# February 2016









#### CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This news release contains forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws, which are based on expectations, estimates and projections as of the date of this news release. This forward-looking information includes, or may be based upon, without limitation, estimates, forecasts and statements as to management's expectations with respect to, among other things, the timing and amount of funding required to execute the Company's exploration, development and business plans, capital and exploration expenditures, the effect on the Company of any changes to existing legislation or policy, government regulation of mining operations, the length of time required to obtain permits, certifications and approvals, the success of exploration, development and mining activities, the geology of the Company's properties, environmental risks, the availability of labour, the focus of the Company in the future, demand and market outlook for precious metals and the prices thereof, progress in development of mineral properties, the Company's ability to raise funding privately or on a public market in the future, the Company's future growth, results of operations, performance, and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe". "expect", "intend", "may" and similar expressions have been used to identify such forward-looking information, Forward-looking information is based on the opinions and estimates of management at the date the information is given, and on information available to management at such time. Forward-looking information involves significant risks, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors, including, but not limited to, fluctuations in currency markets, fluctuations in commodity prices, the ability of the Company to access sufficient capital on favourable terms or at all, changes in national and local government legislation, taxation, controls, regulations, political or economic developments in Canada, Australia or other countries in which the Company does business or may carry on business in the future, operational or technical difficulties in connection with exploration or development activities, employee relations, the speculative nature of mineral exploration and development, obtaining necessary licenses and permits. diminishing quantities and grades of mineral reserves, contests over title to properties, especially title to undeveloped properties, the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drill results and other geological data, environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding, limitations of insurance coverage and the possibility of project cost overruns or unanticipated costs and expenses, and should be considered carefully. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Prospective investors should not place undue reliance on any forward-looking information. Although the forward-looking information contained in this news release is based upon what management believes, or believed at the time, to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with such forward-looking information, as there may be other factors that cause results not to be as anticipated, estimated or intended, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of any such forward-looking information. The Company does not undertake, and assumes no obligation, to update or revise any such forward-looking statements or forward-looking information contained herein to reflect new events or circumstances, except as may be required by law.

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

#### Compliance Statement (JORC 2012 and NI43-101)

This Report incorporates by reference the complete ASX announcement relating to the PEA results which were released to the market on 22 April 2015 and is entitled "Preliminary Economic Assessment Delivers Strong Business Case for the Woodlawn Zinc-Copper Project" ("PEA Announcement"). The PEA Announcement is available from the Company's website at www.heronresources.com.au or from the ASX or SEDAR, and contains the JORC Table 1 relating to the Underground Mineral Resources as well as the detailed technical and financial assumptions which undergoin the PEA results.

The technical information in this release relating to the exploration results and forward program at the Woodlawn Project 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 mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 edition) and "qualified person" as this term is defined in Canadian National Instrument 43-101 ("NI 43-101"). Mr von Perger has reviewed and approved the technical information this report.

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 each block grade for Au, Ag, Cu, Pb and Zn. ZnEq = Zn%+Cu/\*3.12+Pb/\*0.81+\*Au g/\*0.86+Ag g/\*0.03

Metal prices used in the calculation are: Zn US\$2,300/t, Pb US\$ 2,050/t, Cu US\$6,600/t, Au US\$1,250/oz and Ag US\$18/oz. It is Heron's view that all the metals within this formula are expected to be recovered and sold.

### **Heron Resources**

### The Introduction



Markets ASX:HRR & TSX:HER

Cash A\$23.8M (31 Dec 2015)

Listed Investments A\$ 3.1M (31 Dec 2015)

### **Project Portfolio**

- Woodlawn Zinc-Copper Project advanced high grade Zn, Cu polymetallic Resource
- Kalgoorlie Nickel Project substantial Ni Resource, development strategy through project partnering
- NSW Exploration quality earlier stage base and precious metal properties
- WA Exploration quality Ni sulphide properties

Heron is focused on the near term development of the high grade Woodlawn Zinc-Copper Project

**Heron Resources** Limited

ASX: HRR

TSX: HER

# **Woodlawn Project Overview**

High grade and high value deposit



# **Woodlawn Zinc-Copper Project**

- High grade Zn+Cu+Pb+Ag+Au high value deposit
- One of the few near-term production projects
- Compelling fundamentals
- A clear pathway to production
- Fully funded through Feasibility Study

Granted mining lease & project approvals

- Unrivalled infrastructure
- A clear cut value proposition







# **Corporate Summary**

# ASX:HRR | TSX:HER

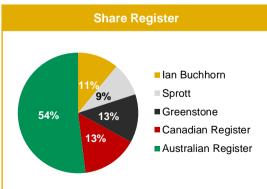


Capital Structure		
Shares:	415 million	
Options:	33 million	
Share Price:	\$0.10	
Market Capitalisation:	\$42 million	
Cash:	\$23.8 million (31 Dec 2015)	
Listed Investments:	\$3.1 million	

