



26 April 2018

HIGHLIGHTS

Woodlawn Zinc-Copper Project – Project Development Progress

- **Project schedule** - overall completion at 39% and remains on track to commence commissioning by year end
- **Earthworks** - critical path areas delivered on time, continued work on TSF4 and underground box cut
- **Foundations** - process plant concrete foundations commenced February with 930m³ poured
- **Processing plant equipment** – first deliveries received
- **Operational personnel** - appointment of senior mining, processing and support operational personnel
- **Underground Mining contract** – awarded for a third quarter start
- **Port contract** – awarded for zinc and copper concentrate export

Woodlawn Exploration

- **Diamond drilling program** targeting the G2 and Lisa Lens positions, 6 holes for 1,130m completed to date
- **G2 Lens (awaiting assays)**
 - 6.0m from 120.4m of high-grade (up to 30% Zn from handheld XRF¹ readings) massive and stringer sphalerite+galena (high-grade G2 hanging wall zone) WNDD0138
 - 5.0m from 138.3m of Zn stringer mineralisation (G2 main zone) WNDD0138
 - 7.4m from 129.0m of Zn stringer mineralisation (G2 main zone) WNDD0139
 - 8.4m from 151.6m of stringer mineralization (G2 main zone) WNDD0140
- **Lisa Lens (awaiting assays)**
 - 11.0m of Cu-rich massive sulphide from 202.0m in upper centre of lens (approx. 4 to 5% Cu from averaged handheld XRF readings) providing further scope to extend Lisa up-dip WNDD0135
- **The drilling extends both the G2 and Lisa lenses**

Woodlawn Regional Exploration

- **Peelwood** - grab sampling at Cordillera Mine returns **16% Zn, 25% Pb, 497g/t Ag**, EM related drill targets identified

Corporate

- **Cash** – A\$94M unrestricted cash as at 31 March 2018
- **Debt** – US\$60M senior secured facility (undrawn) and US\$16M silver prepayment (drawn during March quarter)
- **TSX Listing** – voluntary delisting from the TSX was effective from 29 March 2018
- **Alchemy (ASX:ALY)** – ALY to issue Heron 10M ALY shares and 10M 5c 3yr unlisted ALY options in consideration for additional tenements added to the existing Farm-In agreement.

¹ Refer page 16 for details of XRF device



Heron Resources Limited Quarterly Report

March 2018

Heron Resources Ltd (“Heron” or the “Company”) is pleased to provide its report for the March 2018 Quarter. During this reporting period the Company focused on the construction of the Woodlawn Zinc-Copper Project.

WOODLAWN ZINC-COPPER PROJECT

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

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

The last 36 months have seen Heron directing its efforts to developing the Woodlawn Zinc-Copper Project with the successful completion of a Preliminary Economic Assessment (PEA) in 2015, followed by the Feasibility Study (FS) in June 2016 and the completion of project financing in September 2017. Construction activities commenced in September 2017 and the Project is expected to start commissioning late in the fourth quarter 2018. The price outlook for all metals to be produced at Woodlawn remains strong, particularly zinc which continues to face a significant supply shortfall.

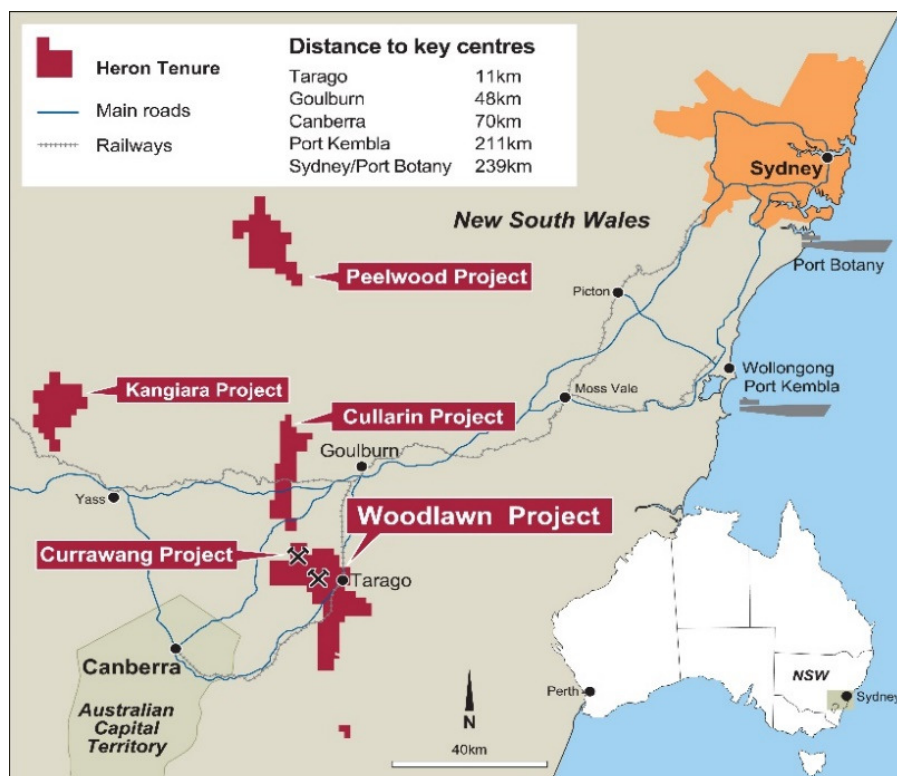


Figure 1: Woodlawn Project location and tenement map

Woodlawn Project – Development Progress

Construction activities commenced on 9 September 2017 and have now moved into civil (concrete) works. The project remains on schedule to commence commissioning the processing plant late in 2018 and deliver the first shipment of concentrate to market in the first quarter of 2019. Activities undertaken during the March Quarter include:



Heron Resources Limited

Quarterly Report

March 2018

- **Safety & Environment:** There have been no significant safety or environmental incidents since construction commenced. From the commencement of construction the site has achieved 172 days Lost Time Injury free to the end of March.
- **Earthworks:** The earthmoving fleet is now focussed on non-critical work and downsizing of the workforce has commenced. The plant numbers are 35 items of equipment and approximately 45 earthworks personnel. The main process plant site levelling and foundation preparation was completed in the quarter. Work continues on the haulage road, the box cut for the underground access and construction of Tailings Storage Facility 4 that are 70%, 85% and 65% complete respectively. All earthworks are planned to be completed during the June quarter.
- **Project EPC Works:** Engineering design is now at 80% complete and procurement is 75% completed. Civil works commenced during the quarter with a cumulative 930m³ of concrete foundations poured by the end of the quarter placing it at 27% complete. Process plant equipment started arriving at site including pumps, blowers, lime silo and conveyor components. Off-site fabrication work continues to be ramped up.
- **Schedule:** The overall project schedule remains on track and the overall project progress was reported at 39% completed at the end of the quarter.
- **Water Treatment:** The supply, installation and commissioning of a water treatment plant continues with the design phase and remains on track for completion in the 4th Quarter of 2018.
- **Underground Mine Contract:** The underground mining contract was awarded to Pybar Mining Services (Heron announcement 27 February 2018). Preparatory work for mobilisation to site progressed targeting a third quarter start date.
- **Port Contract:** The port services contract was awarded to Port Kembla Gateway Pty Ltd (Heron announcement 5 February 2018) covering the bulk shipment of the zinc and copper concentrates.
- **Transportation Contract:** The domestic transportation contract tender was distributed during the quarter.
- **Water Management:** Water management activities and mine dewatering continued to 26 February marking completion of Stage 2. A report to EPA was submitted with approvals to continue to Stage 3 (ongoing operations) expected in April. A new water bore for mine dewatering is being planned with pilot hole drilling commencing after the end of the quarter.
- **Compliance Activities:** The final management plans continue and as noted above, a report to EPA was submitted summarising dewatering to date with the next step being continuous operations. There were no matters of significance raised by the agencies.
- **Community:** A quarterly project community consultation committee meeting was held on 21 February with no comments to report.
- **Project Personnel:** Further recruitment of additional project and operational personnel continued. Further appointments in the operational superintendent roles are expected in the current quarter.



