Consolidation basis	4 December 2017
Registration of securities on a post-Consolidation basis	5 December 2017
Despatch of new holding statements	5 December 2017
Deferred settlement trading ends	11 December 2017
Normal trading starts	12 December 2017

7.7 Board recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

8. RESOLUTION 6 – APPROVAL OF LONG TERM INCENTIVE PLAN

8.1 Background

The Directors considered that it was desirable to establish an employee equity incentive plan pursuant to which employees may be offered the opportunity to be granted performance rights (**Performance Rights**) and options (**Options**) to acquire Shares in the Company. Accordingly, the Directors adopted the Long Term Incentive Plan (**Plan**) on 12 October 2017.

The purpose of the Plan is to:

- (a) reward employees of the Company;
- (b) assist in the retention and motivation of employees of the Company; and
- (c) provide an incentive to Directors and employees of the Company to grow shareholder value by providing them with an opportunity to receive an ownership interest in the Company.

The Board is seeking shareholder approval for the Plan in accordance with the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition).

In addition, approval is sought under Listing Rule 7.2 (Exception 9(b)) which provides an exemption from the Listing Rule 7.1 15% annual limit on securities issued under an employee share incentive scheme provided, within three years before the date of issue, shareholders have approved the issue of securities under the plan. In the absence of such approval, the issue can still occur but is counted as part of the Listing Rule 7.1 15% limit which would otherwise apply during a 12 month period.

8.2 Regulatory Requirements – Listing Rules

The following information is provided to Shareholders for the purpose of Listing Rule 7.2 Exception 9(b):

- (a) Previous issues of Performance Rights or Options (together, **Awards**) - This is the first approval sought under Listing Rule 7.2 Exception 9(b) with respect to the Plan. No Performance Rights or Options have previously been issued under the Plan.
- (b) A summary of the terms of the Plan is set out in Schedule 1.

- (c) A voting exclusion statement for Resolution 6 is included in the Notice of Annual General Meeting preceding this Explanatory Statement.

8.3 Regulatory Requirements – Corporations Act

The Corporations Act restricts the benefits that can be given to persons who hold a “managerial or executive office” (as defined in the Corporations Act) on leaving their employment with the Company or any of its related bodies corporate.

Under Section 200B of the Corporations Act, a company may only give a person a benefit in connection with them ceasing to hold a managerial or executive office if the benefit is approved by shareholders or an exemption applies.

The term “benefit” has a wide meaning and may include benefits resulting from the Board exercising certain discretions under the rules of the Plan.

If Shareholder approval is given under this Resolution the Company will still be required to comply with Listing Rules 10.18 and 10.19, which place restrictions on the circumstances in which termination benefits can be paid and a cap on the value of termination benefits that can be paid to officers of the Company.

Details of Termination Benefit

The Board possesses the discretion to determine, where a participant ceases employment before the vesting or exercise of their Awards, that some or all of the Awards do not lapse.

The exercise of this discretion may constitute a “benefit” for the purposes of section 200B of the Corporations Act.

In addition, a participant may become entitled to accelerated vesting or automatic vesting of Awards if there is a change of control of the Company. This accelerated or automatic vesting of Awards may constitute a “benefit” for the purposes of section 200B of the Corporations Act.

The Company is therefore seeking Shareholder approval for the exercise of the Board’s discretions and for the provision of such accelerated or automatic vesting rights in respect of any current or future participant in the Plan who holds:

- (a) a managerial or executive office in the Company (or any of its related body corporate) at the time of their leaving or at any time in the three years prior to their leaving; and
- (b) Awards under the Plan at the time of their leaving.

The Board’s current intention is to only exercise the above discretion:

- (c) where the employee leaves employment without fault on their part; and
- (d) so as only to preserve that number of unvested Awards as are pro-rated to the date of leaving.

Provided Shareholder approval is given, the value of these benefits may be disregarded when applying Section 200F(2)(b) or Section 200G(1)(c) of the Corporations Act (i.e. the approved benefit will not count towards the statutory cap under the legislation).

Value of the Termination Benefits

The value of the termination benefits that the Board may give under the Plan cannot be determined in advance. This is because various matters will or are likely to affect that value. In particular, the value of a particular benefit will depend on factors such as the Company’s Share price at the time of vesting and the number of Awards that vest.

The following additional factors may also affect the benefit’s value:

- (a) the participant’s length of service and the portion of vesting periods at the time they cease employment;
- (b) the status of the performance hurdles attaching to the Awards at the time the participant’s employment ceases; and
- (c) the number of unvested Awards that the participant holds at the time they cease employment or at the time the change of control occurs (as applicable).

8.4 Regulatory Requirements – TSX requirement

The rules of TSX provide that all unallocated options, rights or other entitlements under a security based compensation arrangement which does not have a fixed number of maximum securities issuable, be approved every three (3) years. As such, the Company shall have the ability to continue granting Awards under the Plan until 29 November 2020, which is the date that is three (3) years from the date of the Meeting at which Shareholder approval is being sought to approve the Plan.

8.5 Board Recommendation

Each of the Directors have an interest in the outcome of Resolution 6 and accordingly do not make a voting recommendation to Shareholders.

9. RESOLUTIONS 7 TO 13 – APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO THE DIRECTORS

9.1 Background

Shareholders are being asked to approve Resolutions 7 to 13 to allow Performance Rights that may vest under the Long Term Incentive Plan to be issued to the Directors, as set out below.

The Board, in conjunction with the Remuneration and Nomination Committees, has determined that the grant of Performance Rights under the Long Term Incentive Plan to the Directors is an appropriate form of long term incentive. The Board considers that each of the Directors is essential to the operation of Heron's ongoing business.

Accordingly, the Company is proposing, subject to obtaining Shareholder approval, to issue the following Performance Rights (on a pre-Consolidation basis) to the Director(s) under Long Term Incentive Plan:

Resolution	Director	Number of Performance Rights ¹	Conditions
7	Mr Wayne Taylor	4,850,000	Performance hurdle: Relative TSR (described below) Vesting date: 1 July 2020
8	Mr Stephen Dennis	1,150,000	
9	Ms Fiona Robertson	900,000	
10	Mr Borden Putnam III	900,000	
11	Mr Mark Sawyer	900,000	
12	Mr Peter Rozenauers	900,000	
13	Mr Ricardo De Armas	900,000	
TOTAL		10,500,000	

Note 1: The number of Performance Rights in the above table are stated on a pre-Consolidation basis.

Under the terms of the Performance Rights to be issued to the Directors, the Performance Rights will not vest (and the underlying Shares will not be issued) unless certain performance conditions have been satisfied. The grant of performance rights is designed to reward long term sustained business performance measured by relative TSR performance conditions over a 3 year period ending on 30 June 2020. The percentage of Performance Rights that will vest will be determined by the Company's performance from 1 July 2017 to 30 June 2020 relative to a specified comparator group of similar ASX and globally listed companies (**Comparator Group**) during that period (**Performance Hurdle**). The Performance Hurdle will take into account the position of the Company's total shareholder return in relation to the Comparator Group, and the Performance Rights will vest in the following proportions:

Heron TSR rank	Percentage of Performance Rights to vest on the Vesting Date
Below 50 th percentile	0%
Between 50 th percentile and 75 th percentile	Increases on a straight-line basis from 1% to 100%
Over 75 th percentile	100%

In determining Directors' remuneration packages, including this proposed issue of Performance Rights under the Loan Term Incentive Plan, the Board and Remuneration and Nominations Committee considered the scope of the Directors' roles, the business challenges facing Heron and market practice for the remuneration of officers in positions of similar responsibility. Accordingly, they determine this proposed grant of Performance Rights is appropriate.

9.2 Regulatory Requirements

Resolutions 7 to 13 seek Shareholder approval in order to comply with the requirements of Listing Rule 10.14 and sections 208, 200B and 200E of the Corporations Act.

9.3 Listing Rules

Listing Rule 10.11 provides a general restriction against issuing securities to directors without shareholder approval.

Listing Rule 10.14 provides that a company must not issue Equity Securities to a director of the company under an employee incentive scheme unless the issue has been approved by holders of ordinary securities. If approval is given by shareholders under Listing Rule 10.14, separate shareholder approval is not required under Listing Rule 10.11.

Under Resolutions 7 to 13, Heron seeks approval from Shareholders for the issue of Performance Rights to the Directors, each of whom are related parties of the Company.

Listing Rule 10.15A

In compliance with the information requirements of Listing Rule 10.15A, Shareholders are advised of the following information:

- (a) **Nature of relationship between person to receive securities and the Company**
The Performance Rights are proposed to be issued to the Directors, each of whom are related parties of Heron.
- (b) **Maximum number of securities that may be acquired pursuant to Resolutions 7 to 13**
The maximum number of Performance Rights to be issued to each Director is outlined in section 9.1. In the event of Shareholder approval for Resolution 5, the Performance Rights will be consolidated in accordance with section 7.2(c)(ii) as if they had been issued prior to Consolidation. Accordingly, on a post-Consolidation basis, a total of 1,050,000 Performance Rights will be issued pursuant to Resolutions 7 to 13.
- (c) **Issue price**
The Performance Rights will be issued for nil consideration.
- (d) **Previous issues under the Long Term Incentive Plan**
There have been no previous issues of securities under the Long Term Incentive Plan.
- (e) **Eligible participants under the Long Term Incentive Plan**
Under the Long Term Incentive Plan, Performance Rights may be issued to Messrs Wayne Taylor, Stephen Dennis, Borden Putnam III, Mark Sawyer, Peter Rozenauers and Ricardo De Armas and Ms Fiona Robertson (and/or their respective nominees). These recipients are the only people referred to in Listing

Rule 10.14 currently eligible to participate in the Long Term Incentive Plan. Any additional persons who become entitled to participate in the Long Term Incentive Plan after these Resolutions are approved and who are not named in this Notice of Annual General Meeting will not participate until approval is obtained under Listing Rule 10.14.

(f) **Issue date**

The latest date that the Company will issue Performance Rights under Resolutions 7 to 13 will be no later than three years after the date of the Annual General Meeting.

(g) **Loan**

No loans have or will be made by the Company in connection with the relevant Performance Rights.

(h) **Reporting**

Details of any securities issued under the Long Term Incentive Plan will be published in each annual report of the Company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under Listing Rule 10.14.

(i) **Voting exclusion statement**

A voting exclusion statements for Resolutions 7 to 13 are included in the Notice of Annual General Meeting preceding this Explanatory Statement.

9.4 Section 208 Corporations Act

Chapter 2E of the Corporations Act regulates the provision of “financial benefits” to “related parties” by a public company. Chapter 2E prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

A “related party” is widely defined under the Corporations Act, and includes the directors of the company. As such, the Directors of Heron are related parties of the Company for the purposes of Section 208 of the Corporations Act.

A “financial benefit” is construed widely and in determining whether a financial benefit is being given, Section 229 of the Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit. Section 229 of the Corporations Act includes as an example of a financial benefit, the issuing of securities or the granting of an option to a related party.

The issue of the Performance Rights under Resolutions 7 to 13 constitute the provision of a financial benefit to related parties of the Company.

In compliance with the information requirements of Section 219 of the Corporations Act, Shareholders are advised of the information below. Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 7 to 13.

(a) **Identity of the related parties to whom Resolutions 7 to 13 permits financial benefits to be given.**

The Performance Rights are proposed to be issued to each of the Directors, each of whom are a related party of Heron.

(b) **Nature of the financial benefit**

Resolutions 7 to 13 seek approval from Shareholders to allow the Company to issue a total of 10,500,000 Performance Rights (on a pre-Consolidation basis) to the Directors for nil consideration in accordance with the table at section 9.1 above.

Section 9.1 of this Explanatory Memorandum and Schedule 1 of this Notice of Meeting sets out the key terms and conditions of the Performance Rights including, the performance conditions attached to the Performance Rights.

The Shares to be issued upon vesting of the Performance Rights will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares. The Company will apply for official quotation of the Shares on ASX.

The Directors consider that the issue of Performance Rights to its personnel are a cost effective and efficient means for the Company to provide incentive to its personnel as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. The Company considers that, to enable the Company to secure and retain employees and directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The issue of the Performance Rights is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant Shareholdings in the Company.

The Company reviewed the practices of other companies of a similar size and stage of development to determine the number of Performance Rights required to be issued to attract and retain senior directors. Based on that review, the Board determined the number of Performance Rights proposed in Resolutions 7 to 13 to be appropriate.

(c) **Valuation of financial benefit**

The Company is proposing to issue a total of 10,500,000 Performance Rights (on a pre-Consolidation basis) under Resolutions 7 to 13. The indicative fair value of the Performance Rights as at the date of grant is \$619,500 (based on \$0.059 per Performance Right).

The Company has engaged Independent Valuation specialist, Maven Libera, to calculate the fair values using a Monte Carlo simulation methodology. Full details in respect of this valuation, including the valuation methodology is set out in Annexure A.

(d) **Company's historical share price**

The following table gives details of the highest, lowest and latest closing prices of the Company's Shares trading on ASX over the past 12 months before the date of this Notice of Meeting:

	Price	Date
Highest	\$0.145	24, 28 & 29 November 2016
Lowest	\$0.065	2 October 2017
Last	\$0.080	19 October 2017

(e) **Dilution**

If the Performance Rights vest and are exercised, the effect will be to dilute the holdings of Shares of other Shareholders. The issue of the Performance Rights will in aggregate be equal to approximately 0.43% of the Company's fully-diluted share capital assuming implementation of all the Resolutions (not including Consolidation) and exercise of all the Performance Rights granted pursuant to the Resolutions (based on the number of Shares and Options on issue as at the date of this Notice of Annual General Meeting), resulting in a total of 2,448,591,468 Shares (on a pre-Consolidation basis) on issue.

