



Heron Resources Limited

ABN 30 068 263 098

NOTICE OF ANNUAL GENERAL MEETING, EXPLANATORY STATEMENT

TIME: 2:00 pm AEDT

DATE: 22 November 2018

PLACE: The Grace Hotel, Pinaroo 4 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

CONTENTS PAGE

NOTICE OF GENERAL MEETING (SETTING OUT THE PROPOSED RESOLUTIONS)	2
EXPLANATORY STATEMENT (EXPLAINING THE PROPOSED RESOLUTIONS)	6
GLOSSARY	19
SCHEDULE 1 – SUMMARY OF LONG TERM INCENTIVE PLAN	20
SCHEDULE 2 – SUMMARY OF EMPLOYEE SHARE OPTION PLAN	23

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 22 November 2018** at:

The Grace Hotel, Pinaroo 4 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.automic.com.au and follow the instructions on your proxy form

- In person at:

Automic Group Pty Ltd
Level 5
126 Philip Street, Sydney, NSW, 2000

- By post to:

Automic Group Pty Ltd
GPO Box 5193
Sydney, NSW, 2000

- By scan and email to registrar@automicgroup.com.au

Please note that the Proxy Form must be received by the Company not later than **2:00pm (AEDT) on 21 November 2018**.

Proxy Forms received later than this time 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 20 November 2018 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, Pinaroo 4 Room Level 1, 77 York Street Sydney, New South Wales, 2000 on 22 November 2018 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 2017 – 30 JUNE 2018

To receive and consider the annual financial statements, the directors' report and the audit report of Heron for the year ended 30 June 2018.

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 2018.

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 FIONA ROBERTSON AS A DIRECTOR

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

That Ms Fiona Robertson, 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 herself for re-election, be re-elected as a Director of the Company.

4. RESOLUTION 3 – RE-ELECTION OF STEPHEN DENNIS AS A DIRECTOR

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

That Mr Stephen Dennis, 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.

5. RESOLUTION 4 – RE-ELECTION OF MARK SAWYER AS A DIRECTOR

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

That Mr Mark Sawyer, 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.

6. RESOLUTION 5 – RE-ELECTION OF IAN PATTISON AS A DIRECTOR

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

That Dr Ian Pattison, being a Director of the Company, who retires in accordance with Listing Rule 14.4 and clause 12.7(b) of the Company's Constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company.

7. RESOLUTION 6 – 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 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of up to 480,000 Performance Rights 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 in favour of Resolution 6 by or on behalf of 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 Associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; 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.

8. RESOLUTION 7 – APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO DR IAN PATTISON, 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 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of up to 90,000 Performance Rights under the Long Term Incentive Plan to Dr Ian Pattison (or his nominee), on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of 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 Associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions of the Proxy Form; 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 – RENEWAL OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

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

That Article 9 of the Company's Constitution, as set out in Schedule 2 of the Notice of Meeting, is renewed for a period of three years commencing on the day this resolution is passed.

10. RESOLUTION 9 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

That, for the purposes of Listing Rule 7.2, exception 9, and for all other purposes, the issue of Options under the Company's Employee Share Option Plan, as described in the Explanatory Statement, be approved.

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 9 by or on behalf of a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any Associate of that Director. However, the Company will not disregard any votes cast on Resolution 9 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 Chairman 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.

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.

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

19 October 2018

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 2018 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.

2. FINANCIAL STATEMENTS AND REPORTS – PERIOD 1 JULY 2017 – 30 JUNE 2018

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 2018 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 20 November 2018 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 2018 (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 2018 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 2018.

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 2017 annual general meeting, less than 25% of the eligible votes cast in respect of the remuneration report for the period ended 30 June 2017 were cast against the adoption of that previous 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 Remuneration Report are against the adoption of the Remuneration Report.

3.3 Board Recommendation

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

4. RESOLUTION 2 – RE-ELECTION OF FIONA ROBERTSON AS A DIRECTOR

4.1 Background

In accordance with Listing Rule 14.5 and Article 12.3 of the Company's Constitution, at every annual general meeting an election of Directors must take place. In addition, Listing Rule 14.4 and Article 12.3 of the Company's Constitution 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, Ms Fiona Robertson retires and, being eligible, offers herself for re-election as a Director.