Heron Resources Limited
Quarterly Report
March 2018



Figure 2: TSF4 dam wall construction and internal lining is well advanced.



Figure 3: Box cut for underground access – last 10m bench to excavate.



Heron Resources Limited Quarterly Report

March 2018



Figure 4: Primary crusher foundations, ROM retaining wall with first lift of panels in place.



Figure 5: Steel reinforcing in place for the fine ore bin vault.



Heron Resources Limited
Quarterly Report
March 2018



Figure 6: Float Building – preparation for pouring the float floor.



Figure 7: Arrival of the first process equipment



Heron Resources Limited

Quarterly Report

March 2018

Woodlawn Project – Exploration Drilling Programs

A 9 hole, 2000 metre diamond drill hole (DDH) program commenced on March 13 2018 targeting the Lisa and G2 lenses. At the time of reporting five holes for 1,125m have been completed.

G2 Lens Drilling

The G2 Lens is located adjacent to the planned route of the decline at 120m to 150m below the surface and represents the first underground ore that would be processed through the plant. Initial metallurgical test work results on 3 composite samples (G2 Main, G2 Hanging Wall and G2 Copper) have been received and show encouraging recoveries and concentrate grades and will be the subject of a later market release following the receipt of the full test work program results.

Three diamond holes for 520m have been completed recently on the southern extent of the G2 Lens to better delineate this position which is open to the south of WNDD0133 (see Figures 8-10). Both holes intersected significant sulphide mineralisation:

- 6.0m from 120.4m of high-grade (up to 30% Zn from hand-held XRF readings) massive and stringer sphalerite/galena (high-grade G2HW), WNDD0138
- 5.0m from 138.3m of Zn stringer mineralisation (G2 main zone), WNDD0138
- 7.4m from 129.0m of Zn stringer mineralisation (G2 main zone), WNDD0139
- 8.4m from 151.6m of Zn stringer mineralisation (G2 main zone) WNDD0140

These results are highly encouraging and extend the G2 Lens some 20m to the south and down-dip in this area. Importantly, the very high-grade G2 Hanging Wall (G2HW) position has been extending to the south beyond WNDD0116, although its continuity is expected to be variable. Assays are currently pending and follow-up drilling is planned. With the expanding footprint it is clear that G2 Lens is proving-up to be an important addition to the early mine inventory. The drill rig is currently drilling a geotechnical hole before recommencing at the G2 Lens.

Lisa Lens Drilling

The Lisa Lens is located adjacent to the I Lens in the upper-most horizon within the Woodlawn mineral system (Figure 11) approximately 80 meters from the planned decline route at 200-250 m below the surface. The current program is designed to better delineate the lens position with a significant Cu-dominated intercept being received to date, located approximately 40m up dip from previous drilling:

- 11.0m of Cu rich massive sulphide from 202.0m in upper centre of lens (approx. 4 to 5% Cu from averaged hand-held XRF readings), WNDD0135

This intercept combined with results of an electromagnetic survey suggests the lens has a strike length of about 35-40m and extends down dip approximately 120m. The copper-rich intercept aligns with the Cu-dominated intercept in historic hole W145 (8.0m @ 1.9% Cu). Such copper zones typically occur on the southern edge of the Woodlawn lenses and it is likely polymetallic mineralisation occurs along strike to the north as noted in WNDD0104 (12.4m @ 20% ZnEq)² and WNDD0015 (4.2m @ 28.5% ZnEq)².

² WNDD0104: 12.4m @ 20.5 ZnEq (12% Zn, 1.6% Cu, 2.0% Pb, 0.7g/t Au, 23g/t Ag); WNDD0015: 4.2m @ 28.5% ZnEq (17.7% Zn, 1.6% Cu, 5.0% Pb, 28g/t Ag, 1.1g/t Au)



Heron Resources Limited Quarterly Report

March 2018

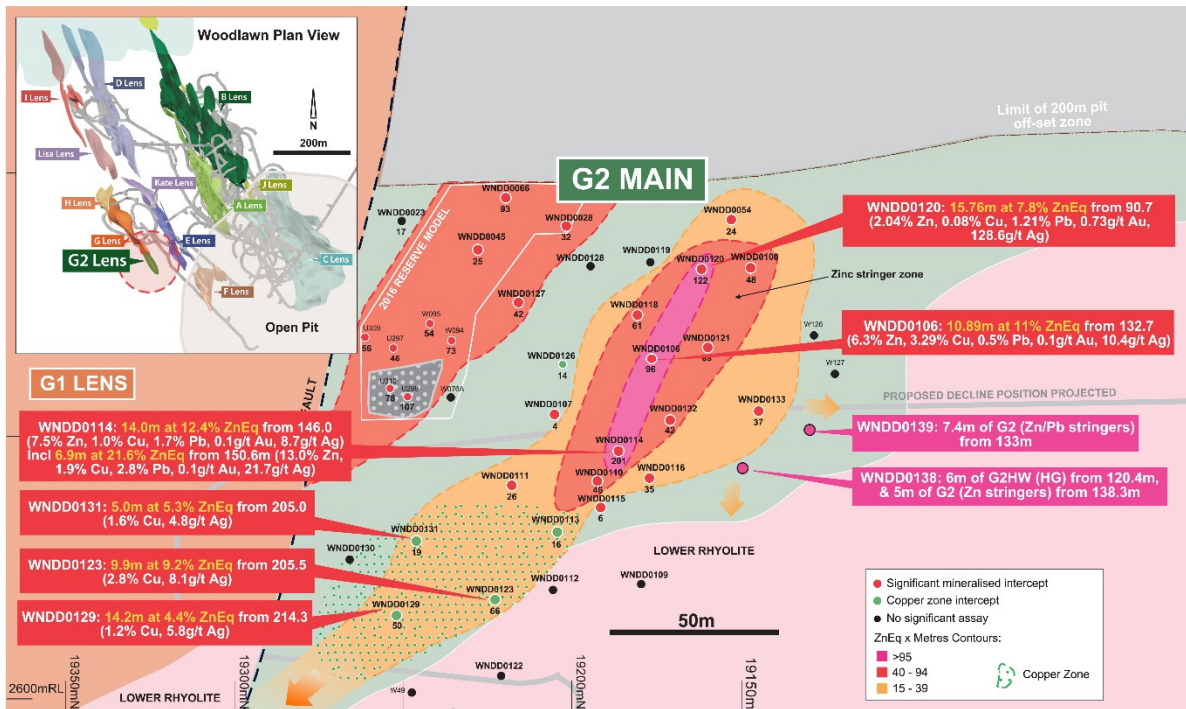


Figure 8: Long section of the G2 Main Lens showing interpreted lens shape, previous drilling and the two recent drill intercepts. View to northeast.