(f) **Interests of Directors in the Company**

The direct and indirect interests of the Directors in securities of the Company (on a pre-Consolidation basis) as at the date of this Notice of Annual General Meeting are:

Name	Security
Wayne Taylor	2,507,381 Shares 858,369 unlisted Options exercisable at \$0.07 on or before 20 November 2018 4,000,000 unlisted Options exercisable at \$0.072 on or before 4 December 2020.
Stephen Dennis	1,794,286 Shares 1,000,000 unlisted Options exercisable at \$0.072 on or before 4 December 2020.
Fiona Robertson	714,286 Shares 1,000,000 unlisted Options exercisable at \$0.072 on or before 4 December 2020.
Borden Putnam III	1,000,000 unlisted Options exercisable at \$0.072 on or before 4 December 2020.
Mark Sawyer	1,000,000 unlisted Options exercisable at \$0.072 on or before 4 December 2020.
Peter Rozenauers	Nil
Ricardo De Armas	Nil

(g) **For Directors: Remuneration of Directors**

Details of the remuneration of each Director, including their related entities, for the year ended 30 June 2017, is set out below.

The Company expects the total remuneration for each Director for the year ended 30 June 2018 to be similar to that set out below in respect of the previous financial year, other than Messrs Peter Rozenauers and Ricardo De Armas, each of whom are anticipated to receive \$70,000 plus 9.5% Superannuation Guarantee Contributions each.

Name	Base + Super	STI	Share Based Payment	Total Remuneration
Wayne Taylor	\$431,050	\$60,000	\$98,987	\$590,037
Stephen Dennis	\$109,613	\$30,000	\$24,786	\$164,399
Fiona Robertson	\$76,650	\$-	\$24,786	\$101,436
Borden Putnam III	\$76,650	\$-	\$24,786	\$101,436
Mark Sawyer	\$76,650	\$-	\$24,786	\$101,436
Peter Rozenauers	\$-	\$-	\$-	Nil
Ricardo De Armas	\$-	\$-	\$-	Nil

9.5 Sections 200B and 200E Corporations Act

The Corporations Act restricts the benefits that can be given to persons who hold a “managerial or executive office” (as defined in the Corporations Act) on leaving their employment with the Company or any of its related bodies corporate.

Under Sections 200B and 200E of the Corporations Act, a company may only give a person a benefit in connection with them ceasing to hold a managerial or executive office if the benefit is approved by shareholders or an exemption applies.

Amendments to the Corporations Act in 2009 significantly expanded the scope of these provisions and lowered the threshold for termination benefits that do not require shareholder approval. The term “benefit” has a wide meaning and may include benefits resulting from the Board exercising certain discretions under the rules of the Plan, including the discretion to determine the accelerated vesting or automatic vesting of Performance Rights in certain circumstances.

Under the Long Term Incentive Plan, a participant may become entitled to accelerated vesting or automatic vesting of Performance Rights if there is a change of control of the Company or if the Board exercises its discretion upon cessation of employment. Accordingly, Shareholder approval is sought for the Directors to be given any such benefit in connection with his retirement from office or employment with the Company if that occurs within 3 years of the date of this Meeting.

If Shareholder approval is given under Resolutions 7 to 13, the Company will still be required to comply with Listing Rules 10.18 and 10.19, which place restrictions on the circumstances in which termination benefits can be paid and a cap on the value of termination benefits that can be paid to officers of the Company.

The value of the benefit will depend on the number of Performance Rights that may vest and the market value of the Shares at the time of cessation of employment.

9.6 Board Recommendation

The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Performance Rights to the Directors pursuant to this Resolutions 7 to 13.

Each of the Directors has a material personal interest in the outcome of Resolutions 7 to 13 and accordingly do not make a voting recommendation to Shareholders.

10. RESOLUTION 14 – APPROVAL TO INCREASE AGGREGATE FEE POOL FOR NON-EXECUTIVE DIRECTORS

10.1 Background

Listing Rule 10.17 and clause 12.8 of the Constitution provide that the maximum aggregate amount of the remuneration payable to non-executive Directors is to be determined by Shareholders in a general meeting.

It has been 10 years since Shareholders last approved an increase in Directors’ fees.

The current maximum aggregate amount is \$500,000 per annum and includes superannuation guarantee contributions made by the Company in relation to the non-executive Directors.

This resolution seeks Shareholder approval to increase the maximum fees payable to non-executive Directors in each financial year from \$500,000 to \$750,000 in aggregate, to be apportioned between them as determined by Board resolution, or in the absence of a resolution, equally between them.

The proposed increase will allow for the expanded Board and adjustments for industry competitive fee levels over the next 3 years. It is proposed that for the 2017/2018 financial year, the Chairman be paid \$109,613 and each other non-executive Director be paid \$76,650 (inclusive in each case of superannuation guarantee contributions).

The reasons for the proposed increase are as follows.

- (a) The current aggregate non-executive Director fee pool limit of \$500,000 per annum was set in 2007;

- (b) Since this time, the Company has expanded its operations and is currently about to undertake the construction and ramp-up of its 100% Woodlawn Zinc-Copper Project.
- (c) Based on the current composition of the Board, including the recent appointment of two new non-executive Directors, the total fees payable to non-executive Directors for the 2017/2018 financial year will be approximately \$492,113.

The proposed increase to the non-executive Directors' fee pool is sought to provide for the Board's expansion and to allow for the Board to set fees in light of the future workload of non-executive Directors.

Details of the Board's policy in relation to setting non-executive Directors' fees and amounts paid to each Director for the year ending 30 June 2017 are set out in section 4 of 2017 Annual Report.

In accordance with Listing Rule 10.17, the following non-executive Directors have been issued the following securities (stated below on a pre-Consolidation basis) within the past three years pursuant to shareholder approval under Listing Rule 10.11 and 10.14:

Non-executive Director	Shares	Options	Price
Stephen Dennis	Nil	1,000,000	Nil cash consideration
Fiona Robertson	Nil	1,000,000	Nil cash consideration
Borden Putnam III	Nil	1,000,000	Nil cash consideration
Mark Sawyer	Nil	1,000,000	Nil cash consideration
Total	Nil	4,000,000	Nil

10.2 Board Recommendation

Mr Taylor recommends that Shareholders vote in favour of Resolution 14. Each of the non-executive Directors have an interest in the outcome of Resolution 14 and accordingly do not make a voting recommendation to Shareholders.

All Directors are excluded from voting on the Resolution.

GLOSSARY

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

2017 Annual Report	the Company's annual report dated 30 June 2017;
AEDT	Australian Eastern Daylight Time;
ASIC	Australian Securities and Investments Commission;
ASX	ASX Limited or the securities market operated by ASX Limited, as the context requires;
Board	board of Directors;
Chair	chairman of the Annual General Meeting;
Company or Heron	Heron Resources Limited (ABN 30 068 263 098);
Consolidation	the consolidation of Shares proposed under Resolution 5;
Constitution	constitution of the Company;
Corporations Act	<i>Corporations Act 2001</i> (Cth);
Director	director of the Company;
Directors' Report	the Directors' report contained in the 2017 Annual Report;
Equity Securities	has the meaning given to that term in the Listing Rules;
Explanatory Statement	the explanatory statement that accompanies this Notice of Annual General Meeting;
Key Management Personnel	key management personnel of the Company (as defined in Section 9 of the Corporations Act);
Meeting or Annual General Meeting	the annual general meeting convened by this Notice of Annual General Meeting;
Notice of Annual General Meeting or Notice of Meeting	this notice of Annual General Meeting;
Listing Rules or ASX Listing Rules	official listing rules of the ASX;
Long Term Incentive Plan or Plan	The plan adopted by the Board on 12 October 2017, a summary of which is set out in Schedule 1;
Option	option to subscribe for a Share;
Performance Right	a right to acquire a Share in accordance with the rules of the Long Term Incentive Plan;
Proxy Form	the proxy form enclosed with this Notice of Annual General Meeting;
Remuneration Report	the report contained in the Directors' Report dealing with the remuneration of the Key Management Personnel for the year ended 30 June 2017;
Resolution	resolution contained in this Notice of Annual General meeting;
Share	fully paid ordinary share in the capital of the Company;
Shareholder	holder of a Share in the Company; and
TSX	Toronto Stock Exchange.

SCHEDULE 1 – SUMMARY OF LONG TERM INCENTIVE PLAN

1. PARTICIPATION

The board of directors (“Board”) of Heron Resources Limited (“Company”) may from time to time in its sole and absolute discretion determine that a person who is an eligible employee under the Plan (“Eligible Employee”) may participate in the Plan.

2. OFFERS TO PARTICIPATE

Following a determination that an Eligible Employee may participate in the Plan, the Board may at any time and from time to time make an invitation to an Eligible Employee to apply for the grant of Performance Rights or Options (“Awards”) under the rules in respect of the operation of the Plan (“Rules”) to the Eligible Employee (“Offer”).

The terms and conditions of Awards offered or granted under the Rules to each Eligible Employee will be determined by the Board in its sole and absolute discretion and set out in an offer letter delivered to the Eligible Employee (“Offer Letter”). The Offer Letter will include as a minimum:

- (a) the date of the Offer;
- (b) the name of the Eligible Employee to whom the Offer is made;
- (c) the number and type of Award which are capable of becoming exercisable if the conditions (if any) are met;
- (d) the grant date;
- (e) in the case of an Option, the exercise price and the exercise period;
- (f) the expiry date (if any);
- (g) any applicable conditions associated with the Award;
- (h) any disposal or other restrictions attaching to the Award or the fully paid ordinary share (“Share”) issued upon exercise of the Award;
- (i) any rights attaching to the Awards; and
- (j) agreement with the Eligible Employee for the Company to supply details to third parties where required by law.

3. RULES OF THE PLAN

Under the Plan, Performance Rights and/or Options may be offered to Eligible Employees as determined by the Board.

The following is a summary of the key terms of the Plan:

- (a) **Nature of Awards:** Each Option or Performance Right entitles the participant holding the Option or Performance Right, to subscribe for, or be transferred, one Share. Any Share acquired pursuant to the exercise of an Award will rank equally with all existing Shares from the date of acquisition.
- (b) **No consideration:** An Eligible Employee will not pay anything for the grant of Awards.
- (c) **Conditions:** Awards may be subject to exercise conditions, performance hurdles or vesting conditions (“Conditions”). These Conditions must be specified in the Offer Letter to Eligible Employees. In the event that a takeover bid for the Company is declared unconditional, there is a change of control in the Company, or if a merger by way of a scheme of arrangement has been approved by a court, then the Board may determine that:
 - (i) all or a percentage of unvested Options will vest and become exercisable;

- (ii) all or a percentage of Performance Rights will be automatically exercised; and
 - (iii) any Shares issued or transferred to a participant under the Plan that have restrictions (on their disposal, the granting of any security interests in or over, or otherwise on dealing with), will be free from any restrictions on disposal.
- (d) **Vesting of Awards:** Awards will vest if and when any Conditions have been satisfied, waived by the Board, or are deemed to have been satisfied under the Rules, and the Company has issued a notice (“Vesting Notification”) to the participant informing them that some or all of their Awards have vested.
- (e) **Exercise of Awards:** The period during which a vested Award may be exercised will commence when a Vesting Notification has been issued by the Company and ends on the Expiry Date (as defined below). Vested Awards must be exercised by delivering to the Company a signed notice together all other required documents and in the case of vested Options, a cheque or cash or such other form of payment determined by the Board for the amount of the Exercise Price (if any).
- (f) **Lapse:**
- (i) Unvested Awards will generally lapse on the earlier of:
 - (A) the cessation of employment, engagement or office of a relevant person;
 - (B) the day the Board makes a determination that all unvested Awards and vested Options of the relevant person will lapse because, in the opinion of the Board a relevant person has acted fraudulently or dishonestly, or is in material breach of his or her duties or obligations to the Company;
 - (C) if any applicable Conditions are not achieved by the relevant time;
 - (D) if the Board determines that any applicable Conditions have not been met and cannot be met prior to the date that is 5 years from the grant date of an Award or any other date determined by the Board and as specified in the Offer (“Expiry Date”); or
 - (E) the Expiry Date.
 - (ii) Where a relevant person who holds Awards ceases employment with the Company and becomes a “Bad Leaver”, unvested Awards will lapse in accordance with paragraph (i) above and vested Options that have not been exercised will lapse on the date of cessation of employment, engagement or office. A Bad Leaver is a person who ceases employment or engagement with the Company in the following circumstances:
 - (A) as a result of termination of their employment or engagement due to serious and wilful misconduct, a material breach of their contract of employment, engagement or office, gross negligence or other conduct justifying termination without notice under their contract of employment, engagement or office or at common law;
 - (B) the relevant person ceases their employment, engagement or office for any reason and commences employment, engagement or office, or otherwise acts, in breach of any post-termination restrictions contained in his or her contract of employment, engagement or office; or
 - (C) the relevant person is disqualified from managing corporations for the purposes of Part 2D.6 Corporations Act.
- (g) **Good Leaver:** If a relevant person, who is classified as a “Good Leaver”, ceases employment, engagement or office with the Company, unless the Board determines otherwise, the persons Awards will lapse in accordance with the terms of the Plan

and vested Options that have not been exercised will continue in force and remain exercisable, subject to the satisfaction of any exercise conditions, until the Expiry Date. A Good Leaver is a person who is not a Bad Leaver, and includes where the relevant person's employment, engagement or office ceases due to death, permanent incapacity, redundancy, resignation, retirement or any other reason the Board determines in its discretion.