Ms Robertson is a finance professional and practicing non-executive director and audit/risk committee chair with a background of over 20 years as a chief financial officer in the emerging and mid-tier resources sector and 14 years as a corporate banker working in Sydney, New York and London with Chase Manhattan Bank. Ms Robertson's previous executive experience includes CFO roles with Petsec Energy Ltd, Climax Mining Ltd and Delta Gold Limited and corporate banking and mining finance roles with Chase Manhattan Bank. Current roles include; Non-executive Director of Whitehaven Coal Ltd.

Ms Robertson was first appointed on 9 April 2015 and is currently a non-executive Director of the Company.

Further details about Ms Robertson are set out in the Company's 2018 Annual Report which is available at www.heronresources.com.au.

4.2 Board Recommendation

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

5. RESOLUTION 3 – RE-ELECTION OF STEPHEN DENNIS AS A DIRECTOR

5.1 Background

In accordance with Listing Rule 14.5 and Article 12.3 of the Company's Constitution, at every annual general meeting an election of Directors must take place. In addition, Listing Rule 14.4 and Article 12.3 of the Company's Constitution 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 Dennis retires and, being eligible, offers himself for re-election as a Director.

Stephen Dennis has been actively involved in the mining industry for over 30 years. He has held senior management positions at MIM Holdings Limited, Minara Resources Limited and Brambles Australia limited. Until 2015, Mr Dennis was the Chief Executive Officer and Managing Director of CBH Resources Limited, the Australian subsidiary of Toho Zinc Co. Ltd of Japan.

Mr Dennis is also Non- executive Chairman of EHR Resources Ltd, Non- executive Chairman of Rox Resources Limited, Non-executive Chairman of Graphex Mining Ltd and Non-executive Director of Lead FX Inc,

Mr Dennis was first appointed on 5 December 2006 and is currently a non-executive Director and Chairman of the Company.

Further details about Mr Dennis are set out in the Company's 2018 Annual Report which is available at www.heronresources.com.au.

5.2 Board Recommendation

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

6. RESOLUTION 4 – RE-ELECTION OF MARK SAWYER AS A DIRECTOR

6.1 Background

In accordance with Listing Rule 14.5 and Article 12.3 of the Company's Constitution, at every annual general meeting an election of Directors must take place. In addition, Listing Rule 14.4 and Article 12.3 of the Company's Constitution 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 Sawyer retires and, being eligible, offers himself for re-election as a Director.

Mr Sawyer co-founded Greenstone Resources in 2013 after a 16 year career in the mining sector. Prior to establishing Greenstone, Mr Sawyer was GM and Co-Head Group Business Development at Xstrata plc where he was responsible for originating, evaluating and negotiating new business development opportunities for Xstrata. Prior to Xstrata Mr Sawyer held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and at Rio Tinto plc. Mr Sawyer is a resident of the United Kingdom.

Mr Sawyer was first appointed on 19 August 2015 and is currently a non-executive Director of the Company.

Further details about Mr Sawyer are set out in the Company's 2018 Annual Report which is available at www.heronresources.com.au.

6.2 Board Recommendation

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

7. RESOLUTION 5 – RE-ELECTION OF IAN PATTISON AS A DIRECTOR

7.1 Background

Dr Ian Pattison was appointed a Director of the Company on 29 November 2017 as an additional Director to the Board.

In accordance with Listing Rule 14.4 and clause 12.7(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, Dr Ian Pattison seeks re-election as a Director.

Dr Pattison is a highly respected metallurgist with over 30 years of Australian and international experience. His early career was with CRA where he held senior roles in operations, engineering and then as Metallurgy Manager in their base metals division. He joined Denehurst following their purchase of the Woodlawn Mine from CRA to take on an Executive Director role with the Woodlawn and Benambra mines. This was followed by Director and Managing Director roles in the nutrition industries mainly with the German based Henkel/Cognis companies. For the past 10 years he has been the Group Manager Metallurgy for the Australian operations of Japan's Toho Zinc which incorporates the Rasp Mine in Broken Hill and the Endeavor Mine at Cobar.