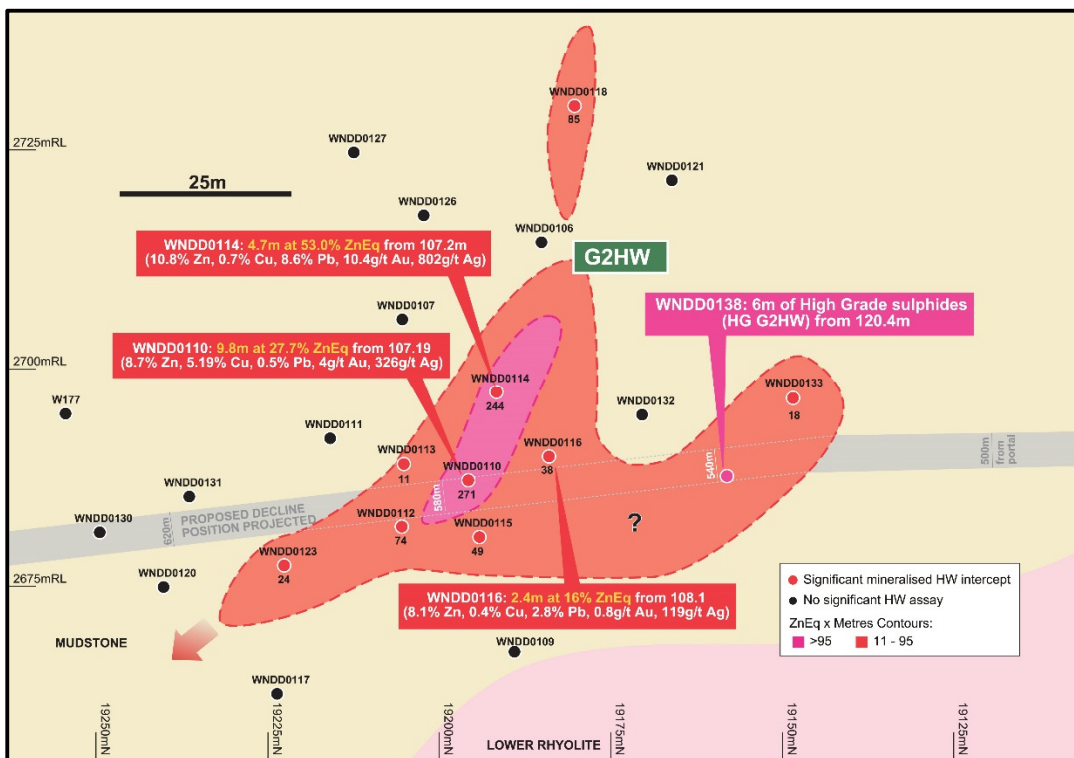


Figure 9: Long section of the G2 Hanging Wall Lens showing interpreted lens shape, previous drilling and the recent drill intercept in WZND0138. View to northeast.



Heron Resources Limited Quarterly Report

March 2018

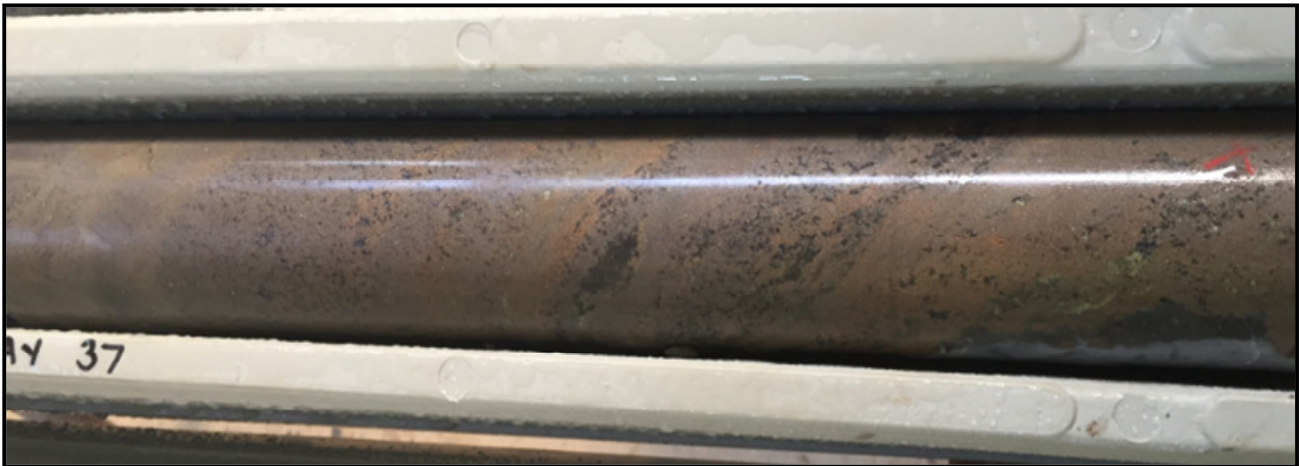


Figure 10: Massive sphalerite rich drill core intersection from WNDD0138 in the G2 Hanging Wall position. Handheld Niton XRF analysis of these sphalerite rich massive sulphide zones returned an average of approximately 30% Zn (some 25 readings taken) over the interval 120.4 to 126.4m. The average zinc grade, however, is expected to be slightly lower than this as the handheld XRF reading does not take into account some internal gangue and other dilution. The interval shown here is approximately 80cm long.

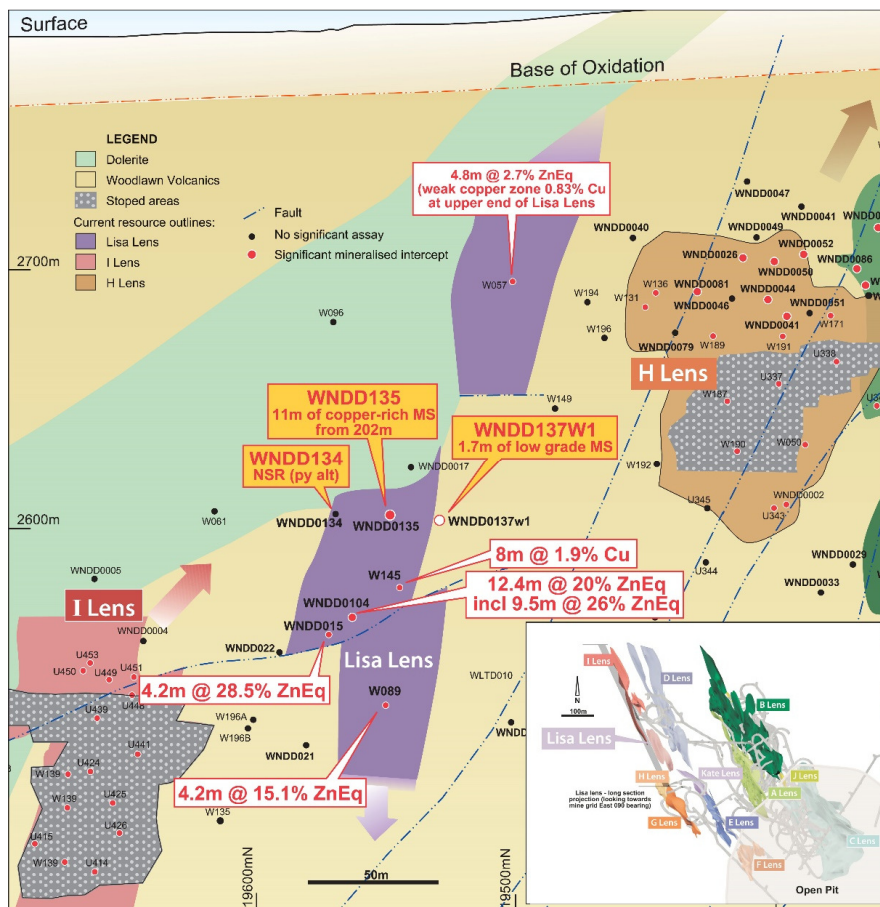


Figure 11: Long section of the Lisa Lens showing interpreted lens shape, the location of previous drill intercepts and this program's proposed infill holes. View to northeast.