- (h) **No assignment:** Awards granted under the Plan may not be assigned, transferred, novated, encumbered with a security interest (such as a mortgage, charge, pledge, lien, encumbrance or other third party interest of any nature) over them, or otherwise disposed of by a participant, other than to a nominated party (such as a spouse, child, trustee of a trust or company) in accordance with the Plan, unless:
 - (i) the prior consent of the Board is obtained; or
 - (ii) such assignment or transfer occurs by force of law upon the death of a participant to the participant's legal personal representative.
- (i) **Issue Limitations:** The Board is not entitled to make an Offer to an Eligible Employee if offers of Awards under the Plan or under similar plans (excluding offers to persons situated at the time of receipt of the offer outside of Australia, that do not require the use of a disclosure document, or made under a disclosure document) in the previous 3 years would exceed 5% of the issued capital of the Company.
- (j) **Amendment of the Plan:**
 - (i) The Board may at any time amend the Rules without shareholder approval in respect of the following matters:
 - (A) amendments of a "housekeeping" nature;
 - (B) changing the vesting and exercise provisions of the Plan or any Award so that the scheduled expiry date for an Award is not extended, including to provide for accelerated vesting and early exercise of any Awards;
 - (C) changing the termination provisions of the Plan or any Award so that an Award's originally scheduled expiry date is not extended;
 - (D) changing the provisions on transferability of Awards for normal estate settlement purposes;
 - (E) changing the process by which a Participant who wishes to exercise his or her Award can do so, including the required form of payment for the Shares being purchased, the form of exercise notice and the place where such payments and notices must be delivered; and
 - (F) adding a conditional exercise feature which would give Participants the ability to conditionally exercise in certain circumstances determined by the Board.
 - (ii) No amendment to the Rules may be made if the amendment materially reduces the rights of any participant in respect of the Awards granted to them prior to the date of the Amendment (except in relation to amendments stipulated by the Rules).
 - (iii) No amendment to the Plan that requires shareholder approval under any applicable securities laws or requirements shall become effective until such approval is obtained.
 - (iv) The Board may at any time terminate the Plan or suspend the operation of the Plan.

ANNEXURE A – VALUATION OF PERFORMANCE RIGHTS



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Heron Resources Limited

Indicative Long Term
Incentive Valuation
FY17 Scheme

10 October 2017



P / +61 3 9653 6456
www.mavenlibera.com.au

9 October 2017

Heron Resources Limited
Suite 702, 191 Clarence Street
SYDNEY, NSW
2000

Dear Directors

Indicative valuation of LTI rights for FY17 Scheme

In accordance with the terms of our engagement letter dated 6 October 2017, we enclose our report on the indicative valuation of the FY17 Long Term Incentive Scheme Performance Rights ("Performance Rights" or "Rights") for Heron Resources Limited ("the Company", "Heron" or "HRR"). This is an indicative valuation as the Rights are not yet granted. After the Rights have been granted AASB 2 requires that they are valued as at the Grant Date for statutory reporting. The valuation may therefore change as at the Grant Date.

The indicative valuation of a performance right will be identified as such, and used in the AGM Notice of Meeting. The indicative valuation may also be used to assist the Board in determining the number of performance rights to exercise.

Our valuation has been conducted in accordance with AASB 2 Share-Based Payments.

This report summarises our key findings, together with references to the supporting data used in reaching these findings.

The basis of preparation of this report is discussed in Appendix 1.

As stated in our engagement letter, our report is confidential to the addressee and is subject to the restrictions on use specified in that letter. Maven Libera Pty Ltd ("Maven Libera") expressly disclaims any and all liability for any loss or damage of whatever kind to any person acting on information contained in this report other than the Company.

Please do not hesitate to contact Megan on +61 413 900 094 should you wish to discuss any aspect of the report.

Thank you for providing us with the opportunity to assist you and we look forward to working with you again.

Yours sincerely,

A handwritten signature in black ink that reads "M Raynal". The signature is written in a cursive, slightly slanted style.

Megan Raynal
Director

Executive Summary



Maven Libera have been engaged to provide an estimate of the indicative fair value of Performance Rights to be granted by Heron Resources under their Long Term Incentive Plan (“LTIP”).



Based on the approach and assumptions detailed in this report, our indicative estimate of the fair value of the FY17 Heron Resources Performance Rights is \$0.059 per Right granted.



The securities under consideration are zero exercise price options. Therefore, for all intents and purposes, they are performance rights.

The vesting of the Rights is subject to a market-based performance condition written around Total Shareholder Return (“TSR”); specifically, Heron’s TSR is benchmarked against a group of peers.

Given the complexity induced by this performance condition, a Monte Carlo simulation approach to valuation was adopted.

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1. Background

Purpose

Maven Libera has been engaged by the Company to estimate the FY17 LTI Scheme performance rights (“Performance Rights” or “Rights”). This is an indicative valuation as the Rights are not yet granted. AASB 2 requires that Performance Rights are valued as at the Grant Date for statutory reporting. The value may therefore change as at the Grant Date.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single value and we normally express our opinion as falling within a likely range. To comply with AASB2 however, we are required to express our opinion as a single value.

Grant Date

AASB 2 requires the fair value of equity instruments granted to be measured at the Grant Date, defined as the date on which the entity and the employee agree to the share-based payment arrangement. If the issue of equity instruments is subject to an approval process (for example, by the Board or a meeting of shareholders), the Grant Date is the date this approval is obtained.

Basis of Value

AASB 2 (paragraph 17) requires the fair value of share-based payments to be estimated using a valuation technique which indicates what the price of those equity instruments would have been on the measurement date in an arm’s length transaction between knowledgeable, willing parties.

The valuation technique must be consistent with generally accepted valuation methodologies for pricing financial instruments.

2. Key parameters of the performance rights

Purpose

Each Performance Right gives the recipient the right to acquire one share in the Company, for \$nil consideration, subject to the performance right vesting upon satisfaction of specified criteria.

The proportion of Performance Rights that vest will be determined by comparing the TSR for the Company over the Performance Period, against a pre-specified comparator group (“the Comparator Group”).

Key parameters

The key parameters of the Performance Rights are as follows:

Grant Date	29 November 2017
Performance Period	1 July 2017 to 30 June 2020 (3 years)
Vesting Date	1 July 2020
Performance Hurdle	Relative TSR

Percentage of Rights that will vest

The percentage of performance rights that will vest depends on relative performance:

Below 50th percentile	nil
50th to 75th percentile	increases on a straight-line basis from 1% to 100%
Over 75th percentile	100%

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3. AASB 2 Requirements

Required Valuation Approach

AASB 2 (paragraph 17) requires the fair value of share-based payments to be estimated using a valuation technique which indicates what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. The valuation technique must be consistent with generally accepted valuation methodologies for pricing financial instruments.

Measurement Date

AASB 2 requires the fair value of equity instruments granted to be measured at the Grant Date, defined as the date on which the entity and the employee agree to the share-based payment arrangement. If the issue of equity instruments is subject to an approval process (such as approval by the Board or a Shareholder meeting), the Grant Date is the date this approval is obtained.

Dilution

Depending on the consideration paid by the employee, exercise of share-based instruments may have a dilution effect on the company's equity. However, the dilution is unlikely to be material if the number of instruments being exercised is small relative to the total number of shares outstanding. Accordingly, no adjustment has been made for potential dilution effects.

Vesting Conditions

AASB 2 (paragraphs 19-21) describe how vesting/performance conditions should be treated in the valuation. It distinguishes between "market-based" vesting conditions and "non-market-based" vesting conditions.

- Market-based conditions depend in some way on the market price of the entity's shares. For example, a performance condition may be written on a target share-price uplift or TSR hurdle for the entity. Further, a market-based condition may also depend on the market prices of other stocks. For example, a relative performance hurdle may compare the TSR of the entity and a group of peer stocks.
- Non-market-based conditions include all other vesting conditions. Common examples are time-based service conditions, and targets based on accounting numbers (such as EPS, ROA, etc).

For the purpose of estimating the fair value of equity instruments granted, AASB 2 treats market- and non-market-based conditions differently. The impact of market-based conditions on fair value are incorporated directly in the valuation of equity instruments. In contrast, equity instruments subject to non-market-based conditions are valued as if no vesting conditions exist (i.e., at their "unhurdled" value), but then the vesting conditions are reflected in estimation of the number of instruments expected to vest

4. Approach and Assumptions

Valuation approach

AASB 2 requires the use of a valuation technique consistent with generally accepted valuation methodologies for pricing financial instruments. We adopt a Monte Carlo (“MC”) simulation approach to valuation. MC simulation is a flexible and well-accepted approach to valuing derivative securities, including employee stock options, performance rights and other share-based payments. The Appendix provides more information on the MC simulation approach.

Grant Date

AASB 2 requires that the fair value of equity instruments granted is measured at the Grant Date, defined as the date on which the entity and the employee agree to the share-based payment arrangement. Since the Grant Date will be determined in the future (most likely on shareholder approval at AGM), for the indicative valuation we assume that current share price is indicative of the Grant Date price. On 6 October 2017, the HRR share price closed at \$0.074.

Dividends

Similar to option valuation models, the MC simulation approach requires an estimate of the dividend yield of the underlying stock. Heron Resources has no history of paying dividends. Accordingly, we assume that no dividends will be paid over the vesting period of the Performance Rights. Hence, we assume that the dividend yield is 0% per annum.

Measurement Period

The number of Performance Rights that ultimately vest will be determined at the completion of the three-year measurement period, that commences on 1 July 2017 and concludes on 30 June 2020.

The benchmarking of Heron TSR against peer stocks is akin to a horse race. Given that the TSR measurement period commenced on 1 July 2017, this horse race is already underway as at the date of the indicative valuation (6 Oct-2017). Naturally, the actual performance of HRR up to the valuation date (relative to the peer stocks) is relevant to an arm’s length transaction between two knowledgeable parties. Our Monte Carlo approach enables us to accommodate the actual relative performance from 1 Jul-2017 through 6 Oct-2017 as part of the simulation.

Risk Free Rate

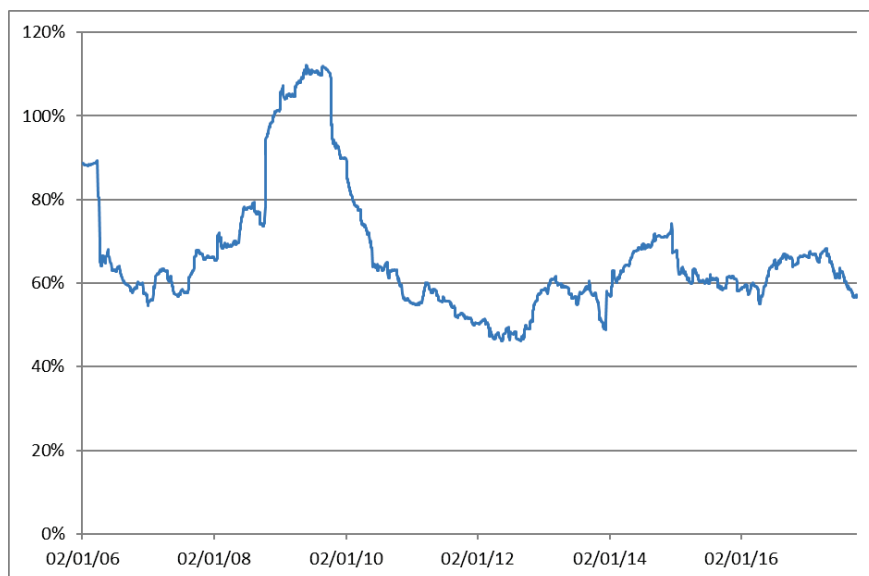
TSR performance measurement spans a three-year period from 1 Jul-2017 through 30 Jun-2020. As at the indicative valuation date (6 Oct-2017), there are approximately 142 weeks remaining until the end of the performance period.

In light of this time horizon, our proxy for the risk free rate is the three-year yield on Australian Government Treasury Bonds at the valuation date. On 6 Oct-2017, the riskfree rate is 2.06% p.a. (source: Reserve Bank of Australia). This yield is converted to a continuously-compounded rate for the purpose of the Rights valuation.

4. Approach and Assumptions, continued

HRR Volatility

Like option pricing models, the MC approach requires an estimate of the likely volatility of HRR share returns over the life of the equity instrument. Daily return data was collected for HRR commencing January 2005. The return data incorporate share price changes, dividends and capitalisation changes. The graph below shows a rolling estimate of annualised volatility using the previous 12 months daily returns. After experiencing some extreme volatility during and shortly after the Global Financial Crisis, HRR volatility has returned to levels around 60%.



The Comparator Group

The Comparator Group will be finalized by the Board prior to the AGM and may change. The Comparator Group utilized for the indicative valuation comprises thirteen peer stocks: Red River Resources, Silver Lake Resources, Beadell Resources, Aurelia Metals, Perseus Mining, Finders Resources, Avanco Resources, Havilah Resources, Altona Mining, Hillgrove Resources, Sandfire Resources, Mincor Resources, and Western Areas.

Correlation and Volatility

For the purposes of the valuation, we have assumed an expected volatility of 60% pa. In light of Figure 1 and typical volatility since 2010, we consider a choice of 60% to be reasonable.

In addition to HRR volatility, the benchmarking of Heron to peer stocks necessitates further information pertaining to the volatility of these stocks and the correlations between all stocks. Daily return data was obtained for all peer stocks. From the returns data, the correlation matrix capturing the relationships between all stocks was estimated. The information inherent in this correlation matrix allows the MC simulation approach to capture typical relationships between the stocks of interest. This is important to assess the likelihood of HRR achieving the TSR performance hurdle.

5. Estimate of Fair Value

Indicative Fair Value Estimate

AASB 2 requires the impact of market-based conditions on fair value to be incorporated directly into the valuation of equity instruments. The Monte Carlo valuation approach achieves this by jointly simulating the vesting-date TSR of HRR and the peer stocks. This allows us to determine the percentile ranking of HRR relative to the peer group and accordingly the proportion of Performance Rights that vest (if any) under the relative TSR performance condition. From the simulated TSR, we can also calculate the corresponding HRR share price at the end of the performance period.

This simulation process is repeated 500,000 times, with the Rights being valued on each simulation run. Averaging the Rights values over the 500,000 simulations gives the overall estimate of the Rights value.

Based on the approach and assumptions detailed in this report, our indicative estimate of the fair value of the Heron Resources Performance Rights is \$0.059 per Right granted.

Appendix 1: Valuation Methodology

Introduction

The Heron Resources Performance Rights contain a number of characteristics that present non-trivial challenges to the valuation process. Specifics of these challenges will be discussed shortly. By way of introduction, we first present an overview of how MC simulation can be employed to value simple options.

Black Scholes

For many Performance Rights valuations, the well-known Black-Scholes model is inappropriate. The Black-Scholes formula applies only to call options that cannot be exercised before expiry (i.e., European-style options). The Black-Scholes model does not accommodate a vesting period, nor the considerable complexity induced by the relative TSR performance condition. As such, a Black-Scholes valuation is unlikely to be appropriate under AASB 2.