7.2 Board Recommendation

The Directors (other than Dr Ian Pattison) unanimously recommend that Shareholders vote in favour of Resolution 5.

8. RESOLUTIONS 6 AND 7 – APPROVAL TO ISSUE PERFORMANCE RIGHTS UNDER LONG TERM INCENTIVE PLAN TO MR WAYNE TAYLOR AND DR IAN PATTISON

8.1 Background

Shareholders are being asked to approve Resolutions 6 and 7 to allow Performance Rights that may vest under the Long Term Incentive Plan to be issued to Mr Wayne Taylor and Dr Ian Pattison (the **Participating Directors**), as set out below.

Dr Pattison was appointed by the Board as a Director on 29 November 2017, immediately after the Company's 2017 annual general meeting. In connection with Mr Pattison's appointment, the Company agreed, subject to obtaining prior shareholder approval, to grant Performance Rights in line with the other non-executive Directors of the Company.

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 Participating Directors is an appropriate form of long term incentive. The Board considers that each of the Participating 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 to the Director(s) under the Long Term Incentive Plan:

Resolution	Director	Number of Performance Rights	Conditions
6	Mr Wayne Taylor	480,000	Performance hurdle: Relative TSR (described below) Vesting date: 30 June 2021
7	Dr Ian Pattison	90,000	Performance hurdle: Relative TSR (described below) Vesting date: 30 June 2020
TOTAL		570,000	

Under the terms of the Performance Rights to be issued to the Participating 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 commencing:

- (a) 1 July 2018 and ending on 30 June 2021 for Mr Taylor's Performance Rights; and
- (b) 1 July 2017 and ending 30 June 2020 for Dr Pattison's Performance Rights (in line with the Performance Rights currently held by other non-executive Directors of the Company and as agreed with Dr Pattison at the time of his appointment as a Director on 29 November 2017).

The percentage of Performance Rights that will vest will be determined by the Company's performance during the relevant 3 year period relative to a specified comparator group of 13 similar ASX and globally listed companies (**Comparator Group**) during that period (**Performance Hurdle**). The companies comprising the Comparator Group have been identified by the Board, in conjunction with the Remuneration and Nomination Committees, on the basis that they are predominantly (if not solely) producers of base metals, with a particular focus on zinc and copper.

The Performance Hurdle will take into account the position of the Company's total shareholder return (based on the Company's share price movement over the relevant 3 year period (taking into account dividends, if paid)) 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 50% to 100%
Over 75 th percentile	100%

In determining the Participating Directors' remuneration packages, including this proposed issue of Performance Rights under the Long Term Incentive Plan, the Board and the Remuneration and Nominations Committee considered the scope of the Participating Directors' roles, the business challenges facing Heron, market practice for the remuneration of officers in positions of similar responsibility and, in the case of Dr Pattison, the fact that he was appointed on, and has continued to serve on the Board since, 29 November 2017 without being granted Performance Rights in 2017 in line with the other non-executive Directors. Accordingly, they determine this proposed grant of Performance Rights is appropriate.

8.2 Regulatory Requirements

Resolutions 6 and 7 Shareholder approval in order to comply with the requirements of Listing Rule 10.14 and sections 208, 200B and 200E of the Corporations Act.

8.3 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 6 and 7, Heron seeks approval from Shareholders for the issue of Performance Rights to the Participating 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 Mr Wayne Taylor and Dr Ian Pattison as the Participating Directors, each of whom are related parties of Heron.
- (b) **Maximum number of securities that may be acquired pursuant to Resolutions 6 and 7**
The maximum number of Performance Rights to be issued to each Participating Director is outlined in section 8.1.
- (c) **Issue price**
The Performance Rights will be issued for nil consideration.