Heron Resources Limited

Quarterly Report

March 2018

CORPORATE

Cash: Heron held A\$103.0 million in cash (including bonds of \$A8.577 million) and A\$11 million in investments as at 31 March 2018.

Debt – The debt facility provided by Orion Mine Finance (US\$60M senior secured facility) remain undrawn. The silver prepayment (US\$16M) was fully drawn in March, and the Company expects to make the first draw down on the senior secured facility during this next quarter.

TSX Listing - On 16 March 2018 the Company announced its intention to voluntarily delist from the TSX due to cost to maintain listing, additional jurisdictional compliance requirements, small quantum of equities held on the TSX (c.3%) and very low trading volumes.

Alchemy (ASX:ALY) – Revision of the terms under the existing JV agreement with Alchemy has resulted in the issuance of 10M ALY shares and 10M 5c 3yr unlisted ALY options as consideration for the inclusion of additional regional NSW tenements not associated with Woodlawn. Heron currently holds 2M ALY shares and 2M 10c unlisted ALY options.



Heron Resources Limited

Quarterly Report

March 2018

APPENDIX A – REGIONAL EXPLORATION PROJECTS

WOODLAWN REGIONAL PROSPECTS

Heron continues to maintain and explore a strategic, 974km² tenement package over the prospective Silurian volcanic rocks which host Woodlawn and surround the site (Figure 12).

Heron's exploration strategy is to focus on known mineralisation with comparable metallurgy to Woodlawn and within proximal trucking distance of the proposed Woodlawn concentrator. A number of excellent targets exist within regional prospects and these are contained in this section while details of Heron's joint venture projects are provided in Appendix B.

Currawang Prospect

During the quarter a Down-Hole Electro-Magnetic (DHEM) and Down-Hole Magneto Metric Resistivity (DHMMR) program was completed on four of the Currawang drill holes (5 DDH holes for 2,994m, ASX release 16 October 2017). DHMMR is designed to detect poorly conducting mineralisation such as sphalerite (zinc sulphide) rich bodies. To date, a preliminary interpretation of DHMMR has been received with the complete data and reports for the DHEM and DHMMR surveys expected next quarter.

East Lachlan Regional Projects

The Company retains a significant portfolio of tenements in the East Lachlan area of New South Wales within truck haulage distance from Woodlawn. The key project areas include Cullarin (Breadalbane Prospect), Kangiara (Crosby Prospect) and Peelwood. Figure 9 shows the location of these projects and their ranking in terms of the exploration priorities, based on a risk-reward assessment.

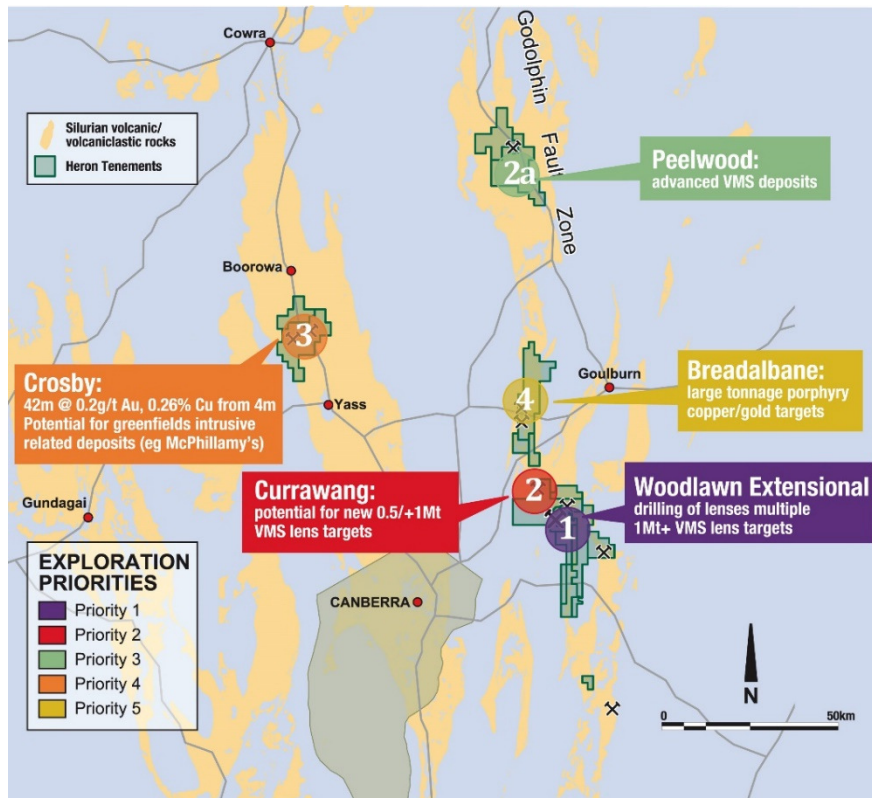


Figure 12: Heron's Woodlawn Regional Projects



Heron Resources Limited

Quarterly Report

March 2018

Peelwood Project (EL8712, EL8623, 100% Heron)

- Coridillera grab sample – 16% Zn, 25% Pb, 497g/t Ag
- John Fardy & Coridillera EM drill targets

The Peelwood Project is located 165km west of Sydney and 105 km north from the Company's Woodlawn Zinc-Copper Project in New South Wales, Australia (Figure 12). Peelwood lies within undulating, mostly forested country, 800m above sea level, and is underlain by Silurian aged shales and other fine grained sedimentary rocks of the Cuddiyong Formation and the felsic Kangaloolah Volcanics. VMS style deposits were first mined here in 1880's with key centres occurring on the tenements newly pegged by Heron, namely the Peelwood, John Fardy and Cordillera deposits (Figure 13). Each of these historical deposits include a number of massive sulphide lenses located at, or adjacent to, the sheared contact between the Cuddiyong Formation and the Kangaloolah Volcanics.

Cordillera Prospect

The Cordillera Prospect is centered on the historic Cordillera mine located 4km north-west of Peelwood (Figure 2). The mine was opened in 1883 and production peaked in 1888 with 9,000t of ore being treated that year producing copper, lead, silver and gold from oxidised ore down to a depth of 60m. Underground production continued until 1889 and the dumps were reworked in 1928. The mineralisation is considered to be of a volcanogenic massive sulphide (VMS) type consisting of lenses contained within shales close to the steeply (75-85°) dipping structural contact with the overlying coarse grained felsic volcanics (Figure 13).