MC Approach

The MC approach simulates many time-series paths of the underlying asset assuming that the share price evolves according to the geometric Brownian motion model.

MC Approach, continued

The simulated price paths are calibrated to historical data (e.g., stock volatility and dividend payments) so that they are a plausible representation of possible future paths. For any given simulated path, one can estimate if the option will be in the money, whether the employee will exercise it, and what the payoff will be. The options are valued for that particular path by discounting the option payoff to present value.

The entire simulation/valuation process described above is repeated many times. Each simulation represents a plausible, yet different, outcome. By simulating many possible paths, the valuer is able to estimate the probabilities and expectations mentioned above. The value of the option is calculated as the average over all simulation runs.

It is important to understand that MC simulation is not an attempt to predict the future share price – this is impossible. Rather, the MC approach simulates plausible future share-price paths. By repeating the simulation process many times, the valuer quantifies the probabilities and expected payoffs highlighted above.

Appendix 1: Valuation Methodology, continued

Extended MC Approach

Similar to a plain-vanilla option, the process of valuing a security like the Company's Performance Rights involves estimation of certain probabilities and expected payoffs. In this case, however, the statistical questions being asked are more difficult. For example, the valuer must estimate the likelihood that the TSR hurdle will be achieved, the expected proportion of total Rights that will vest (which depends on the benchmark group's TSR), and the expected value of the underlying shares on vesting.

To quantify these probabilities and expectations, we utilise an extension of the MC simulation approach described above. The details are provided below. However, we note that the approach is consistent with that outlined by Carrett and Wong (2002), Gray (2006) and Gibson and Hogan (2006).

In theory, simulating price paths for multiple stocks is no more difficult than simulating for a single stock. However, it is crucial that the relationship between the Company and other stocks is plausible/realistic. For example, if certain stocks tend to move together in practice, then the simulated prices must also reflect this correlation. This can be achieved by estimating the covariance (or correlation) matrix between the Company and the benchmark group of stocks.

Once the covariance matrix is estimated, the prices of the Company and the benchmark stocks are simulated out to the vesting date.

Extended MC Approach, continued

On any given simulation run, the valuer can assess to what extent (if any) the Company meets the TSR performance hurdle, calculate how many Rights vest, and estimate the Company share price at that date. Hence, the value of the Rights shares can be estimated for that particular simulation run. Repeating this process many times and averaging the estimated Rights value provides the required valuation. All valuations are conducted using 500,000 MC simulations, which is more than sufficient to obtain a precise estimate.

Conclusion

MC simulation is a popular and well-accepted approach to valuing a wide range of derivative securities. It is sufficiently flexible to accommodate the unique features of the Company's Performance Rights. By simulating the TSR of the Company and the benchmark stocks, the MC simulation satisfies AASB 2 (paragraph 21) by factoring the market-based vesting conditions directly into the Valuation Approach.

References

- Carrett, P., and B. Wong, 2002, 'Executive options: Valuation and projection methodologies' The Institute of Actuaries in Australia.
- Gibson, J, and L. Hogan, 2006, 'Valuing executive equity plans', Charter, July, 48-50.
- Gray, P., 2006, 'Share-based payments: A serious issue', In The Black, CPA Australia, 54-56.

Appendix 2: Basis of preparation

Declaration in relation to APES 225 Valuation Services

Our work has been performance in accordance with APES 225 Valuation Services. Under APES 225 there are three types of valuation engagements:

A *Valuation Engagement*, defined as an engagement where the valuer is free to choose the valuation approaches, method and procedures appropriate to the circumstances. The estimate of value that results is a conclusion of value.

A *Limited Scope Valuation Engagement*, defined as an engagement where the scope of work is limited or restricted. The estimate of value that results is a conclusion of value.

Limited Scope Valuation Engagements are also known as indicative valuations.

A *Calculation Engagement*, defined as an engagement where the valuer and engaging party agree on the valuation approaches, methods and procedures that the valuer will employ. The estimate of value that results is a calculated value.

In accordance with APES 225 Valuation Services, this report is a Valuation Engagement.

The report has been prepared by Megan Raynal, with assistance from other experts as required. Megan Raynal (MBA, GAICD, CFA Charterholder) has worked in valuation and strategy since 1996. In preparing this report Megan has acted independently. Maven Libera has been remunerated based on time spent at the usual hourly rates of staff engaged to assist in the valuation, and no part of the fee is contingent on the conclusions reached, the content or the future use of this report.



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ANNEXURE B – INFORMATION CIRCULAR

MANAGEMENT INFORMATION CIRCULAR

The Company is a reporting issuer in Canada. Accordingly, pursuant to the requirements of National Instrument 51-102 - *Continuous Disclosure Obligations* (“NI 51-102”) of the Canadian Securities Administrators, the following disclosure is required to be included with this Explanatory Memorandum. In this management information circular (“Circular”), unless otherwise indicated, all references to “CDN\$” refer to Canadian dollars and all references to “A\$” refer to Australian dollars.

PURPOSE OF SOLICITATION

This Circular is furnished in connection with the solicitation of proxies by the management of the Company for use at the Meeting.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by Directors, officers and employees of the Company who will not be additionally compensated therefore. Brokers, nominees or other persons holding Shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such shares. The costs of soliciting proxies will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

Enclosed with the Notice is a form of proxy for use at the Meeting. **A Shareholder has the right to appoint up to two persons (who need not be Shareholders) to attend and act for the Shareholder and on the Shareholder’s behalf at the Meeting other than the person designated in the form of proxy and may exercise such right by inserting the full name of the desired person(s) in the blank space provide in the form of proxy.**

A proxy will not be valid unless it is signed by the Shareholder or by the Shareholder’s attorney duly authorized in writing. If the Shareholder appoints a body corporate as the Shareholder’s proxy to attend and vote for the Shareholder at the Meeting, then the representative of the body corporate must produce the Certificate of Appointment of Representative prior to admission. A person executing a proxy, or acting, on behalf of a corporation or another individual must provide documentation evidencing his or her authority to sign the proxy or act on behalf of the Shareholder at the Meeting, as the case may be.

If the Shareholder is entitled to cast two or more votes at the Meeting, then the Shareholder may appoint not more than two proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder’s votes.

The proxy to be acted upon must be delivered:

- (a) in respect of Shareholders registered on the Company’s Australian share register, prior to **5:00pm** AEDT) on 27 November 2017 by:

- ONLINE visit www.securitytransfer.com.au and follow the instructions on your proxy form
- BY MAIL Security Transfer Registrars Pty Ltd, PO Box 52, Collins Street West, Victoria, 8007
- BY FAX +61 8 9315 2233
- IN PERSON Security Transfer Registrars Pty Ltd, Suite 913, Exchange Tower 530 Little Collins Street, Melbourne, Victoria

and

- (b) for Shareholders registered on the Company’s Canadian share register, in addition to the above mail, fax and email options, proxies must be received no later than 48 hours prior to the Meeting (and for clarity) by 5.00 pm Toronto time, 24 November 2017 by:

- Post to:
TSX Trust Company
301-100 Adelaide Street West,
Toronto, Ontario, Canada M5H 4H1; or

- Facsimile at +416 595 9593

REVOCATION OF PROXIES

A proxy given pursuant to this solicitation may be revoked by instrument in writing executed by the Shareholder or by his/her attorney authorized in writing, and delivered either to the registered office of the Company or the above mentioned address of TSX Trust Company at any time up to and including close of business on the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

VOTING OF PROXIES

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy will be voted for each of the matters referred to in the Notice, as described in this Circular, or withheld from voting or voted against if so indicated on the form of proxy. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice, or other matters, which may properly come before the Meeting. At the time of printing of the Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Most Shareholders are “non-registered” or “beneficial” Shareholders (“**Non-Registered Shareholders**”) because the Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (“**Intermediary**”) that the Non-Registered Shareholder deals with in respect of the Shares; or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. (“**CDS**”)) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies, via mail or electronically, of the Notice, this Circular, the form of proxy and a request card for interim and annual materials (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (i) be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a “**voting instruction form**”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“Broadridge”) in Canada and the United States. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Non-Registered Shareholders and asks Non-Registered Shareholders to return the forms to Broadridge or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of the shares to be represented at the Meeting. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for this form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company. A Non-Registered Shareholder who receives a voting instruction form cannot use that form to vote his or her Shares at the Meeting; or
- (ii) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Shares beneficially owned by the

Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with TSX Trust Company at 301-100 Adelaide Street West, Toronto, Ontario M5H 4H1, Fax Number: +416.595.9593.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting, or any adjournment(s) or postponement(s) thereof, (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the voting instruction form and insert the Non-Registered Shareholder or such other person's name in the blank space provided. **In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the voting instruction form is to be delivered.**

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote which has been given to an Intermediary at any time by written notice to the Intermediary provided that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote, which is not received by the Intermediary at least seven (7) days prior to the Meeting.

Non-Registered Shareholders fall into two categories: those who object to their identity being made known to the issuers of securities which they own ("**Objecting Beneficial Owners**" or "**OBOs**") and those who do not object to their identity being made known to the issuers of the securities they own ("**Non-Objecting Beneficial Owners**" or "**NOBOs**"). Subject to the provisions of NI 54-101, issuers may request and obtain a list of their NOBOs from intermediaries. Pursuant to NI 54-101, issuers may obtain and use the NOBO list in connection with any matter relating to the affairs of the issuer, including the distribution of proxy-related materials directly to NOBOs. The Company is not sending Meeting Materials directly to the NOBOs. The Company will use and pay intermediaries and agents to send the Meeting Materials and also intends to pay for intermediaries to deliver the Meeting Materials to the OBOs. **As more particularly outlined below under the heading "Notice-and-Access", Meeting Materials will be sent to Non-Registered Shareholders using the Notice-and-Access Provisions.**

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No person who has been a Director or executive officer of the Company at any time since the beginning of its last completed financial year or any associate of any such Director or executive officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of the Company consists of an unlimited number of Shares. As of the date of the Circular, the Company has 2,416,661,640 Shares issued and outstanding.

The Company shall make a list of all persons who are registered holders of Shares as at the close of business at 5.00 pm (Toronto time) on October 16, 2017 (the "**Record Date**") and the number of Shares registered in the name of each person on that date. Each Shareholder is entitled to one vote for each Share in that Shareholder's name as it appears on the list.

To the knowledge of the directors and executive officers of the Company, as of the date hereof, no person or company beneficially owns, controls or directs, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to all outstanding Shares, other than as set out below:

Name of Shareholder	Number of Common Shares⁽¹⁾⁽²⁾	Percentage of Common Shares⁽¹⁾⁽²⁾
Greenstone Resources L.P.	452,627,899	18.72%
Castlake L.P.	466,701,371	19.31%
Orion Mine Finance L.P.	407,894,742	16.87%

Notes:

- (1) The information as to Shares beneficially owned, controlled or directed, not being within the knowledge of the Company, has been obtained by the Company from publicly disclosed information and/or furnished by the Shareholder listed above.
- (2) On a non-diluted basis.

MATTERS TO BE ACTED UPON AT THE MEETING

This Circular has been prepared for the information of members of the Company in connection with the business to be transacted at the Annual General Meeting of members of the Company to be held at 2:00 pm (Sydney Time) on 29 November 2017 at The Grace Hotel, York Room, Level 1, 77 York Street, Sydney, 2000, New South Wales. Please see the Explanatory Statement attached to this Circular for full details of the matters to be acted upon at the Meeting.

Appointment of Auditors

Ernst & Young LLP (“EY”) was appointed as the independent registered certified auditors of the Corporation as at the 2015 meeting of Shareholders. EY audited the financial statements of the Corporation for the Last Financial Year.

Management proposes that EY be appointed as the Corporation’s auditors to hold office until the next annual meeting of Shareholders, at a remuneration to be fixed by the Board.

Unless the Shareholder has specifically instructed in the enclosed form of proxy that the Shares represented by such proxy are to be withheld or voted otherwise, the persons named in the accompanying proxy will vote FOR the appointment of EY as auditors of the Corporation to hold office until the next annual meeting of Shareholders or until a successor is appointed and to authorize the Board to fix the remuneration of the auditors.

Nominees for Election to the Board

The Company is an Australian incorporated entity and pursuant its Constitution and corporate law requirements in Australia, directors are elected on a staggered basis – based on a three (3) year rotation rule – with only a subset of the Company’s board elected each year. In accordance with TSX Staff Notice 2015-0002, the Company applied and successfully received relief from the requirements for the election of all directors at the Meeting. Borden Putnam III, Peter Rozenauers and Ricardo De Armas are the only persons proposed to be nominated for election at the Meeting.

The following table, among other things, sets forth the name of all current directors, including Mr. Borden Putnam III, Peter Rozenauers and Ricardo De Armas who are nominated for election as a director, their place of residence, position held, and periods of service with, the Company, or any of its affiliates, their principal occupations and the approximate number of Shares beneficially owned, controlled or directed, directly or indirectly, by them.

Shareholders have the option to: (i) vote for Mr. Borden Putnam III, Peter Rozenauers and Ricardo De Armas; or (ii) withhold a vote for re-election of Mr. Borden Putnam III, Peter Rozenauers and Ricardo De Armas. **Unless the Shareholder has specifically instructed in the form of proxy that the Shares represented by such proxy are to be withheld or voted otherwise, the persons named in the proxy will vote FOR the election of Mr. Borden Putnam III, Peter Rozenauers and Ricardo De Armas as directors of the Company.**

Name, Province or State and Country of Residence	Director Since	Present Principal Occupation	Number of Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised⁽¹⁾
Wayne Taylor <i>New South Wales, Australia</i>	11/08/2014	Managing Director of the Company	2,507,381
Stephen Dennis ⁽²⁾⁽³⁾ <i>Western Australia, Australia</i>	6/12/2006	Non-exec Director of Rox Resources and non-exec Chairman of Graphex Mining Limited, Non-exec Director of EHR Resources Ltd	1,794,286
Borden Putnam III ⁽²⁾⁽³⁾ <i>California, United States of America</i>	12/12/2014	Non-exec Director of Mirasol Resources Ltd.	-
Fiona Robertson ⁽²⁾⁽³⁾ <i>New South Wales, Australia</i>	9/4/2015		714,286

Name, Province or State and Country of Residence	Director Since	Present Principal Occupation	Number of Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised⁽¹⁾
Mark Sawyer <i>London, United Kingdom</i>	19/8/2015	Partner at Greenstone Resources LP and Non exec Director of Metro Mining Ltd	-
Peter Rozenauers <i>New South Wales, Australia</i>	22/9/2017	Portfolio Manager of Orion Mine Finance Non-executive Director of Macphersons Resources Ltd and Lynx Resources Pty Ltd	-
Ricardo De Armas <i>Minneapolis, United States of America</i>	22/9/2017	Director of Castlelake LP	-

Notes:

- (1) The information with respect to the Common Shares beneficially owned, controlled or directed is not within the direct knowledge of the Company and has been furnished by the respective individuals.
- (2) Member of the Audit & Governance Committee. Fiona Robertson is the Chair.
- (3) Member of the RN Committee. Stephen Dennis is the Chair.