(d) **Previous issues under the Long Term Incentive Plan**

The following persons, referred to in Listing Rule 10.14, received securities under the Company's incentive scheme since its last approval:

Name	Number of Performance Rights	Acquisition price of Performance Rights
Mr Wayne Taylor	485,000	\$nil
Mr Stephen Dennis	115,000	\$nil
Ms Fiona Robertson	90,000	\$nil
Mr Borden Putnam III	90,000	\$nil
Mr Mark Sawyer	90,000	\$nil
Mr Peter Rozenauers	90,000	\$nil
Mr Ricardo De Armas	90,000	\$nil

(e) **Eligible participants under the Long Term Incentive Plan**

Under the Long Term Incentive Plan, Performance Rights may be issued to Messrs Taylor, Dennis, Putnam III, Sawyer, Rozenauers and De Armas, Ms Robertson and Dr Pattison (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. However, under Resolutions 6 and 7, approval is only being sought to issue Performance Rights to Mr Taylor and Dr Pattison. 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 6 and 7 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 6 and 7 are included in the Notice of Annual General Meeting preceding this Explanatory Statement.

8.4 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 6 and 7 constitute the provision of a financial benefit to related parties of the Company.

However, it is the view of the Directors (other than Mr Taylor and Dr Pattison) that the proposed issue of Performance Rights pursuant to Resolutions 6 and 7 fall within the "reasonable remuneration" exception under section 211 Corporations Act given the circumstances of the Company and the position held by the Directors.

Accordingly, the Directors have determined not to seek Shareholder approval for the purposes of section 208 Corporations Act for the issue of the Performance Rights to the Participating Directors.

The Company has nevertheless determined to include the information below for the benefit of Shareholders, even though the Company is not seeking Shareholder approval for the purposes of section 208 Corporations Act.

(a) **Identity of the related parties to whom Resolutions 6 and 7 permits financial benefits to be given.**

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

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

Resolutions 6 and 7 seek approval from Shareholders to allow the Company to issue a total of 570,000 Performance Rights to the Participating Directors (Mr Taylor and Dr Pattison) for nil consideration in accordance with the table at section 8.1 above.

Section 8.1 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 (other than the Participating 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 (excluding the Participating Directors) determined the number of Performance Rights proposed in Resolutions 6 and 7 to be appropriate.

(c) **Valuation of financial benefit**

The Company is proposing to issue a total of 570,000 Performance Rights under Resolutions 6 and 7. The indicative fair value of the Performance Rights (taking into account the differing Performance Hurdles attached to the Performance Rights, as detailed in section 8.1 above) is \$264,510, based on \$0.45 per Performance Right for Mr Taylor's Performance Rights and \$0.539 per Performance Right for Dr Pattison's Performance Rights.

The Company engaged independent valuation specialist, Maven Libera, to calculate the fair values using a Monte Carlo simulation methodology.

(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	\$0.82	2 February 2018
Lowest	\$0.535	11, 14, 17 & 18 September 2018
Last	\$0.65	16 October 2018

(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 0.02% of the Company's fully-diluted share capital assuming implementation of all the Resolutions and exercise of all the Performance Rights granted pursuant to the Resolutions (based on the number of Shares, Options and Performance Rights on issue as at the date of this Notice of Annual General Meeting), resulting in a total of 246,517,748 Shares on issue.

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

The direct and indirect interests of the Participating Directors in securities of the Company as at the date of this Notice of Annual General Meeting are:

Name	Security
Wayne Taylor	272,740 Shares 85,837 unlisted Options exercisable at \$0.70 on or before 20 November 2018 400,000 unlisted Options exercisable at \$0.72 on or before 4 December 2020. 485,000 Performance Rights
Ian Pattison	51,429 Shares

(g) **Remuneration of Participating Directors**

Details of the remuneration of each Participating Director, including their related entities, for the year ended 30 June 2018, is set out below.

The Company expects the total remuneration for each Director for the year ended 30 June 2019 to be similar to that set out below in respect of the previous financial year.

Name	Base + Super	STI	Share Based Payment	Total Remuneration
Wayne Taylor	\$464,950	\$33,000	\$94,200	\$592,150
Ian Pattison	\$76,650	\$-	\$-	\$76,650

8.5 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 6 and 7, 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.

8.6 Board Recommendation

The Directors (other than the Participating 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 Participating Directors pursuant to Resolutions 6 and 7.

The Directors, other than Mr Wayne Taylor and Dr Ian Pattison, recommend that Shareholders vote in favour of Resolutions 6 and 7 on the basis that the grant of the Performance Rights will allow the Company to adequately reward and incentivise the Participating Directors whilst preserving the Company’s limited cash reserves.