Evidence of the historical mining activity is still present at the site. The Cordillera Mine and other mines in the district were generally worked to a depth where fresh sulphides were encountered. A recent grab sample of such massive base metal sulphides from the Cordillera dumps returned assays of **16% Zn, 25% Pb and 497g/t Ag** providing support for the presence of high-grade mineralisation. The mined lode at Cordillera was reported as being 1.2m wide and 107m in strike. However, DDH coring in 1971 by A1 Consolidated Gold Pty Ltd³ intercepted **2.2g/t Au**, 11.6g/t Ag, 0.78% Zn, 0.1% Cu and 0.44% Pb over 17m from 111.6m downhole depth. A core intercept to the south returned a similar broad zone 24m wide with a better portion of **2.9g/t Au**, 10.2g/t Ag, 0.3% Zn, 0.24% Cu and 0.83% Pb over 2.7m from 89m downhole depth. The intercepts indicate a broad zone of alteration associated with the mineralisation at Cordillera.

A 2014 AEM survey undertaken by previous owners has been reviewed by Heron's geophysical consultant who has identified several bedrock conductors potentially related to mineralisation. In particular, these AEM conductors (Figure 13) occur along the line of the historically mined mineralisation and have not been tested at depth.

The conductors North of the old mine are modelled starting at some 50m below the surface in an area of known workings (shafts and costeans) with moderate pyrite alteration seen in the surface felsic volcanic and shale rocks (Figure 14 and 15). A program of drilling is being planned to test these conductors. Land owner and statutory approvals are currently being sought with no issues being identified to date.

A number of additional modelled AEM anomalies at the John Fardy prospect are also being assessed and may provide further drill targets as part of this program. Subject to suitable drill rig availability, the Company is targeting to drill a number of these targets before the end of financial year.

³ Bratt, B.T. 1998 Annual exploration report for EL 2934 (GS 1998-301).



Heron Resources Limited Quarterly Report

March 2018

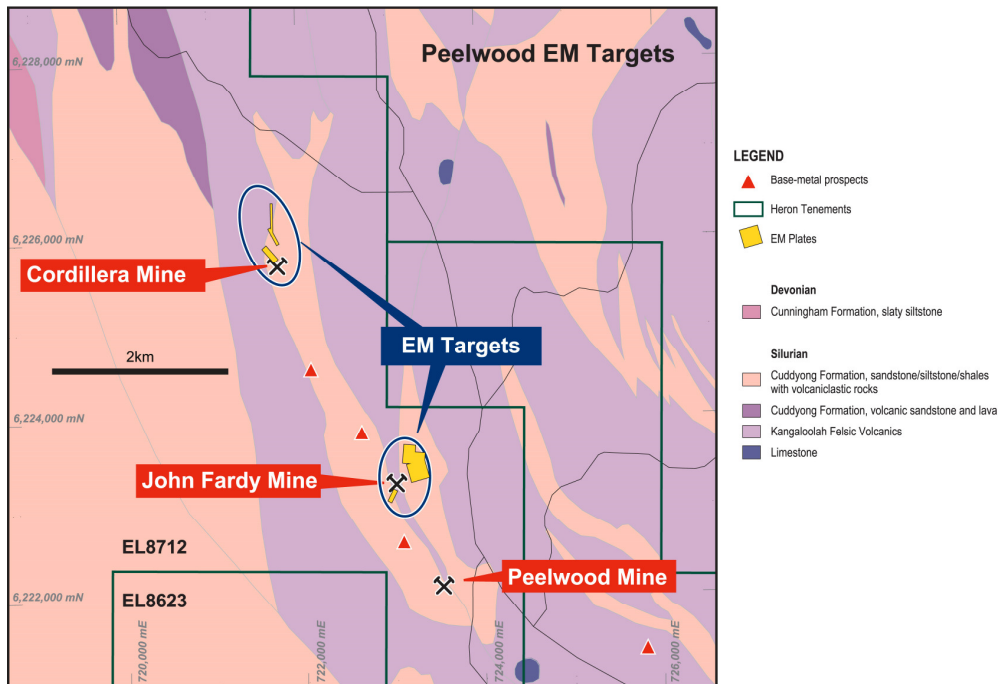


Figure 13: Geological Map of the Peelwood area showing the location of the key EM anomalies.

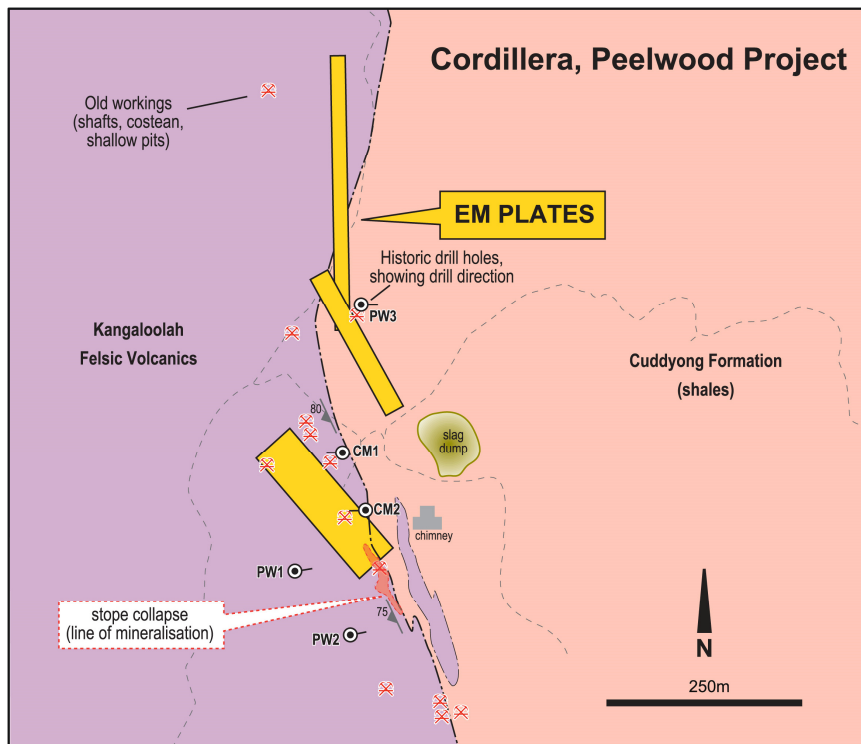


Figure 14: Cordillera Prospect detail - showing location of electromagnetic anomalies in relation to the geology and previous mine workings. The VMS mineralisation occurs close to the contact between the felsic volcanics and shale units. Refer to legend in Figure 13.