As a group, the directors beneficially own, control or direct, directly or indirectly, 5,015,953 Shares, representing approximately 0.002% of the issued and outstanding Shares as of the date hereof.

Majority Voting

In respect of the election of Directors, the Company has not adopted a majority voting policy due to the fact that the Company has adopted a majority voting system that aligns with Australian corporate practice. Shareholders of the Company can vote “for”, “against” or “abstain” with respect to the election of a director. If a Director receives a majority of votes against their election, they will not be elected and their position on the Board will cease immediately. Votes cast as an abstention are not counted in favour or against a resolution.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the Directors eligible for re-election, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while such individual was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after such individual ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while such proposed director was acting in the capacity as director, chief executive officer or chief financial officer.

None of the Directors eligible for re-election (or any personal holding company of any such individual) is, as of the date of this Circular, or has been within ten (10) years before the date of this Circular, a director or executive officer of any company (including the Company) that, while such individual was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the Directors eligible for re-election (or any personal holding company of any such individual) has, within the ten (10) years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such individual.

None of the Directors eligible for re-election (or any personal holding company of any such individual) has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's executive compensation philosophy and objectives. Also to discuss compensation decisions relating to the Company's Chief Executive Officer, Chief Financial Officer, and, if applicable, its three most highly compensated individuals who act as, or in a like capacity as, executive officers of the Company whose total compensation for the recently completed financial year was individually equal to more than CDN\$150,000 (the "NEOs" or "Named Executive Officers"). The Company's most recently completed financial year, is the financial year ended June 30, 2017 (the "Last Financial Year"). The only NEOs of the Company during the Last Financial Year were Wayne Taylor, Andrew Lawry, Simon Smith, David Von Perger, Charlie Kempson and Brian Hearne.

The current members of the Remuneration & Nomination Committee ("RN") of the Company are Stephen Dennis (Chair), Fiona Robertson and Borden Putnam III. A summary of the compensation received by the NEOs for the financial year ended June 30, 2017 is provided in this Circular under the heading: "Summary Compensation Table". A summary of the compensation received by the Directors for the financial year ended June 30, 2017 is provided in this Circular under the heading: "Remuneration of Directors".

The RN Committee has responsibility for approving the compensation program for the Company's executive officers. The RN Committee acts pursuant to a formal charter that has been approved by the Board. Pursuant to the charter, the purpose of the RN Committee is to assist the Board in relation to the formulation and administration of Company's remuneration policies, procedures and practices. As such, its specific responsibilities include: (i) review and make recommendations to the Board at least annually regarding the Company's remuneration and compensation policies, including short and long-term incentive compensation plans and equity-based plans, bonus plans, pension plans (if any), executive stock option plans and grants and benefit plans; (ii) have sole authority to retain and terminate any compensation consultant to assist in the evaluation of Director compensation, including sole authority to approve fees and other terms of the retention; (iii) review and approve at least annually all compensation arrangements with the senior executives of the Company; (iv) review and approve at least annually all compensation arrangements with the Directors; and (v) review the executive compensation sections disclosed in the management information circular distributed to the shareholders, including the report on executive compensation, the statement of officers compensation, employment agreements, stock option plans, and options granted during the most recently completed financial year.

Objectives of the Compensation Program

The Company aims to remunerate Directors, officers and employees in accordance with prevailing market conditions with the major objective being, to attract and retain high quality people who are motivated to contribute positively to the performance of the Company, without incurring excessive costs to the Company.

The Company believes that individuals should be rewarded for their individual contributions to the success of the Company (both financially and non-financially), measured primarily by the creation of value for Shareholders. Incentives are therefore constructed with the goal of aligning the interests of employees and Shareholders and encouraging performance in an atmosphere of strong corporate governance.

Compensation Program Design and Analysis of Compensation Decisions

Standard compensation arrangements for the Company's senior officers are composed of the following elements, which are linked to the Company's compensation and corporate objectives as follows:

Compensation Element	Link to Compensation Objectives	Link to Corporate Objectives
Base Salary and/or Consulting Fees	Attract and Retain	Competitive pay ensures access to skilled employees necessary to achieve corporate objectives.
Stock Options	Reward and Motivate Align interests with shareholders	Long-term incentives motivate and reward senior officers to increase shareholder value by the achievement of long-term corporate strategies and objectives.
Performance Rights	Reward and Motivate Align interests with shareholders	Long-term incentives motivate and reward senior officers to increase shareholder value by the achievement of long-term corporate strategies and objectives.

Elements of Compensation

Remuneration is based on fees, salaries, cash bonus payments and incentive options. Other than periodic issuing of options and making payments to all Directors and employees of monetary benefits prescribed by the Superannuation Guarantee Charge scheme, the Company does not operate any scheme for the provision of retirement benefits to Non-executive Directors. Details of the structure of remuneration packages, including details of options that were issued during the reporting period, are as follows:

Fixed Remuneration:

Fixed remuneration is reviewed annually by the RN Committee. The process consists of a review of relevant comparative remuneration in the employment market and within the Company and, where appropriate, external independent advice on policies and practices is obtained by the Committee. NEOs' base compensation depends on the scope of their experience, responsibilities, leadership skills, performance, length of service, generally industry trends and practices competitiveness, and the Company's existing financial resources

Variable Remuneration:

(i) Short-term incentives

Executives are set short-term incentive (STI) targets depending on the accountabilities of their role and the impact of their performance on the organisation or business unit performance. Each year the Remuneration Committee considers the appropriate targets and key performance indicators to link the STI plan and the level of payment if targets are met. This includes setting a maximum payment under the STI plan and minimum levels of performance to trigger payment of the STI.

Currently, the STI targets and performance indicators are linked to the operational performance of the Company, the financial performance of the Company and movements in Shareholders' wealth as determined by the Company's share price on the basis that, subject to prevailing market conditions, strong operational performance should lead to improvements in the share price.

(ii) Long-term incentives

The Company provides long-term incentives to executives in a manner that directly aligns this element of remuneration with the creation of Shareholder wealth. The Company has established an employee share option plan and a Performance Rights plan which provides for executives and other employees and contractors to be issued, at no cost to the recipient, options to acquire Shares. The number and the terms of the options issued are determined by the RN Committee after consideration of the employee's performance and their ability to contribute to the achievement of the Company's objectives. The Performance Rights vesting conditions are dependent upon the Company's Total Shareholder Return (TSR) performance relative to a group of comparable peer companies.

Determination of Compensation

The RN Committee is, among other things, responsible for determining all forms of compensation to be granted to the Chief Executive Officer of the Company and the executive officers and for evaluating the Chief Executive Officer's and other executive officers performance in light of the corporate goals and objectives set for them.

The task of evaluating management's performance occurs on both an informal and formal basis. Informally, management's performance is assessed continuously by reviewing operating results and the achievement or otherwise of the Company's objectives and providing direct feedback to executives on their performance. The formal task of reviewing individual executive's performance is the responsibility of the RN Committee who is charged with assessing each senior executive's performance against pre-agreed targets as part of the annual remuneration review process.

Compensation Risk Considerations

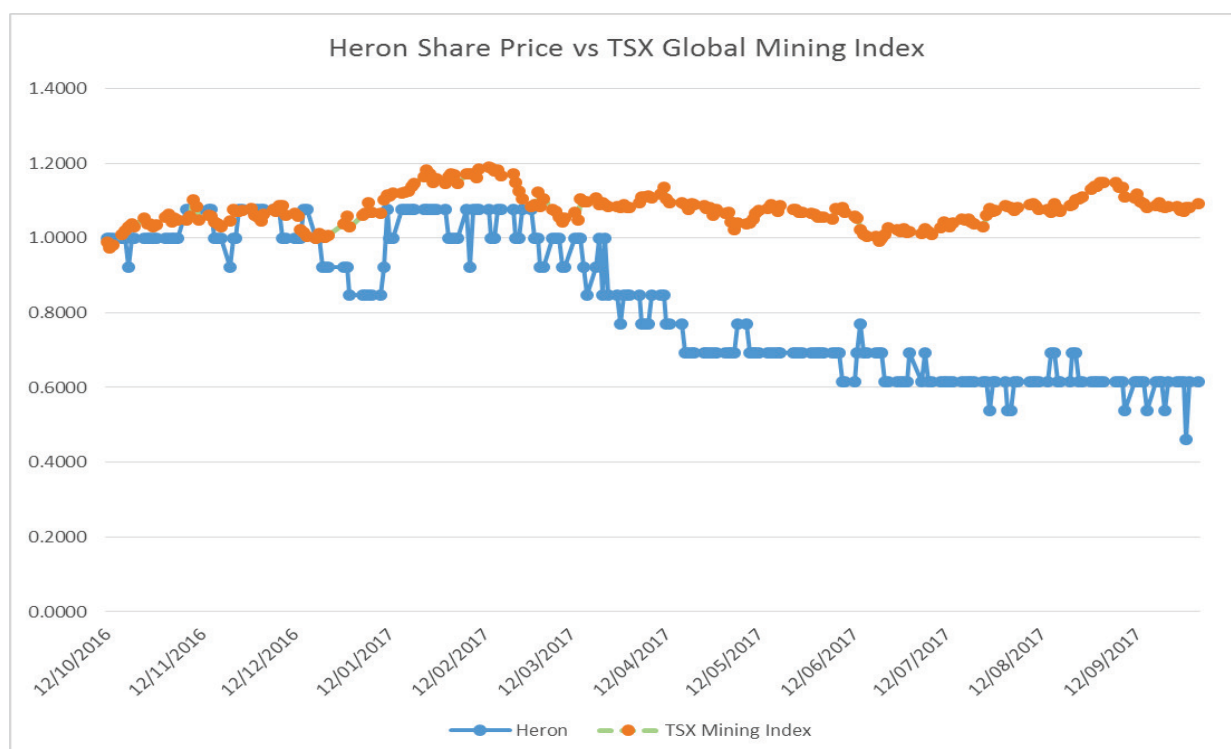
The RN Committee is responsible for considering, establishing and reviewing executive compensation programs, and whether the programs encourage unnecessary or excessive risk taking. The Company believes the programs are balanced and do not motivate unnecessary or excessive risk taking. The Company does not currently have a policy that restricts directors or NEOs from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity. However, to the knowledge of the Company, as of the date of hereof, no director or NEO of the Company has participated in the purchase of such financial instruments.

Base salaries are fixed in amount thus do not encourage risk taking. While annual incentive awards focus on the achievement of short term or annual goals and short term goals may encourage the taking of short-term risks at the expense of long term results, the Company's annual incentive award program represents a small percentage of employee's compensation opportunities. Annual incentive awards are based on various personal and company-wide achievements. Such performance goals are subjective and include achieving individual and/or corporate targets and objectives, as well as general performance in day-to-day corporate activities which would trigger the award of a bonus payment to the NEO. The determination as to whether a target has been met is ultimately made by the Board (after receiving recommendations of the RN Committee) and the Board reserves the right to make positive or negative adjustments to any bonus payment if they consider them to be appropriate. Funding of the annual incentive awards is capped at the company level and the distribution of funds to the executive officers is at the discretion of the RN Committee.

Stock option awards are important to further align employees' interests with those of the Shareholders. The ultimate value of the awards is tied to the Company's stock price and since awards are staggered and subject to long-term vesting schedules, they help ensure that NEOs have significant value tied in long-term stock price performance.

Share Price Performance Graph

The following graph compares the percentage change in the cumulative total Shareholder return of CDN\$100 invested in Shares against the cumulative shareholder return of the S&P/TSX Global Mining Index since the 1 July 2016 to 30 September 2017.



Heron Resources Limited
TSX Global Mining Index

1 July 2016
CDN\$100
CDN\$100

30 September 2017
CDN\$53.80
CDN\$106.62

Given that the Company only became listed on the TSX on 20 August 2014, management makes no comment with respect to the Company's share price vs a peer index other than to say that they are closely related to global macro-economic events such as the price of commodities.