Each of Mr Wayne Taylor and Dr Ian Pattison has a material personal interest in the outcome of Resolutions 6 and 7 and accordingly do not make voting recommendations to Shareholders in relation to these Resolutions.

9. RESOLUTION 8 – RENEWAL OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

9.1 Background

On 18 November 2015, the Company adopted the existing provisions in Article 9 of the Company’s Constitution that enables the Company to refuse to register Shares acquired under a proportional takeover bid unless approved by a Resolution of Shareholders (**Proportional Takeover Approval Provisions**).

Under section 648G(1) of the Corporations Act, these provisions must be renewed every three years or they will cease to apply. If the Proportional Takeover Approval Provisions cease to apply, the Company’s constitution is, by force of section 648G(3), altered by omitting Article 9.

Resolution 8, if passed, will renew the Proportional Takeover Approval Provisions in accordance with section 648G of the Corporations Act. If renewed, the Proportional Takeover Approval Provisions will be in exactly the same terms as the existing provisions and will have effect for a three year period commencing on the day this resolution is passed.

9.2 Effect of the Proportional Takeover Approval Provisions

Provisions such as these require specific information to be provided to Shareholders at the time the provisions are adopted. This information is set out below.

A proportional takeover bid includes a bidder offering to buy a proportion only of each Shareholder’s Shares in the Company. This means that control of the Company may pass without members having the chance to sell all of their Shares to the bidder. It also means the bidder may take control of the Company without paying an adequate amount for gaining control.

In order to deal with this possibility, the Company may provide in its constitution that:

- (a) in the event of a proportional takeover bid being made for Shares in the Company, members are required to vote by ordinary Resolution and collectively decide whether to accept or reject the offer; and
- (b) the majority decision of the Company's members will be binding on all individual members.

The Directors consider that members should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without members being given the opportunity to dispose of all of their Shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid members feeling pressured to accept the bid even if they do not want it to succeed.

The effect of Article 9 of the Company's Constitution is that, if a proportional takeover offer is received, the Directors are required to convene a Meeting of Shareholders to vote on a Resolution to approve the proportional bid. Each security holder affected will be entitled to vote (except for the bidder and persons associated with the bidder, who may not vote). Approval of the bid will require a simple majority of the votes cast. The Meeting must be held at least 14 days before the bid closes so that holders know the result of the voting before they have to make up their minds whether or not to accept for their own securities.

If the proportional bid is not approved, the registration of any transfer of Shares resulting from an offer made under the proportional bid will be prohibited and the bid will be deemed to be withdrawn. If the proportional bid is approved, the transfers will be registered, provided they comply with the other provisions of the Corporations Act and the Company's Constitution.

The bid will be taken to have been approved if the Resolution is not voted on within the deadline specified under the Corporations Act.

The provisions of Article 9 do not apply to takeover bids for the whole of the issued Shares in the Company.

The proportional takeover approval provisions under Article 9 will cease to apply at the end of 3 years (or longer if it is subsequently renewed by a further Resolution of Shareholders).

9.3 Reasons for proposing the Resolution

The reasons why the Board has proposed that the Proportional Takeover Approval Provisions should be renewed are set out below as the advantages of the provisions. Each of the Directors consider that these advantages outweigh the disadvantages stated below.

The Board considers that Shareholders should have the power to prevent the control of the Company from passing to a bidder without it making a bid for all the Shares. They believe that the Resolution requirement is the best procedure available to Shareholders to ensure that they are not forced to accept a proportional offer even though they do not wish the bidder to obtain control of the Company.

Without Article 9, a proportional takeover bid may enable control of the Company to be acquired without Shareholders having an opportunity to dispose of all their Shares to the bidder. Shareholders therefore risk holding a minority interest in the Company. If the Shareholders considered that control of the Company was likely to pass under any takeover bid, they could be placed under pressure to accept the offer even if they do not want control of the Company to pass to the bidder. Article 9 will prevent this by permitting Shareholders in General Meeting to decide whether a proportional takeover bid should be permitted to proceed.