Heron Resources Limited

Quarterly Report

March 2018

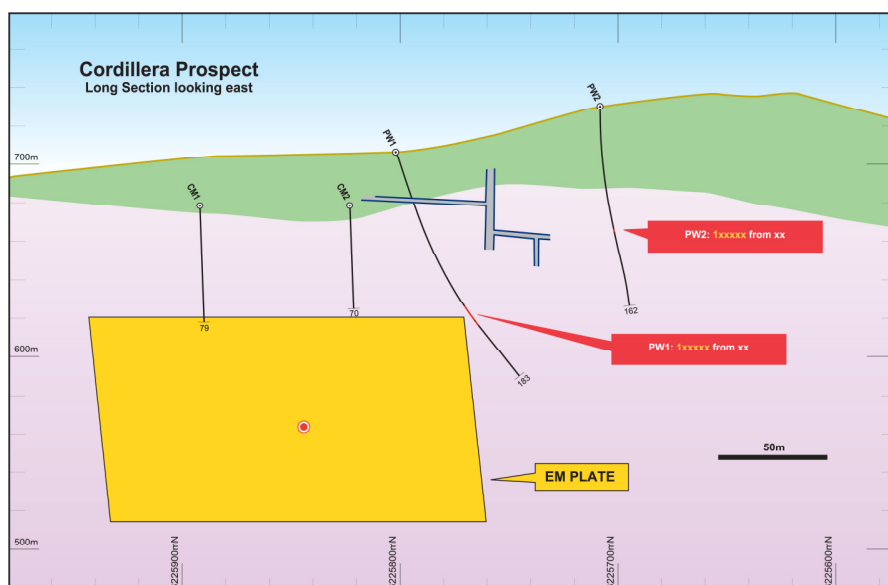


Figure 15: Cordillera Prospect Long Section looking east showing position of modeled AEM plate and how historical drilling failed to test the target. Pierce-point for the proposed hole shown as red dot.

Kangiarra (EL8400, EL8573, 100% Heron)

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

A program of 41 RAB holes for 639m (39 holes at Crosby North Copper Anomaly and 2 holes at Crosby Gold Anomaly) was completed during the previous quarter to follow up the anomalous zone intersected during the first RAB program (ASX release 20 June 2017) of 42m @ 0.20 g/t Au and 0.26% Cu from 4m to end of hole (CRRB027).

Assays were received during the quarter and a broad copper-lead anomalous zone was identified in the felsic intrusive and volcanoclastic units including 22m from 0m to EOH @ 651ppm Cu, 1529ppm Pb (CRRB0037). Assays were noted to increase with depth and deeper drilling is required to fully assess this area.

Cullarin Project (EL7954, EL7468, 100% Heron)

The Cullarin Project is located 20km NW of Woodlawn and 30km W of Goulburn (Figure 12) and covers the prospective Silurian-aged Wet Lagoon Volcanics – a sequence of rhyolite and dacitic volcanic and volcanoclastic rocks with potential for VMS, skarn and shear-related gold and base-metal deposits. A previous compilation of historic drilling (1970 Astley Consolidated Holding P/L) identified significant Cu results at Breadlebane, B2:

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

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



Heron Resources Limited

Quarterly Report

March 2018

APPENDIX B - EXPLORATION JOINT VENTURE PROJECTS

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

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

Heron entered into a Farm-In Agreement with Alchemy Resources Limited (Alchemy) (ASX: ALY) covering a portfolio of Heron's NSW exploration tenements (see Figure 15) in May 2016. The Farm-In Agreement covers 674 km² of the central Lachlan Orogen in NSW, including the following exploration tenements: EL5878 Overflow, EL7941 Overflow, EL8267 Overflow, EL8192 Eurow, EL8318 Girilambone, and EL8356 Yellow Mountain.

During the reporting period an Option Agreement was finalised with the addition of two tenements EL 8631 Nyngan (Ni-Co) and EL 8711 Barraba (Mn-Ni-Co) into the existing Alchemy JV for 10M ALY shares (2.3c) and 10M ALY options (strike at 5c) (see ALY ASX release 14 March 2018).

Wide spaced soil sampling was completed at the Eurow project and returned a maximum of 15ppb Au and 66ppm Cu from a sample collected 2.9km NE of the Cookamidgera manganese mine. Anomalous Cu and Au in soils was also identified immediately north of Cookamidgera. Infill sampling is proposed around the anomalous zone. Only low Cu and Au results were returned from the Eurow Mine area, see ALY ASX release 31 January 2018.

ALY also completed a small RC program on two of the prospects – Rosedale (3 holes for 135m) and Black Range Tank (2 holes for 344m) see ALY ASX release 19 March 2018.

Approval for follow-up drilling at Overflow has been delayed due to Native Title clearance and negotiations for this are currently underway, see ALY ASX release 31 January 2018.



Heron Resources Limited

Quarterly Report

March 2018

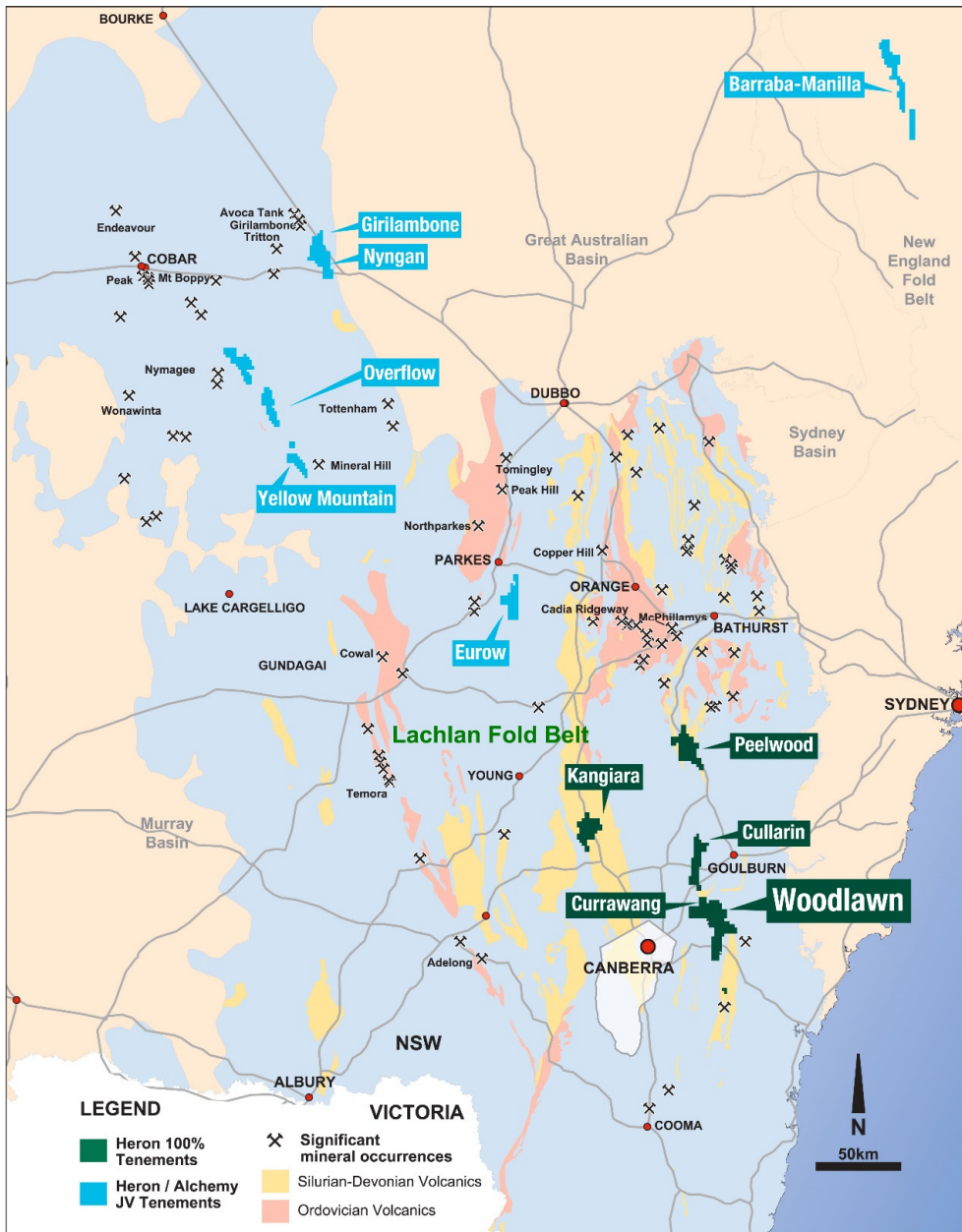


Figure 15: Heron NSW Projects (including Alchemy JV tenure)

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

The Bulong Gold Project is located 30km east of Kalgoorlie with Southern Gold (ASX:SAU) managing the joint venture as part of their exploration efforts around the producing Cannon Gold Mine. No field work was completed by SAU during the December quarter. Work planned for the next quarter includes:

1. Spectral analysis of previously drilled holes to define subsurface alteration mineralogy of regions where the surface outcrop is not sufficient to obtain good airborne measurements.



