

Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme Heron Resources Limited (HRR)

ACN/ARSN 068 263 098

1. Details of substantial holder (1)

Name Pala Investments Limited (Pala Investments) and its associates named below (collectively **PALA**)

ACN/ARSN (if applicable) N/A

The holder became a substantial holder on 07/09/2017

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

| Class of securities (4) | Number of securities | Person's votes (5) | Voting power (6) |
|----------------------------|---|---|--|
| Fully paid ordinary shares | 185,714,286 (The number of securities held as at the date of this notice is 18,571,428, which reflects the 10 to 1 share consolidation announced by HRR on 7 November 2017 and implemented from 1 December 2017) | 185,714,286 (The number of votes held as at the date of this notice is 18,571,428, which reflects the number of securities held as at the date of this notice) | 7.68% based on 2,416,661,640 fully paid ordinary shares on issue as at 7 September 2017 (Voting power as at the date of this notice is 7.68% based on 241,666,912 fully paid ordinary shares on issue as at the date of this notice) |

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

| Holder of relevant interest | Nature of relevant interest (7) | Class and number of securities |
|---|--|--|
| Pala Investments | Relevant interest under section 608(1) of the <i>Corporations Act 2001</i> (Cth) (Act) as a consequence of acquiring rights to exercise, or control the exercise of, control over the votes attached to, or the disposal of, the relevant securities upon completion of an institutional placement as announced by HRR on 7 September 2017. | 185,714,286 fully paid ordinary shares |
| Pala Group Holdings Limited (Pala Group) | Relevant interest under sections 608(1)(b) and 608(1)(c) of the Act, by virtue of rights it has to exercise, or control the exercise of, a right to vote attached to, and the power to dispose of, or control the exercise of a power to dispose of, the relevant securities by Pala Investments. | 185,714,286 fully paid ordinary shares |

| | | |
|-----------------------|--|--|
| VFI Holdings AG (VFI) | Relevant interest under sections 608(1)(b) and 608(1)(c) of the Act, by virtue of rights it has with its associate and controller Vladimir Iorich to exercise, or control the exercise of, a right to vote attached to, and the power to dispose of, or control the exercise of a power to dispose of, the relevant securities by Pala Investments through Pala Group. | 185,714,286 fully paid ordinary shares |
| Vladimir Iorich | Relevant interest under sections 608(1)(b) and 608(1)(c) of the Act by virtue of rights he has with VFI to exercise, or control the exercise of, a right to vote attached to, and the power to dispose of, or control the exercise of a power to dispose of, the relevant securities by Pala Investments through Pala Group. | 185,714,286 fully paid ordinary shares |

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

| Holder of relevant interest | Registered holder of securities | Person entitled to be registered as holder (8) | Class and number of securities |
|-----------------------------|---------------------------------|--|--|
| Pala Investments | Citicorp Nominees Pty Limited | Citicorp Nominees Pty Limited | 185,714,286 fully paid ordinary shares |
| Pala Group | Citicorp Nominees Pty Limited | Citicorp Nominees Pty Limited | 185,714,286 fully paid ordinary shares |
| VFI | Citicorp Nominees Pty Limited | Citicorp Nominees Pty Limited | 185,714,286 fully paid ordinary shares |
| Vladimir Iorich | Citicorp Nominees Pty Limited | Citicorp Nominees Pty Limited | 185,714,286 fully paid ordinary shares |

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

| Holder of relevant interest | Date of acquisition | Consideration (9) | Class and number of securities |
|-----------------------------|---------------------|---|--|
| Pala Investments | 07/09/2017 | A\$13,000,000.02 (being A\$0.07 per fully paid ordinary share, noting that these shares were issued before the 10 for 1 share consolidation announced by HRR on 7 November 2017 and implemented from 1 December 2017) | 185,714,286 fully paid ordinary shares |
| Pala Group | 07/09/2017 | N/A | 185,714,286 fully paid ordinary shares |
| VFI | 07/09/2017 | N/A | 185,714,286 fully paid ordinary shares |
| Vladimir Iorich | 07/09/2017 | N/A | 185,714,286 fully paid ordinary shares |

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

| Name and ACN/ARSN (if applicable) | Nature of association |
|-----------------------------------|--|
| Pala Group | Pala Group owns a majority of, and controls, Pala Investments |
| Vladimir Iorich | Vladimir Iorich is the sole owner and controller of VFI and, together with VFI, owns and controls Pala Group |
| VFI | VFI, together with its associate Vladimir Iorich, owns and controls Pala Group |

7. Addresses

The addresses of persons named in this form are as follows:

| Name | Address |
|-------------------------------|--|
| Pala Group | 12 Castle St, St Helier Jersey, JE2 3RT, Channel Islands |
| Pala Investments | 12 Castle St, St Helier Jersey, JE2 3RT, Channel Islands |
| Citicorp Nominees Pty Limited | Level 15, 120 Collins Street, Melbourne VIC 3000 |
| Vladimir Iorich | Gotthardstrasse 26, 6300 Zug, Switzerland |
| VFI | Gotthardstrasse 26, 6300 Zug, Switzerland |

Signature

print name John Nagulendran

capacity Director

sign here



date 07/03/2018

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."
- (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.