While the inclusion of Article 9 will allow the Directors to ascertain members' views on a proportional takeover bid, it does not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendation as to whether the bid should be accepted.

9.4 Review of advantages and disadvantages

The potential advantages of the Proportional Takeover Approval Provisions for Shareholders are that:

- (a) they give Shareholders their own say in determining, by a majority vote, whether a proportional takeover bid should proceed;
- (b) they enable Shareholders, by combining together, to veto a change of control that would lock them into a minority position;
- (c) the existence of the Resolution requirement in the Company's Constitution would make it more probable that any takeover bid will be a full bid for the whole Shareholding of each member, so that Shareholders may have the opportunity of disposing of all their Shares rather than of a proportion only;
- (d) if a proportional takeover bid should be made, the existence of the Resolution requirement will make it more probable that a bidder will set its offer price at a level that will be attractive to the Shareholders who vote;
- (e) knowing the view of the majority of Shareholders assists each individual Shareholder in assessing the likely outcome of the proportional takeover bid, and whether to accept or reject offers made under that bid; and
- (f) at present it is only the Directors who express on behalf of the Company any formal view on the adequacy or otherwise of a takeover bid. With the Resolution requirement, the most effective view on a proportional takeover bid will become the view expressed by the vote of the Shareholders themselves at general meeting.

The potential disadvantages of the Proportional Takeover Approval Provisions for Shareholders are that:

- (a) proportional takeover bids may be discouraged, reducing the speculative element in the market price of the Company's Shares arising from the possibility of a takeover offer being made;
- (b) an individual Shareholder who wishes to accept a proportional takeover bid will be unable to sell to the bidder unless a majority of Shareholders favour the proportional takeover bid; and
- (c) the inclusion of the provisions may be considered to constitute an unwarranted additional restriction on the ability of Shareholders to freely deal with their Shares.

Advantages and disadvantages of the Proportional Takeover Approval Provisions for the Directors are that:

- (a) if the Directors consider that a proportional takeover bid should be opposed, they will be assisted in preventing the bidder from securing control of the Company if the bidder needs a majority of the votes cast by the independent Shareholders before it can succeed; and
- (b) on the other hand, under the Proportional Takeover Approval Provisions, if a proportional takeover bid is commenced, the Directors must call a Meeting to seek the Shareholders' views, even though the Directors believe that the bid should be accepted.

9.5 No knowledge of present acquisitions proposals

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire or increase the extent of a substantial interest in the Company.

9.6 Recommendation of Directors

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the Proportional Takeover Approval Provisions and as a result consider that the Proportional Takeover Approval Provisions in Article 9 of the Company's Constitution is in the interest of Shareholders.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 8.

If this Resolution is approved, the Proportional Takeover Approval Provisions will be renewed with effect have effect for a three year period commencing on the day this resolution is passed.

10. RESOLUTION 9 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

10.1 Background

On 19 August 2014, the Board resolved to adopt the Employee Share Option Plan (**ESOP**) in order to:

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

To enable the Company to secure employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The ESOP is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain shareholdings in the Company.

Under the current circumstances the Directors consider that the ESOP is a cost effective and efficient incentive for the Company as opposed to cash based remuneration.

Directors of the Company may participate under the ESOP. However, prior shareholder approval will be required before a Director or related party of the Company can receive an issue of Options under the ESOP.

10.2 Regulatory Requirements

Listing Rule 7.2 (Exception 9(b)) provides an exception from the Listing Rule 7.1 15% annual limit on securities issued under an employee 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.

The adoption of the ESOP was last approved by Shareholders on 18 November 2015 for the purposes of Listing Rule 7.2 (Exception 9(b)). Accordingly, the purpose of Resolution 9 is to renew this approval so as to allow the Company to continue to issue securities under the ESOP under the exception to Listing Rule 7.1. If Resolution 9 is not passed and in the absence of any other approval given under Listing Rule 7.2 (Exception 9(b)) in relation to the ESOP, the Company will not be able to rely on this exception in relation to issues under the ESOP after 18 November 2018.