Heron Resources Limited

Quarterly Report

March 2018

2. Biogeochemical sampling will be undertaken in 2018 on M25/0161 to test for anomalies through the palaeochannel cover. Previous drilling in the area was only sampled for base metals.
3. Chrysoprase prospecting will be undertaken on M25/209 and M25/134.
4. Infill/extension of historic soil sampling data across M25/145, P25/2256, P25/2257 and P25/2258 to help define drill targets associated with shear zones within the felsic volcanoclastic packages on the eastern side of the Goddard Fault.
5. RAB drilling of targets identified will be undertaken in 2018.

Compliance Statements (JORC 2012 and NI43-101)

The technical information in this report relating to the exploration results is based on information compiled by Mr. David von Perger, who is a Member of the Australian Institute of Mining and Metallurgy (Chartered Professional – Geology). Mr. von Perger is a full time employee of Heron Resources Limited and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the “Australasian Code for Reporting of Exploration Results and “qualified person” as this term is defined in Canadian National Instrument 43-101 (“NI 43-101”). Mr. von Perger has reviewed this report and approves the scientific and technical disclosure related to exploration results within. He consents to the inclusion in this report of the exploration information in the form and context in which it appears.

Zinc equivalent calculation – Woodlawn

The zinc equivalent ZnEq calculation takes into account, mining costs, milling costs, recoveries, payability (including transport and refining charges) and metal prices in generating a Zinc equivalent value for Au, Ag, Cu, Pb and Zn. $ZnEq = Zn\% + Cu\% * 3.12 + Pb\% * 0.81 + Au\ g/t * 0.86 + Ag\ g/t * 0.03$. Metal prices used in the calculation are: Zn US\$2,300/t, Pb US\$ 2,050/t, Cu US\$6,600/t, Au US\$1,250/oz and Ag US\$18/oz. These metal prices are based on Heron’s long-term view on average metal prices. It is Heron’s view that all the metals within this formula are expected to be recovered and sold. Metallurgical metal recoveries used for the formula are: 88% Zn, 70% Pb, 70% Cu, 33% Au and 82% Ag; these are based on historical recoveries at Woodlawn and supported by metallurgical testwork undertaken during the 2015-16 feasibility study.

Hand Held XRF Device

A hand held XRF (Thermo Scientific Niton XL3t XRF Analyser) device is used routinely to provide first pass Zn, Cu and Pb (plus other elements) analyses of the core. This instrument is regularly serviced and calibrated by qualified technicians and the Company conducts its own QAQC on the results to confirm they are reasonable. The results from this device are not considered properly representative of the core intervals, however, they do provide a broad indication of the likely grade of mineralised zones.



Heron Resources Limited

Quarterly Report

March 2018

Corporate Directory

<p>Directors</p> <p>Stephen Dennis** <i>Chairman</i> Borden Putnam III** Fiona Robertson ** Wayne Taylor Ian Pattison ** Mark Sawyer** Peter Rozenauers** Ricardo De Armas**</p> <p>* Denotes Non-executive + Denotes Independent</p> <p>Executive Management</p> <p>Wayne Taylor <i>Managing Director & Chief Executive Officer</i></p> <p>Simon Smith <i>General Manager – Finance & Administration & Company Secretary.</i></p> <p>David von Perger <i>General Manager - Exploration</i></p> <p>Charlie Kempson <i>General Manager - Strategy & Business Development</i></p> <p>Andrew Lawry <i>Chief Operating Officer</i></p> <p>Brian Hearne <i>General Manager - Woodlawn</i></p>	<p>Issued Share Capital</p> <p>As at the date of this report, Heron Resources Limited had 241,666,912 ordinary shares, 2,000,836 Employee options and 2,895,000 Performance Rights.</p> <p>The options have expiry dates ranging from 20 November 2018 to 1 February 2022 and have exercise prices ranging from A\$0.70 to A\$1.10.</p> <p>The Performance rights are \$nil exercise price options and expire on 1 July 2020.</p> <p>Heron trades on the ASX as 'HRR' and delisted on the TSX on 29 March 2018.</p> <p>Monthly Share Price Activity</p> <p>(A\$ per share - ASX)</p> <table border="1"> <thead> <tr> <th>Month</th> <th>High</th> <th>Low</th> <th>Close</th> </tr> </thead> <tbody> <tr> <td>Apr 17</td> <td>0.105</td> <td>0.091</td> <td>0.092</td> </tr> <tr> <td>May 17</td> <td>0.095</td> <td>0.078</td> <td>0.083</td> </tr> <tr> <td>Jun 17</td> <td>0.085</td> <td>0.070</td> <td>0.070</td> </tr> <tr> <td>Jul 17</td> <td>0.074</td> <td>0.070</td> <td>0.074</td> </tr> <tr> <td>Aug 17</td> <td>0.086</td> <td>0.066</td> <td>0.072</td> </tr> <tr> <td>Sept 17</td> <td>0.076</td> <td>0.065</td> <td>0.065</td> </tr> <tr> <td>Oct 17</td> <td>0.081</td> <td>0.065</td> <td>0.075</td> </tr> <tr> <td>Nov 17</td> <td>0.079</td> <td>0.068</td> <td>0.068</td> </tr> <tr> <td>Dec 17*</td> <td>0.70</td> <td>0.64</td> <td>0.65</td> </tr> <tr> <td>Jan 18</td> <td>0.775</td> <td>0.76</td> <td>0.77</td> </tr> <tr> <td>Feb 18</td> <td>0.77</td> <td>0.76</td> <td>0.76</td> </tr> <tr> <td>Mar 18</td> <td>0.70</td> <td>0.68</td> <td>0.70</td> </tr> </tbody> </table> <p>* Share price reflects 1 for 10 consolidation</p>	Month	High	Low	Close	Apr 17	0.105	0.091	0.092	May 17	0.095	0.078	0.083	Jun 17	0.085	0.070	0.070	Jul 17	0.074	0.070	0.074	Aug 17	0.086	0.066	0.072	Sept 17	0.076	0.065	0.065	Oct 17	0.081	0.065	0.075	Nov 17	0.079	0.068	0.068	Dec 17*	0.70	0.64	0.65	Jan 18	0.775	0.76	0.77	Feb 18	0.77	0.76	0.76	Mar 18	0.70	0.68	0.70	<p>Registered Office and Address for Correspondence</p> <p>Sydney Suite 702, 191 Clarence Street Sydney NSW 2000 Telephone +61 2 9119 8111</p> <p>Perth Level 1, 7 Havelock Street West Perth, WA 6005 Telephone +61 8 6500 9200</p> <p>Email heron@heronresources.com.au</p> <p>Website www.heronresources.com.au</p> <p>Share Registry (Australia) Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross, 6153, WA Telephone +61 8 9315 2333 Facsimile +61 8 9315 2233</p> <p>Email registrar@securitytransfer.com.au</p> <p>Please direct enquiries regarding Australian shareholdings to the Share Registrar.</p>
Month	High	Low	Close																																																			
Apr 17	0.105	0.091	0.092																																																			
May 17	0.095	0.078	0.083																																																			
Jun 17	0.085	0.070	0.070																																																			
Jul 17	0.074	0.070	0.074																																																			
Aug 17	0.086	0.066	0.072																																																			
Sept 17	0.076	0.065	0.065																																																			
Oct 17	0.081	0.065	0.075																																																			
Nov 17	0.079	0.068	0.068																																																			
Dec 17*	0.70	0.64	0.65																																																			
Jan 18	0.775	0.76	0.77																																																			
Feb 18	0.77	0.76	0.76																																																			
Mar 18	0.70	0.68	0.70																																																			