Summary Compensation Table

The following tables provides information for the Last Financial Year and the years ended June 30, 2017 and June 30, 2016 regarding compensation earned by each of the following NEOs:

Name and principal position	Year Ended June 30	Salary (A\$)	Share-based awards (A\$)	Option-based awards (A\$) ⁽¹⁾	Non-equity incentive plan compensation (A\$)		Pension value (A\$)	All other compensation (A\$)	Total compensation (A\$)
					Annual incentive plans	Long-term incentive plans			
Wayne Taylor Managing Director	2017	427,000	N/A	98,987	N/A	N/A	64,050	N/A	590,037
	2016	422,000	N/A	104,318	N/A	N/A	63,300	N/A	589,618
	2015	356,227	N/A	78,998	N/A	N/A	45,875	N/A	481,000
Andrew Lawry Chief Operating Officer	2017	355,000	N/A	40,832	N/A	N/A	33,250	N/A	429,082
	2016	350,000	N/A	33,915	N/A	N/A	33,250	N/A	417,165
	2015	3,584	N/A	N/A	N/A	N/A	340	N/A	3,924
Simon Smith Chief Financial	2017	301,000	N/A	40,832	N/A	N/A	29,070	N/A	370,902

Name and principal position	Year Ended June 30	Salary (A\$)	Share-based awards (A\$)	Option-based awards (A\$) ⁽¹⁾	Non-equity incentive plan compensation (A\$)		Pension value (A\$)	All other compensation (A\$)	Total compensation (A\$)
					Annual incentive plans	Long-term incentive plans			
Officer	2016	301,000	N/A	33,915	N/A	N/A	28,595	N/A	363,510
	2015	236,976	N/A	N/A	N/A	N/A	N/A	N/A	236,976
David Von Perger Exploration Manager	2017	288,968	N/A	40,832	N/A	N/A	27,452	6,148	363,400
	2016	301,468	N/A	33,915	N/A	N/A	28,639	10,041	374,063
	2015	291,465	N/A	-	N/A	N/A	24,839	8,108	324,415
Charlie Kempson General Manager, Strategy and Business Development	2017	311,468	N/A	40,832	N/A	N/A	29,589	N/A	381,889
	2016	301,468	N/A	33,915	N/A	N/A	28,639	Nil	381,757
	2015	301,468	N/A	50,763	N/A	N/A	24,839	Nil	377,070
Brian Hearne General Manager- Woodlawn	2017	171,458	N/A	22,086	N/A	N/A	16,288	N/A	209,832
	2016	N/A	N/A	N/A	N/A	N/A	N/A	Nil	N/A
	2015	N/A	N/A	N/A	N/A	N/A	N/A	Nil	N/A

Note:

(1) Deemed fair value of options granted during the fiscal year, based on the Black-Scholes valuation model

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each NEO outstanding as of 30 June 2017:

Outstanding Share Awards and Option Awards

Name	Option-based Awards				Share-based Awards	
	Number of Common Shares underlying unexercised options (#)	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Wayne Taylor	4,000,000	0.072	4 December 2020	236,000	N/A	N/A
	286,123	0.07	20 November 2018	2,861		
	286,123	0.07	20 November 2018	2,861		
	286,123	0.07	20 November 2018	2,861		
Simon Smith	1,650,000	0.072	4 December 2020	97,350	N/A	N/A
Andrew Lawry	1,650,000	0.072	4 December 2020	97,350	N/A	N/A
David Von Perger	1,650,000	0.072	4 December 2020	97,350	N/A	N/A
Charlie Kempson	1,650,000	0.072	4 December 2020	97,350	N/A	N/A
	1,000,000	0.29	5 March 2018	Nil		
Brian Hearne	1,650,000	0.072	1 February 2022	97,350	N/A	N/A

Note:

(1) Aggregate dollar amount of in-the-money unexercised options held as at 30 June 2017. This figure is computed based on the difference between the market value of the Shares on the Australian Securities Exchange as at 30 June 2017 and the exercise price of the option. The closing price of the Shares on the Australian Securities Exchange on 30 June 2017 was A\$0.07.

The following table provides information regarding the value vested or earned on incentive plan awards for each NEO during the year ended June 30, 2017:

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year ⁽¹⁾ (A\$)	Share-based awards – Value vested (A\$)	Non-equity incentive plan compensation – Value earned during the year (A\$)
Wayne Taylor	Nil	N/A	N/A
Simon Smith	Nil	N/A	N/A
David Von Perger	Nil	N/A	N/A
Andrew Lawry	Nil	N/A	N/A
Charlie Kempson	Nil	N/A	N/A
Brian Hearne	Nil	N/A	N/A

Note:

(1) Calculated based on the closing price of the Shares on the Australian Securities Exchange at the vesting date less the exercise price of the vested options multiplied by the number of vested options

Pension Plan / Superannuation Benefits

As required under Commonwealth of Australian legislation governing superannuation (*Superannuation Guarantee (Administration) Act 1992*) the Company makes compulsory superannuation contributions amounting to 9.5% of each Australian domiciled employee's base annual salary to a complying superannuation fund nominated by the employee. Other than Wayne Taylor, no NEO receives superannuation benefits in excess of the 9.5% compulsory superannuation contributions. Mr. Taylor receives 15% superannuation contribution on his base salary.

Termination and Change of Control Benefits

There are no agreements, compensation plans, contracts or arrangements whereby a NEO is entitled to receive payments from the Company in the event of a change of control of the Company.

NEO's are entitled to receive termination payments in the event that they are terminated by the Company as further described in the table below:

Name	Payment as a result of a Change of Control	Termination Notice Period	Payment upon Termination
Wayne Taylor	\$Nil	6 months	The maximum amount payable in accordance with the formula prescribed by section 200G of the Corporations Act.
Simon Smith	\$Nil	3 Months	3 months base salary plus 3 weeks' salary for each year of service plus accrued Annual Leave and Long Service Leave
Andrew Lawry	\$Nil	3 Months	3 months base salary plus 3 weeks' salary for each year of service plus accrued Annual Leave and Long Service Leave
David Von Perger	\$Nil	3 months	3 months base salary plus 3 weeks' salary for each year of service plus accrued Annual Leave and Long Service Leave
Charlie Kempson	\$Nil	3 months	3 months base salary plus 3 weeks' salary for each year of service plus accrued Annual Leave and Long Service Leave
Brian Hearne	\$Nil	3 months	3 months base salary plus 3 weeks' salary for each year of service plus accrued Annual Leave and Long Service Leave

DIRECTOR COMPENSATION

The Board determines the level of compensation for directors based on recommendations from the RN Committee. The Board reviews directors' compensation as needed, taking into account time commitment, risks and responsibilities to ensure that the amount of compensation adequately reflects the responsibilities and risks of being a director and makes adjustments as deemed necessary.

The Non-Executive Chairman receives Directors Fees of A\$90,000 per annum. All other Non-executive Directors are paid Directors' fees of A\$70,000 per annum with respect to general director's duties, meeting attendance, or for additional service on Board committees plus 9.5% superannuation. Directors that are domiciled outside of Australia are paid their 9.5% superannuation contribution directly as fees. Directors are also reimbursed for all reasonable out-of-pocket expenses incurred in attending Board, committee or shareholder meetings and otherwise incurred in carrying out their duties as directors of the Company.

Directors may receive option grants as determined by the Board pursuant to the Company's employee share option plan. The exercise price of such options is determined by the Board, but shall in no event be less than the market price of the Shares at the time of the grant of the options.

Director Compensation Table

The following table provides information regarding compensation paid to the Company's directors, other than the NEOs, during the financial year ended 30 June, 2017:

Name ⁽¹⁾	Fees earned (A\$)	Share-based awards (A\$)	Option-based awards (A\$)	Non-equity incentive plan compensation (A\$)	Pension value (A\$)	All other compensation (A\$)	Total (A\$)
Stephen Dennis	97,500	Nil	24,786	Nil	12,113	30,000	\$164,399
Borden Putnam III	76,650	Nil	24,786	Nil	Nil	Nil	\$101,436
Fiona Robertson	70,000	Nil	24,786	Nil	6,650	Nil	\$101,436
Peter Rozenauers	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Ricardo De Armas	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mark Sawyer	76,650	Nil	24,786	Nil	Nil	Nil	\$101,436

Note:

- (1) Mr. Taylor was a Director and Named Executive Officer during the year ended 30 June 2017. Any compensation received by him in his capacity as a Director of the Company is reflected in the Summary Compensation Table for the Named Executive Officers in this Circular.

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each director outstanding as of 30 June 2017:

Outstanding Share Awards and Options Awards

Name ⁽¹⁾	Option-based Awards				Share-based Awards	
	Number of Securities underlying unexercised options (#)	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$) ⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Stephen Dennis	1,000,000	0.072	4 December 2020	Nil	N/A	N/A
Borden Putnam	1,000,000	0.072	4 December	Nil	N/A	N/A

Name ⁽¹⁾	Option-based Awards				Share-based Awards	
	Number of Securities underlying unexercised options (#)	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$) ⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
			2020			
Fiona Robertson	1,000,000	0.072	4 December 2020	Nil	N/A	N/A
Mark Sawyer	1,000,000	0.072	4 December 2020	Nil	N/A	N/A
Peter Rozenauers	Nil	Nil	Nil	Nil	N/A	N/A
Ricardo De Armas	Nil	Nil	Nil	Nil	N/A	N/A

Notes:

- (1) Mr. Taylor was a Directors and Named Executive Officer during the year ended 30 June 2017. Any compensation received by him in his capacity as a Director of the Company is reflected in the Summary Compensation Table for the Named Executive Officers in this Circular.
- (2) Aggregate dollar amount of in-the-money unexercised options held as at 30 June 2017. This figure is computed based on the difference between the market value of the Shares on the Australian Securities Exchange as at 30 June 2017 and the exercise price of the option. The closing price of the Shares on the Australian Securities Exchange on 30 June 2017 was A\$0.07.

The following table provides information regarding the value vested or earned on incentive plan awards for each director during the year ended 30 June 2017:

Incentive Plan Awards – Value Vested or Earned During the Year

Name ⁽¹⁾	Option awards – Value vested during the year (A\$)	Share awards – Value vested during the year (A\$)	Non-equity incentive plan compensation – Value earned during the year (A\$)
Stephen Dennis	Nil	N/A	Nil
Borden Putnam III	Nil	N/A	Nil
Fiona Robertson	Nil	N/A	Nil
Mark Sawyer	Nil	N/A	Nil
Peter Rozenauers	N/A	N/A	N/A
Ricardo De Armas	N/A	N/A	N/A

Notes:

- (1) Mr. Taylor was a Director and Named Executive Officer during the year ended 30 June 2017. Any compensation received by him in his capacity as a Director of the Company is reflected in the Summary Compensation Table for the Named Executive Officers in this Circular.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Employee Share Option Plan

The Company adopted its latest incentive share option plan dated 19 August 2014, and amended as at 26 September 2014 (the “**Plan**”), and the Plan, along with the Long Term Incentive Plan and the NED Plan (as defined below) are the Company’s only equity compensation plans currently in place. The Plan is a rolling stock option plan, under which 10% of the outstanding Shares at any given time are available for issuance thereunder. The purpose of the Plan is to promote the profitability and growth of the Company by facilitating the efforts of the Company and its subsidiaries to attract and retain directors, senior officers, employees and consultants. The Plan provides an incentive for and encourages ownership of the Shares by such persons to induce them to make a maximum contribution to the Company’s success and to benefit from increases in the value of the Shares.

The following information is intended to be a brief description and summary of the material features of the Plan:

Eligibility

The Company’s officers, directors, key employees and consultants are eligible to receive stock options under the Plan (each an “**Eligible Person**”).

Administration

The Plan will be administered by the Board or an underlying committee as so appointed by the Board. The Board or an underlying committee determines from time to time those of the Company’s officers, directors, key employees and consultants to whom stock grants or plan options are to be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted, the dates such options become exercisable, the number of Shares subject to each option, the purchase price of such Shares and the form of payment of such purchase price. All other questions relating to the administration of the Plan, and the interpretation of the provisions thereof and of the related option agreements, are resolved by the Board or an underlying committee. Currently, the entire Board administers the Plan.

Shares Subject to Awards

The Company has currently reserved 10% of the authorized but unissued Shares for issuance under the Plan. The aggregate maximum number of Shares available for issuance under the Plan at any given time is 10% of the Company’s issued and outstanding Shares as at the date of grant of an option under the Plan. The aggregate number of Shares issued pursuant to options:

- (i) issued to the Company’s reporting insiders within any one year period; and
- (ii) issuable to the Company’s reporting insiders at any time,

under the Plan, or when combined with all other security based compensation arrangements, shall not exceed 10% of the total number of Shares then outstanding, respectively. The aggregate number of Shares issued pursuant to options:

- (i) issued to any one individual or entity within any one year period, and
- (ii) issuable to any one individual or entity at any time,

under the Plan, or when combined with all other security based compensation arrangements, shall not exceed 10% of the total number of Shares then outstanding, respectively. Shares used for the grants of options under the Plan may be authorized and unissued shares or shares reacquired by the Company. Shares covered by Plan options which terminate unexercised or shares subject to stock awards which are forfeited or cancelled will again become available for grant as additional options or stock awards, without decreasing the maximum number of shares issuable under the Plan.

Terms of Exercise

The Plan provides that the options granted thereunder shall be exercisable from time to time in whole or in part, unless otherwise specified by the Board or an underlying committee, and provided that no option shall have a term exceeding five (5) years.

Vesting

The Board may determine when any option will become exercisable and may determine that the option will be exercisable in installments or pursuant to a vesting schedule. Vesting conditions include any criteria, requirements or conditions (as specified in the Offer (as defined in the Plan) and determined by the Board in its sole and absolute discretion, subject the policies of the ASX and TSX, respectively), which the Board may throughout the course of the option period waive or accelerate as the Board considers reasonably appropriate.

Exercise Price

The purchase price for the Shares subject to options is determined by the Board or an underlying committee at the time the option is granted. Such price shall not be less than the volume weighted average trading price (calculated in accordance with the rules and policies of the TSX and the ASX) of the Shares on the TSX, ASX or another stock exchange where the majority of the trading volume and value of the Shares occurs, for the five (5) trading days immediately preceding the day the option is granted. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Board in its sole discretion, subject to approval by the Shareholders and to acceptance by the TSX or ASX respectively, if applicable.

Termination, Retirement or Death

Except as otherwise expressly provided in the option agreement, all Plan options are non-assignable and non-transferable, except by will or by the laws of descent and distribution, and during the lifetime of the optionee, may be exercised only by such optionee. If an optionee dies while employed by the Company, all Plan options may be exercised by the legal representative(s) of the estate of the deceased optionee at any time during the first six (6) months following the death of the optionee (but prior to the expiry of the option in accordance with the terms thereof) but only to the extent that the optionee was entitled to exercise such option at the date of death. Options granted to an Eligible Person expire within 60 days after termination of employment with the Company, such options may be exercised, to the extent that the optionee shall have been entitled to do so on the date of termination of employment.

Amendments

Subject to the prior approval of any applicable regulatory authorities and/or stock exchange (including the TSX and ASX) and the consent of the holder of the option affected thereby, the Board may amend or modify any outstanding option in any manner to the extent that the Board would have had the authority to initially grant the option as so modified or amended, including without limitation, to change the date or dates as of which, or the price at which, an option becomes exercisable, provided however, that the consent of the holder of the option shall not be required where the rights of the holder of the option are not adversely affected.