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

- (a) Schedule 2 contains a summary of the key terms of the ESOP.
- (b) A total of 1,915,000 Options have been issued by the Company under the ESOP since the date of the last approval on 18 November 2015.
- (c) A voting exclusion statement for Resolution 9 is included in the Notice of Meeting preceding this Explanatory Statement.

10.3 Board Recommendation

Each of the Directors has an interest in the outcome of Resolution 9 and accordingly do not make a voting recommendation to Shareholders.

GLOSSARY

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

2018 Annual Report	the Company's annual report dated 30 June 2018.
AEDT	Australian Eastern Daylight Time.
Article	an article in the Constitution.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning given to that term in the Listing Rules.
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).
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 2018 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 2018.
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.

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.

SCHEDULE 2 – SUMMARY OF EMPLOYEE SHARE OPTION PLAN

1. ELIGIBILITY

The Board may, in its absolute discretion, invite an eligible person to participate in the ESOP. An eligible person includes a permanent or part time employee of the Company or any of its subsidiaries (each a **Group Company**) (which may include a Director) and subject to obtaining relief from ASIC, a contractor of a Group Company who has worked for a Group Company for not less than twelve (12) months and received 80% or more of their income in the preceding year from a Group Company.

2. TERMS OF OPTIONS

- (a) Each Option will entitle its holder to subscribe for and be issued, one fully paid ordinary share in the capital of the Company, which will rank equally with all other issued Shares (upon vesting and exercise of that Option).
- (b) The Options may be issued by the Company as tranches, with the same exercise conditions, vesting dates and exercise price applicable to Options issued in the same tranche.
- (c) When granting Options, the Company must specify the exercise price of the Options, being not less than the weighted average market closing price of the Shares traded on the ASX over a five (5) trading day period ending on the last trading day immediately prior to the issue date.
- (d) Options will not be listed for quotation on the ASX, however, the Company will apply for official quotation of the Shares issued upon the exercise of any vested Options.
- (e) The Options are not transferable.
- (f) Following the issue of Shares following exercise of vested Options, holders will be entitled to exercise all rights of a Shareholder attaching to the Shares.

3. VESTING

Unless otherwise determined by the Directors, the Options will vest on the earlier of:

- (a) the date on which the applicable Vesting Condition is satisfied or waived in accordance with this Employee Share Option Plan;
- (b) the date on which the holder retires, takes early retirement, is permanently disabled, is made redundant, is dismissed from office other than for cause within six (6) months after a change of control has occurred ("**Excluded Event**") or dies; or
- (c) on such other date as determined by the Board in its discretion.

4. LAST EXERCISE DATE

Unless otherwise determined by the Directors, the Options will expire on the earlier of, five (5) years from the date of issue, and the date that is six (6) months after the day on which the holder retires, takes early retirement, is permanently disabled, is made redundant, ceases to be an eligible person by virtue of an excluded event or dies ("**Last Exercise Date**").

5. LAPSE

An Option will immediately lapse upon the first to occur of:

- (a) the Last Exercise Date;
- (b) the day which is sixty (60) days after the day on which the holder ceases to be an eligible person, otherwise than by death, early retirement, an Excluded Event, permanent disablement, redundancy or retirement;
- (c) the day on which the holder ceases to be an eligible person by reason of dismissal for misconduct; and
- (d) the day on which a holder defaults under the terms of the ESOP.

6. NEW ISSUES

Holders will not be entitled to participate in new issues of securities offered to Shareholders of the Company during the currency of the Options, without exercising their Options. The Company must give notice to the holder of any new issue before the record date for determining entitlements.

7. RIGHTS ISSUES

Subject to the ASX Listing Rules, the exercise price of the Options will be adjusted if the Company makes a pro rata issue to all or substantially all holders of ordinary shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) where (S+D) (as defined below) does not exceed P (as defined below) at a time when:

- (a) an Option has not been exercised in full; or
- (b) the Option has been exercised, but Option shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the rights issue;

then, the exercise price per share will be reduced, subject to the ASX Listing Rules, according to the following formula:

$$A = O - \frac{E*[P - (S+D)]}{N + 1}$$

Where

- “A” is the new exercise price of the Option
- “O” is the old exercise price of the Option
- “E” is the number of Shares into which one Option is exercisable
- “P” is the average weighted market price of the Shares during the five (5) trading days on the ASX ending on the day before the ex-rights date
- “S” is the subscription price for a Share under the rights issue
- “D” is the dividend due but unpaid on the existing Shares
- “N” is the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

8. BONUS ISSUES

The number of Shares which would be issued upon exercise of an Option must be increased if at any time during the currency of the Options, the Company issues any bonus shares, to the number of Shares which the holder would have been entitled to receive had they exercised their Options immediately prior to the entitlement date for the bonus issue.