Heron Resources Limited

Quarterly Report

March 2018

1.12 Total operating and investing cash flows (brought forward)	(26,470)	(59,773)
Cash flows related to financing activities		
1.13 Proceeds from the issue of shares, options, etc.	-	140,115
1.14 Realised foreign exchange loss – equity raise	-	(4,956)
1.15 Payment for FX Hedges	(32)	(689)
1.16 Proceeds/(repayment) of borrowings	20,494	20,494
1.17 Dividends paid	-	-
1.18 Payment of Share issue costs	-	(3,925)
Net financing cash flows	20,462	151,039
Net increase (decrease) in cash held	(6,008)	91,266
1.19 Cash at beginning of quarter/year	108,964	11,690
1.20 Other	71	71
1.21 Cash at end of quarter	103,027	103,027

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

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

1.24 Explanation necessary for an understanding of the transactions

Director's fees, salaries and superannuation for the quarter (A\$312,820).

Non-cash financing and investing activities

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

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

See attached schedule



Heron Resources Limited

Quarterly Report

March 2018

Financing facilities available

Add notes as necessary for an understanding of the position

	Amount available \$A'000 (at exchange rate of AUD:USD\$0.79)	Amount used \$A'000
3.1 Loan facilities	96,202	20,250
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	40,000
4.3 Production	-
4.4 Administration	1,200
Total	41,700

Reconciliation of cash

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

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	13,344	6,803
5.2 Deposits at call	80,906	97,384
5.3 Bank Overdraft		
5.4 Other (provide details)		
Environmental bonds	3,577	3,577
Bank Guarantee	5,200	1,200
Total: cash at end of quarter (Item 1.21)	103,027	108,964



Heron Resources Limited

Quarterly Report

March 2018

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

Interests in Mining Tenements sold, reduced or relinquished

Tenement	Location	Nature of Interest	% Beginning of Quarter	% At end of Quarter ^a

Interests in Mining Tenements acquired or increased

Tenement	Location	Nature of Interest	% Beginning of Quarter	% At end of Quarter
ELA5583	100km north of Woodlawn	100	Approved	Withdrawn
ELA5586	100km north of Woodlawn	100	Approved	Withdrawn
ELA5600	90km west of Armidale	100	Approved	Granted to EL8711
ELA5604	100km north of Woodlawn	100	Approved	Granted to EL8712

Heron Resources Ltd Tenement Schedule for March 2018 Quarterly Report

Tenement	Location	Heron Interest (%)	Status	Note
New South Wales Projects				
Woodlawn Project				
EL7257	40km SSW of Goulburn	100	Live	
EL7468	5km E of Collector	100	Live	
EL7469	15km E of Bungendore	100	Live	
EL7954	25km W of Goulburn	100	Live	
EL8325	60km ENE of Canberra	100	Live	
EL8353	7.5km SE of Woodlawn	100	Live	
S(C&PL)L20	40km SSW of Goulburn	100	Live	
EL8400	27km NNE of Yass	100	Live	
EL8573	30km NNW of Yass	100	Live	
EL8623	90km north of Woodlawn	100	Live	
EL8712	100km north of Woodlawn	100	Live	
Alchemy Farm in & JV Tenements				
Barraba-Manilla				
EL8711	90km W of Armidale	100	Live	Alchemy
Nyngan/Girilambone				
EL8631	10km NW of Nyngan	100	Live	Alchemy
EL8318	27km NW of Nyngan	100	Live	Alchemy
Overflow/Eurow/Parkes				
EL5878	100km NW of Condobolin	100	Live	Alchemy
EL7941	100km NW of Condobolin	100	Live	Alchemy
EL8267	70km SE of Cobar	100	Live	Alchemy
EL8356	59km WSW of Tottenham	100	Live	Alchemy
EL8192	23km SE of Parkes	100	Live	Alchemy
Western Australia Projects – Joint Ventures				
Southern Gold Farm In Project – Southern Gold Ltd 80%, HRR 20%				
M25/00059	34km East of Kalgoorlie	20	Live	1
M25/00134	40km E of Kalgoorlie	20	Live	1
M25/00145	40km E of Kalgoorlie	20	Live	1
M25/00161	40km E of Kalgoorlie	20	Live	1
M25/00171	40km E of Kalgoorlie	20	Live	1



Heron Resources Limited

Quarterly Report

March 2018

Tenement	Location	Heron Interest (%)	Status	Note
M25/00209	40km E of Kalgoorlie	20	Live	1
P25/02256	40km E of Kalgoorlie	20	Live	1
P25/02257	40km E of Kalgoorlie	20	Live	1
P25/02258	40km E of Kalgoorlie	20	Live	1

Notes:

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

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (\$)	Amount paid up per security (see note 3) (\$)
7.1 Preference securities (description)				
7.2 Changes during Quarter				
(a) Increases through share issues				
(b) Decreases through returns of capital, buybacks, redemptions				
Ordinary securities	241,666,912	241,666,912		
7.3 Changes during Quarter *				-
(a) Increases through share issues				
(b) Decreases through returns of capital, buybacks				
* During the quarter the Issued Capital was subject to a 1 for 10 Consolidation				
7.4 Convertible debt securities (description)				
7.5 Changes during Quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				

7.6 Options/Performance Rights (description and conversion factor)

			Exercise Price	Expiry Date
1,650,000	Nil		\$0.72	4/12/2020
85,836	Nil		\$0.70	20/11/2018
265,000	Nil		\$1.10	01/02/2022
2,895,000 (Perf Rights)	Nil		\$Nil	1 July 2020
7.7 Issued during Quarter				
7.8 Exercised during Quarter				



Heron Resources Limited

Quarterly Report

March 2018

7.9 Expired during Quarter	100,000	Nil	\$2.90	05/03/2018
	40,000	Nil	\$1.34	15/01/2018
7.10 Debentures (totals only)				
7.11 Unsecured notes (totals only)				

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

Nothing to report

Compliance Statement

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

Sign here: _____
Company Secretary
Print name: Simon Smith

Date: 26 April 2018

Notes

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