The Board will have the power to approve amendments relating to the Plan or to options, but only with the approval of the Shareholders, to the extent that such amendments relate to any of the following: (i) any amendment to the number of securities issuable under the Plan, including an increase to a fixed maximum number of securities or a change from a fixed maximum number of securities to a fixed maximum percentage. A change to a fixed maximum percentage which was previously approved by Shareholders will not require additional shareholder approval; (ii) any change to the definition of Eligible Person which would have the potential of broadening or increasing insider participation; (iii) the addition of any form of financial assistance; (iv) any amendment to a financial assistance provision which is more favourable to participants; (v) any addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Plan reserve; (vi) the addition of a deferred or restricted share unit or any other provision which results in participants receiving securities while no cash consideration is received by the Company; (vii) a discontinuance of the Plan; (viii) a reduction in the exercise price of an option under the Plan benefiting an insider of the Company; (ix) an extension of a term of an option under Plan benefiting an insider of the company; (x) any amendment to remove or to exceed the insider participation limit; (xi) amendments to the amending provision under of the Plan; and (xii) any other amendments that may lead to significant or unreasonable dilution in the Company's outstanding securities or may provide additional benefits to eligible participants, especially Insiders of the Company, at the expense of the Company and its existing shareholders.

The Board may, without the approval of Shareholders and subject to receipt of requisite regulatory approval, where required, in its sole discretion make amendments to the Plan or options that are not of the type contemplated above including, without limitation: i) amendments of a "housekeeping" or clerical nature; (ii) a change to the vesting provisions of a security or the Plan; (iii) a change to the termination provisions of a

security or the Plan which does not entail an extension beyond the original expiry date; and (iv) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve.

As at the date of this Circular, the Company has 24,829,828 options issued and outstanding, representing approximately 1.0% of the issued and outstanding Shares. Furthermore, as at the date hereof, no options issued pursuant to the Plan have been exercised into Shares.

Non-Executive Directors Share Plan

The Company has adopted a share incentive plan for its non-executive directors dated 7 October 2014 (the “**NED Plan**”), for eligible non-executive directors of the Company (“**NEDs**”). The purpose of the NED Plan is to provide non-executive directors of the Company with the ability to sacrifice their director’s fees to acquire Shares. In the current economic climate, the salary sacrifice serves as an effective cash preservation mechanism, whilst aligning the interests of directors of the Company with those of the Shareholders.

Eligibility

Each non-executive director of the Company is eligible to participate in the NED Plan, unless participation would (in the opinion of the Board) result in the Company contravening applicable law or becoming obliged to prepare, lodge or issue a prospectus or other disclosure document in Australia or elsewhere and the Board determines it would be onerous for the Company to do so.

Participation

Each NED participating under the NED Plan in respect of a year must give a notice to the Company specifying the percentage of their standard fees which are not to be paid to him or her. By giving such a notice, the NED agrees that the Company will not be liable to pay or provide the specified percentage of the standard fees that would otherwise be payable to him or her.

Acquisition of Shares

Subject to the rules of the NED Plan, each NED will be provided the number of Shares in respect of each year as is determined in accordance with the following formula:

A/B, where “A” is the sacrificed amount; and “B” is: (i) if the Shares are purchased on the ASX, the average price paid for the Shares on ASX under the NED Plan (inclusive of costs associated with their acquisition); or (ii) if the Shares are issued by the Company, the volume weighted average price for sales on ASX for the five (5) trading days immediately prior to the issuance of the Shares.

Maximum Number of Shares

Notwithstanding any other provision under the NED Plan, the maximum number of Shares that may be issued or issuable pursuant to the NED Plan may not exceed 5% of the issued and outstanding Shares from time to time. As at the date hereof, no Shares have been issued pursuant to the NED Plan

Restrictions on Issuance to Insiders

The maximum number of Shares issuable at any time or within anyone one-year period to a NED under the NED Plan, together with any other share compensation arrangement of the Company, cannot exceed 10% of the issued and outstanding Shares.

Cessation of Directorship

If a NED ceases (for whatever reason) to be a director of the company (a) during a given year, or (b) after the end of a year but before the Shares have been provided to the NED in accordance with the NED Plan in respect of that year, no Shares will be provided to the NED in relation to the year and, if paragraph (b) applies, no Shares will be provided to the NED in relation to the period between the end of the year and the date on which the NED ceased to be a director of the Company. The Company must pay to the NED in lieu of providing those Shares an amount equal to: (i) where paragraph (a) applies, the portion of the sacrificed amount for that year that is referable to the period prior to the NED ceasing to be a NED; or (ii) where paragraph (b) applies, the sum of: (x)

the sacrificed amount for that year; and (y) the portion of the sacrificed amount of the year during which the NED ceased to be a Director that is referable to the period prior to the NED ceasing to be a NED.

Amendments to Plan

Subject to any corporate law, stock exchange requirements, or the rules of the NED Plan, the Board may from time to time by resolution: (a) amend or revise the terms of the NED Plan; or (b) discontinue the NED Plan at any time.

The following amendments to the NED Plan may be made by the Board without the approval of the Shareholders: (a) any amendments necessary to ensure that the NED Plan is in compliance with the rules of the ASX, TSX or any applicable governmental body; (b) amendments that are of an administrative or general housekeeping nature; (c) amendments to the definition of “Eligible Person” under the NED Plan unless such changes would expand the class of Eligible Persons; (d) amendments to the manner in which the Plan is administered; and (e) amendments to the vesting provisions and the termination provisions in the NED Plan.

The following amendments to the NED Plan will require Shareholder approval: (a) amendments to the maximum number of Shares that may be issued to any NEDs pursuant to the NED Plan; (b) amendments to the provisions with respect to the assignment of Shares, or a right to Shares pursuant to the NED Plan; (c) amendments which would expand the definition of “Eligible Persons” entitled to participate in the NED Plan; (d) amendments to the amending provisions of the NED Plan; (e) amendments to reduce the price at which Shares are issued under the NED Plan; (f) amendments to the insider participation limits of the NED Plan that would result in disinterested Shareholders being required to approve the NED Plan; and (g) an increase to the maximum number of securities issuable, either as a fixed number or a fixed percentage of the Company’s outstanding capital represented by such securities.

Assignability of Rights

The right to acquire Shares pursuant to the NED Plan are not assignable.

Termination of NED Plan

The NED Plan may at any time be suspended or terminated by resolution of the Board. However, any rules affecting the rights of participants pursuant to the NED Plan will continue to operate with respect to any Shares provided under the NED Plan prior to such a suspension or termination.

Equity Compensation Plan Information

The following table provides details of the equity securities of the Company authorized for issuance as of the financial year ended 30 June 2017 pursuant to the Company’s equity compensation plan currently in place:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))⁽¹⁾
Equity compensation plans approved by securityholders	24,829,828	\$0.075	216,836,336
Equity compensation plans not approved by securityholders	28,950,000	\$0.0	91,882,032
Total	53,779,828⁽²⁾	\$0.075	308,718,368

Notes:

- (1) Based on a total of 241,666,164 stock options issuable pursuant to the Plan, representing 10% of the issued and outstanding Shares as at the date of this Circular.
- (2) Representing approximately 2.2% of the issued and outstanding Shares as at the date of this Circular.

Long Term Incentive Plan

The Board proposes to implement a long term incentive plan (the “**Long Term Incentive Plan**”), subject to shareholder and regulatory approval.

The Board considered that it was desirable to establish an employee equity incentive plan pursuant to which employees may be offered the opportunity to be granted performance rights (**Performance Rights**) and options (Options) to acquire Shares in the Company. Accordingly, the Board adopted the Long-Term Incentive Plan on 13 October 2017, however the implementation of the Long Term Incentive Plan requires shareholder and regulatory approval. At the Meeting, shareholders will be asked to consider and, if thought fit, to pass, with or without amendment, an ordinary resolution approving the Long-Term Incentive Plan.

The purpose of the Long Term Incentive Plan is to:

- a) reward employees of the Company;
- b) assist in the retention and motivation of employees of the Company;
- c) provide an incentive to employees of the Company to grow shareholder value by providing them with an opportunity to receive an ownership interest in the Company; and

A full summary of the key provisions of the Long Term Incentive Plan are provided in Schedule 1 – Summary of Long Term Incentive Plan attached to this Circular. The summary is subject to the full text of the Long Term Incentive Plan which will be available for review at the Meeting.

If the Long-Term Incentive Plan is approved by shareholders, a total of 120,833,082 Shares common shares (representing 5% of the Company's Issued Capital) will be reserved for issuance pursuant to the exercise of Performance Rights and Options to be granted pursuant to the Long Term Incentive Plan. As of the date of this Circular no Performance Rights have been issued under the Plan

Shareholder and Regulatory Approval

The Long Term Incentive Plan must be approved by an ordinary resolution of “disinterested” shareholders, being a majority of the votes cast by “disinterested” shareholders present in person or by proxy at the Meeting. A company's disinterested shareholders are its shareholders that are neither Insiders nor Associates of Insiders. At the Meeting, the Long Term Incentive Plan resolution must be approved by not less than a majority of the votes cast by the disinterested shareholders of the Company present in person, or represented by proxy.

The Long Term Incentive Plan is also subject to regulatory approval.

Disinterested shareholders will be asked to consider, and if deemed appropriate, to approve the Long Term Incentive Plan resolution.

The Board has determined that the Long Term Incentive Plan is in the best interests of the shareholders and unanimously recommends that shareholders vote FOR the Long Term Incentive Plan resolution to approve the Long Term Incentive Plan.

Unless the Shareholder has specifically instructed in the form of proxy that the Shares represented by such proxy are to be withheld or voted otherwise, the persons named in the proxy will vote FOR the Long Term Incentive Plan resolution.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

During the year ended 30 June 2017, no director, executive officer or associate of any director or executive officer of the Company was indebted to the Company, nor were any of these individuals indebted to any other entity which indebtedness was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company, including under any securities purchase or other program.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since the commencement of the Company's most recently completed financial year, no informed person of the Company, or any associate or affiliate of any informed person or nominee, has or had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or will materially affect the Company or any of its subsidiaries.

STATEMENT OF CORPORATE GOVERNANCE

The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company. The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of the Shareholders, but that it also promotes effective decision making at the Board level. The Board has adopted a written code of business conduct and ethics to encourage and promote a culture of ethical business conduct amongst the directors, officers, employees and consultants of the Company.

Board of Directors

NI 58-101 defines an "independent director" as a director who has no direct or indirect "material relationship" with the issuer. A "material relationship" is as a relationship which could, in the view of the board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.

The Board believes that it functions independently of management, and reviews its procedures on an ongoing basis to ensure that it is functioning independently of management. The Board meets without management present, as circumstances require. When conflicts arise, interested parties are precluded from voting on matters in which they may have an interest. In light of the suggestions contained in National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201"), the Board convenes meetings, as deemed necessary, of the independent directors, at which non-independent directors and members of management are not in attendance.

The Board is currently comprised of seven (7) directors being Mr. Stephen Dennis, Mr. Wayne Taylor, Mr. Borden Putnam III, Ms. Fiona Robertson, Mr. Mark Sawyer, Mr. Peter Rozenauers and Mr. Ricardo De Armas. Mr. Stephen Dennis, Mr. Borden Putnam III, Ms. Fiona Robertson, Mr. Peter Rozenauers and Mr. Ricardo De Armas and Mr. Mark Sawyer are independent within the meaning of NI 58-101. Mr. Taylor is not independent as he is an officer of the Company.

Other Public Company Directorships

The following members of the Board currently hold directorships in other reporting issuers as set forth below:

Name of Director	Name of Reporting Issuer	Market
Borden Putnam III	Mirasol Resources	TSX
Fiona Robertson	None	N/A
Mark Sawyer	Metro Mining Ltd	ASX
Stephen Dennis	HER Resources Ltd	ASX
	Graphex Mining Limited	ASX
	Rox Resources Limited	ASX
Peter Rozenauers	MacPhersons Ltd	ASX
Ricardo De Armas	None	N/A

Meetings of the Board

The Board held 11 meetings during the year ended 30 June 2017. The members of the Board and their attendance are set forth in the table below:

Board of Directors		
Name of Director	Independent⁽¹⁾	Meeting Attendance
Wayne Taylor	No	11
Stephen Dennis	Yes	11
Borden Putnam	Yes	10
Fiona Robertson	Yes	10
Mark Sawyer	Yes	10
Peter Rozenauers	Yes	N/A
Ricardo De Armas	Yes	NA

Note:

⁽¹⁾ To be considered independent, a member of the Board must not have any direct or indirect or “material relationship” with the Company. A material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member’s independent judgment

Board Mandate

The Board has adopted a written Board mandate pursuant to which the Board assumes responsibility for the stewardship of the Company. The Board’s primary responsibility is to develop and adopt the strategic direction of the Company and to, at least annually, review and approve a strategic plan as developed and proposed by management, which takes into account the business opportunities and risks of the Company. The Board is responsible for reviewing and approving the Company’s financial objectives, plans and actions, including significant capital allocations and expenditures. The Board is also responsible for, among other things: (i) monitoring corporate performance; (ii) identifying principal business risks and implementing appropriate systems to manage such risks; (iii) monitoring and ensuring internal control and procedures; (iv) ensuring appropriate standards of corporate conduct; (v) reviewing and approving financial statements and management’s discussion and analysis; (vi) reviewing compensation of the members of the Board; (vii) reviewing and approving material transactions and annual budgets; (viii) developing the Company’s approach to corporate governance; and (ix) assessing its own effectiveness in fulfilling its mandate.

The Board’s mandate sets forth procedures relating to the Board’s operations such as the size of Board and selection process, director qualifications, director orientation and continuing education, meetings and committees, evaluations, compensation and access to independent advisors. Pursuant to the Board’s mandate, the Board is required to hold at minimum four scheduled meetings per year.