9. RECONSTRUCTION

If the share capital of the Company is reconstructed in any way during the currency of the Option, the number of Options or the exercise price or both will be reconstructed (as appropriate) to the extent necessary to comply with the ASX Listing Rules and in a manner which will not result in any benefits being conferred on holders of Options which are not conferred on the holders of Shares.

10. CHANGE OF CONTROL

If a takeover bid for the Company is made or the Directors believe a change of control of the Company is likely to occur during the currency of the Options, the Directors in their absolute discretion may give written notice of such an event to the holders, upon which the holders become entitled to exercise their Options whether or not any exercise conditions have been satisfied.

11. ISSUE LIMITATIONS

The maximum number of Options which may be granted under the ESOP is subject to a 10% limit of the total number of issued shares in that share class of the Company at the time the Option is granted.

The maximum number of Options which may be issued to Directors or officers of the Company, a director or officer of a person or company that is itself an Insider or subsidiary of the Company, or a person or company that has beneficial control or direction (or combination of beneficial control or direction) directly or indirectly over more than 10% of the voting rights attached to the Company's outstanding voting securities, or a reporting issuer that has purchased, redeemed or otherwise acquired a security of its own issue, for so long as it continues to hold that security, or any associates or affiliates of such persons ("**Insiders**"), when combined with the number of Shares issuable pursuant to any other security based compensation arrangement of the Company, must not exceed 10% of the outstanding issue of such Shares; and the maximum number of Shares issued to any one Insider within a one (1) year period must not exceed 10% of the outstanding issue of such Shares.

12. OVERRIDING RESTRICTIONS

No issue of Options will be made to the extent that it would contravene the ASX Listing Rules, the Corporations Act or any other applicable law.

13. AMENDMENT

Subject to the ASX Listing Rules and receipt of any required shareholder approval, the Board may amend or vary the terms of the ESOP in any respect which does not materially affect the accrued rights of a holder.

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Heron Resources Limited

HERON RESOURCES LIMITED | ABN 30 068 263 098

AGM Registration Card

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Vote by Proxy: HRR

Your proxy voting instruction must be received by **2:00pm (AEDT) on Tuesday, 20 November 2018**, being not later than **48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares 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 shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, 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.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

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 should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.



Return your completed form



BY MAIL:
Automic Group
GPO Box 5193
Sydney NSW 2001



IN PERSON:
Automic Group
Level 5, 126 Phillip Street
Sydney NSW 2000

Contact us – All enquiries to Automic



WEBCHAT: <https://automic.com.au/>



EMAIL: hello@automic.com.au



PHONE:
1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

Complete and return this form as instructed only if you do not vote online

I/We being a Shareholder entitled to attend and vote at the **Annual General Meeting of Heron Resources Limited (Heron or the Company)** will be held at **The Grace Hotel, Pinaroo 4 Room Level 1, 77 York Street Sydney, New South Wales, 2000 on 22 November 2018 commencing at 2:00pm (AEDT)** hereby:

Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

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The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for," "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution(s) 1, 6, 7 & 9 (except where I/we have indicated a different voting intention below) even though Resolution(s) 1, 6, 7 & 9 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

Resolutions	For	Against	Abstain
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Fiona Robertson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Stephen Dennis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-election of Mark Sawyer as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Re-election of Ian Pattison as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval to issue Performance Rights under the Long Term Incentive Plan to Mr Wayne Taylor, Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval to issue Performance Rights under the Long Term Incentive Plan to Dr Ian Pattison, Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Renewal of Proportional Takeover Approval Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Contact Name:

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Email Address:

Contact Daytime Telephone

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Date (DD/MM/YY)

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By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).