Position Descriptions

Chairman of the Board

The Chairman of the Board is currently Stephen Dennis. The Board has developed and adopted a written position description for the Chairman of the Board. Pursuant to the written description, the Chairman is responsible for, among other things: (i) chairing all meetings of the Board in a manner that promotes meaningful discussion; (ii) providing leadership to enhance the Board’s effectiveness; (iii) managing the Board (including delegation and succession planning); (iv) acting as a liaison between the Board and management; and (v) at the request of the Board, representing the Company to external groups, including Shareholders, community groups and governments. The Chairman is also responsible for working with the Audit & Risk Committee (“AR”) to ensure that the effectiveness of the Board and its committees as well as the contribution of individual directors is assessed at least annually.

Lead Independent Director

The lead independent director of the Board (“**Lead Director**”) is currently Fiona Robertson. The Lead Director is responsible for, among other things: (i) providing leadership to ensure that the Board functions independently of management of the Company; (ii) chairing meetings of independent directors or non-management directors

held following Board meetings; (iii) in the absence of the Chairman, acting as chair of meetings of the Board; (iv) recommending, where necessary, the holding of special meetings of the Board; (v) reviewing with the Chairman and the CEO items of importance for consideration by Board; (vi) consulting and meeting with any or all of the Company's independent directors, at the discretion of either party and with or without the attendance of the Chairman, and represent such directors in discussions with management of the Company concerning corporate governance issues and other matters; (vii) together with the Chairman, ensuring that all business required to come before the Board is brought before the Board, such that the Board is able to carry out all of its duties to supervise the management of the business and affairs of the Company, and together with the Chairman and the CEO, formulate an agenda for each Board meeting; (viii) ensuring that the Board, committees of the Board, individual directors and senior management of the Company understand and discharge their duties and obligations under the approach to corporate governance adopted by the Board from time to time; (ix) mentoring and counseling new members of the Board to assist them in becoming active and effective directors; (x) facilitating the process of conducting director evaluations; (xi) promoting best practices and high standards of corporate governance; and (xii) performing such other duties and responsibilities as may be delegated to the Lead Director by the Board from time to time.

Chief Executive Officer

The Board has also developed and adopted a role statement for the Chief Executive Officer whose primary role is to take overall supervisory and managerial responsibility for the day to day operations of the Company's business and manage the Company in order to achieve the goals and objectives determined by the Board in the context of the Company's strategic plan. The Chief Executive Officer's responsibilities include, but are not limited to: (i) maintaining, developing and implementing the Company's strategic plans; (ii) developing new strategic alliances to enhance shareholder value; (iii) providing quality leadership to staff and other officers of the Company; (iv) ensuring communications between the Company and major Shareholders; (v) providing timely strategic, operational and reporting information to the Board; (vi) coordinating the preparation of an annual business plan; and (vii) taking responsibility for the administration of all of the Company's sub-areas and administrative practices.

Chairmen of the Audit & Risk and Remuneration & Nomination Committees

Although the Board has not developed and adopted a written position description for the Chairman of each of the AR and RN Committees, the Board delineates the role and responsibility of each Chairman by having adopted a charter for the two committees which outlines specific tasks, duties and responsibilities of the respective Chairman and the Committee in accordance with the recommendations set forth in NP 58-201. These charters are published on our website.

Orientation and Continuing Education

New directors receive an orientation on the role of the Board, its committees, and the nature and operation of the Company's business, which consists of the following:

- an orientation session with senior officers to receive an overview the Company's business and affairs;
- an orientation session with the Chairperson of each standing committee; and
- an orientation session with legal counsel and the representatives of the Company's auditors.

Continuing education is provided to directors through provision of literature regarding current developments and annual seminars on corporate governance developments. The Chief Executive Officer of the Company takes primary responsibility for the orientation and continuing education of directors and officers.

Ethical Business Conduct

The Board has adopted a written code of business conduct and ethics to encourage and promote a culture of ethical business conduct amongst the directors, officers, employees and consultants of the Company. Copies of the Code of Conduct are available upon written request from the CEO or CFO of the Company. The AR Committee is responsible for ensuring compliance with the Company's code of conduct. There were no departures from the Company's Code of Conduct since its adoption.

In addition to those matters which, by law, must be approved by the Board, the approval of the Board is required for:

- the Company's annual business plan and budget;
- major acquisitions or dispositions by the Company; and
- transactions which are outside of the Company's existing business.

To ensure the directors exercise independent judgment in considering transactions and agreements in which a director or officer has a material interest, all such matters are considered and approved by the independent directors. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

The Company believes that it has adopted corporate governance procedures and policies which encourage ethical behaviour by the Company's directors, officers and employees.

Nomination of Directors

The RN Committee of the Board holds the responsibility for the appointment and assessment of directors.

The RN Committee seeks to achieve a balance of knowledge, experience and capability among the members of the Board. When considering candidates for director, the RN Committee takes into account a number of factors including, but not limited to, the following (although candidates need not possess all of the following characteristics and not all factors are weighted equally):

- personal qualities and characteristics, accomplishments and reputation in the business community;
- current knowledge and contacts in the countries and/or communities in which the Company does business and in the Company industry sectors or other industries relevant to the Company's business; and
- the ability and willingness to commit adequate time to Board and committee matters, and be responsive to the needs of the Company.

The Board will periodically assess the appropriate number of directors on the Board and whether any vacancies on the Board are expected due to retirement or otherwise. If vacancies are anticipated, or otherwise arise, or the size of the Board is expanded, the RN Committee will consider various potential candidates for director. Candidates may come to the attention of the RN Committee through current directors or management, stockholders or other persons. These candidates will be evaluated at regular or special meeting of the RN Committee, and may be considered at any point during the year.

The RN Committee considers candidates for directors by annual review of the credentials of nominees for re-election to be named in the Management's proxy's materials. The annual review considers an evaluation of the effectiveness of the Board and the performance of each director, the continuing validity of the credentials underlying the appointment of each director and the continuing compliance with the eligibility rules under applicable conflict of interest guidelines.

The RN Committee, whenever considered appropriate, may direct the Chairman to advise each nominee director, prior to appointment to the Board, of the credentials underlying the recommendation of such nominee director's candidacy. The RN Committee may recommend to the Board at the annual meeting of the Board, the allocation of Board members to each of the Board committees, and where a vacancy occurs at any time in the membership of any Board committee, the RN Committee may recommend to the Board a member to fill such vacancy. The RN Committee has the sole authority to retain and terminate any search firm to be used to identify nominee director candidates, including the sole authority to approve fees and other terms of such retention. The RN Committee monitors on a continuing basis and, whenever considered appropriate, makes recommendations to the Board concerning the corporate governance of the Company.

Compensation

The RN Committee of the Board reviews the compensation of the directors and senior officers. The RN Committee reviews and makes recommendations to the Board regarding the granting of stock options to

directors and senior officers, compensation for senior officers, and compensation for senior officers' and directors' fees, if any, from time to time. Senior officers and directors may be compensated in cash and/or equity for their expert advice and contribution towards the success of the Company. The form and amount of cash compensation will be evaluated by the RN Committee, which will be guided by the following goals:

- compensation should be commensurate with the time spent by senior officers and directors in meeting their obligations and reflective of the compensation paid by companies similar to the Company in size, business and stage of development; and
- The structure of the compensation should be simple, transparent and easy for Shareholders to understand. Shareholders will be given the opportunity to vote on all new or substantially revised equity compensation plans for directors as required by regulatory policies.

Other Board Committees

The Board has no standing committees other than the AR and the RN Committees.

Assessments

The Board does conduct a formal annual assessment of the effectiveness of the Board, its committees and their peers. The Chairman of the Board meets annually with each director individually, which facilitates a discussion of his contribution and that of the other directors. When needed, time is set aside at a meeting of the Board for a discussion regarding the effectiveness of the Board and its committees. If appropriate, the Board then considers procedural or substantive changes to increase the effectiveness of the Board and its committees. On an informal basis, the Chairman of the Board is also responsible for reporting to the Board on areas where improvements can be made. Any agreed upon improvements required to be made are implemented and overseen by the RN Committee.

AUDIT COMMITTEE INFORMATION

Additional information regarding the Audit & Risk Committee is contained in the Company's annual information form dated June 30, 2017 (the "AIF") under the heading "Audit and Risk Committee" and a copy of the charter of the Audit & Risk Committee is attached to the AIF as Appendix "A". The AIF is available under the Corporation's SEDAR profile at www.sedar.com.

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HERON RESOURCES LTD

ACN: 068 263 098

REGISTERED OFFICE:LEVEL 7
191 CLARENCE STREET
SYDNEY NSW 2000
AUSTRALIA**SHARE REGISTRY:**

Security Transfer Australia Pty Ltd

All Correspondence to:PO BOX 52
Collins Street West VIC 8007
Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000
T: 1300 992 916 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

+

Code:

HRR

Holder Number:

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

**VOTE
ONLINE**Lodge your proxy vote securely at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

 The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 2:00pm AEDT on Wednesday 29 November 2017 at The Grace Hotel, York Room, Level 1, 77 York Street, Sydney New South Wales, 2000 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions.

In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Important for Resolutions 1 and 6 to 14: If the Chair of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intentions below, you expressly authorise the Chair of the Meeting to exercise the proxy in respect of Resolutions 1 and 6 to 14 even though the items are connected directly or indirectly with the remuneration of a member of the Key Management Personnel of Heron. However, where the Chair of the Meeting is the related party the subject of Resolutions 7 to 13 or is an associate of the related party, the Chair of the Meeting will be excluded from voting undirected proxies.

RESOLUTION	For	Against	*Abstain	For	Against	*Abstain
1. ADOPTION OF REMUNERATION REPORT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
2. RE-ELECTION OF BORDEN PUTNAM III AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
3. RE-ELECTION OF PETER ROZENAUEERS AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
4. RE-ELECTION OF RICARDO DE ARMAS AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
5. CONSOLIDATION	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
6. APPROVAL OF LONG TERM INCENTIVE PLAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR WAYNE TAYLOR, MANAGING DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR STEPHEN DENNIS, CHAIRMAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
9. APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MS FIONA ROBERTSON, NON EXECUTIVE DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
10. APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR BORDEN PUTNAM III, NON EXECUTIVE DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
11. APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR MARK SAWYER, NON EXECUTIVE DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
12. APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR PETER ROZENAUEERS, NON EXECUTIVE DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
13. APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR RICARDO DE ARMAS, NON EXECUTIVE DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
14. APPROVAL TO INCREASE AGGREGATE FEE POOL FOR NON-EXECUTIVE DIRECTORS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Registrars Pty Ltd no later than 2:00pm AEDT on Monday 27 November 2017.

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My/Our contact details in case of enquiries are:

Name:

Number:

()

1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Australia Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Australia Pty Ltd

Online www.securitytransfer.com.au

Postal Address PO BOX 52
Collins Street West VIC 8007

Street Address Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

Telephone 1300 992 916

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.



YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 5:00 PM
(EASTERN STANDARD TIME) ON NOVEMBER 24, 2017.

TO VOTE ONLINE



STEP 1 : VISIT www.voteproxyonline.com
STEP 2: Enter your Control Number



Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. Please note, you cannot change ownership of your securities using this form.

Control Number:

Please note it is important you keep this confidential

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

STEP 3 Sign the Form

The form must be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all securityholders must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 5:00 PM (Eastern Standard Time) on November 24, 2017. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged using the reply envelope or:

BY MAIL - TSX Trust Company, 301 - 100 Adelaide Street West
Toronto, Ontario M5H 4H1

BY FAX - 416-595-9593

IN PERSON - TSX Trust Company, 301 - 100 Adelaide Street West
Toronto, Ontario M5H 4H1

**Vote online at: www.voteproxyonline.com
or turn over to complete the Form ➔**

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Notice-and-Access

The Canadian securities regulators have adopted new rules, effective for meetings held on or after March 1, 2013, which permit the use of notice-and-access for proxy solicitation instead of the traditional physical delivery of material. This new process provides the option to post meeting related materials including management information circulars as well as annual financial statements and management's discussion and analysis, on a website in addition to SEDAR. Under notice-and-access, meeting related materials will be available for viewing for up to 1 year from the date of posting and a paper copy of the material can be requested at any time during this period.

Disclosure regarding each matter or group of matters to be voted on is in the Information Circular in the Section with the same title as each Resolution overleaf. You should review the Information Circular before voting.

HERON RESOURCES LIMITED has elected to utilize notice-and-access and provide you with the following information: **Meeting materials are available electronically at www.sedar.com and also at <http://noticeinsite.tsxtrust.com/HeronResourcesLimitedAM2017>**

If you wish a paper copy of the Meeting materials or have questions about notice-and-access, please call 1-866-393-4891. In order to receive a paper copy in time to vote before the meeting, your request should be received by November 17, 2017.

Heron Resources Limited

STEP 1 - Appointment of Proxy

I/We being a member/s of **Heron Resources Limited** and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Grace Hotel, York Room, Level 1, 77 York Street, Sydney, NSW 2000 Australia on Wednesday, 29 November 2017 at 2:00 pm (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

STEP 2 - Voting directions to your Proxy – please mark to indicate your directions

Ordinary Business		For	Against	Abstain*
Resolution 1	ADOPTION OF REMUNERATION REPORT (NON-BINDING RESOLUTION)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	RE-ELECTION OF BORDEN PUTNAM III AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	RE-ELECTION OF PETER ROZENUERS AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	RE-ELECTION OF RICARDO DE ARMAS AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	CONSOLIDATION	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	APPROVAL OF LONG TERM INCENTIVE PLAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR WAYNE TAYLOR, MANAGING DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR STEPHEN DENNIS, CHAIRMAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MS FIONA ROBERTSON, NON EXECUTIVE DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR BORDEN PUTNAM III, NON EXECUTIVE DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR MARK SAWYER, NON EXECUTIVE DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR PETER ROZENUERS, NON EXECUTIVE DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR RICARDO DE ARMAS, NON EXECUTIVE DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14	APPROVAL TO INCREASE AGGREGATE FEE POOL FOR NON-EXECUTIVE DIRECTORS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intentions advised above, the Chairman of the Meeting intends to vote undirected proxies as recommended in the Management Information Circular.

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

For Canadian shareholders, if you would like to "withhold" your vote regarding the re-election of a Director, please mark the "Abstain" box.

STEP 3 - PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / / 2017