Board		
Chairman	Stephen Dennis	
Non-Executive Director	Borden Putnam III	
Non-Executive Director	Fiona Robertson	
Non-Executive Director	Mark Sawyer	
Executive Director	Ian Buchhorn	
Managing Dir & CEO	Wayne Taylor	

Management		
Wayne Taylor		
Ian Buchhorn		
Andrew Lawry		
Dave von Perger		
Charlie Kempson		
Simon Smith		







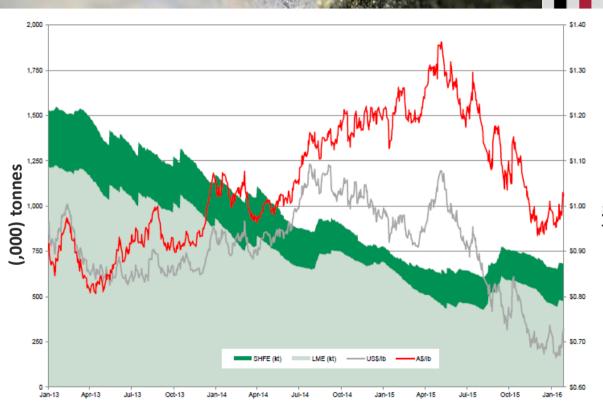
# **Zinc Market**

### Compelling Fundamentals

1

- Current pricing environment is unsustainable for zinc production
- Mine closures and curtailment creating global supply shortage
- · Few near term production projects
- Consumption remains strong Jan-Dec 2015 > 2014<sup>1</sup>
- Falling warehouse stocks ILZSG forecast metal deficit of 152kt in 2016 prior to Glencore's announcement to reduce production by 500ktpa
- · Average production grades are falling

Strong price outlook from major commodity forecasters



Source: Terra Studio, Feb-16

# **Zinc Market**

### Latest News



# Citi Research (Feb 2016)

Price related zinc production cuts 2015/16 ~5% (635kt)

Negative C1 margins for ~16% of global zinc production (~26% incl. sustaining capex)

Depleted mines add to supply contraction tally

Consolidated price+depletion+additions view - 2016 mine supply down by 700kt to 13Mt

### **Closures & Curtailments - Delayed Impact**

Glencore - 500-550ktpa curtailment announced 9 Oct '15

Nyrstar - 50ktpa closure + 50ktpa curtailment announced 7 Dec '15

MMG - Century - 500ktpa closure - last shipment 7 Dec '15

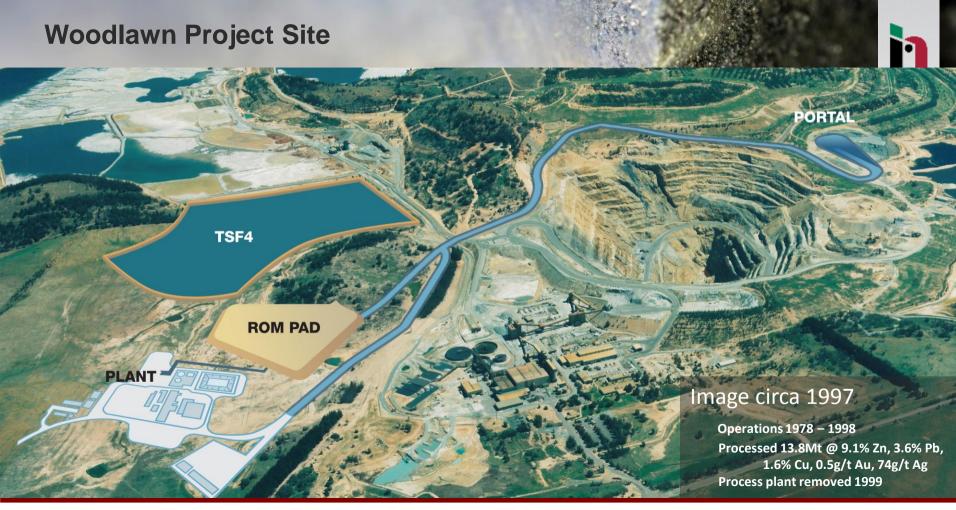
Vedanta - Lisheen - 160ktpa closure - last shipment 21 Jan '16

Yet to see impact on refined metal market

# **Positive Leading Indicator – Tightening Supply Side**

Zinc concentrates treatment charges falling - Dec '15 \$150 - \$170/t → Feb '16 \$130 - \$150/t¹

<sup>1</sup> Macquarie 4/2/16



**Heron Resources** Limited

ASX: HRR TS

TSX: HER

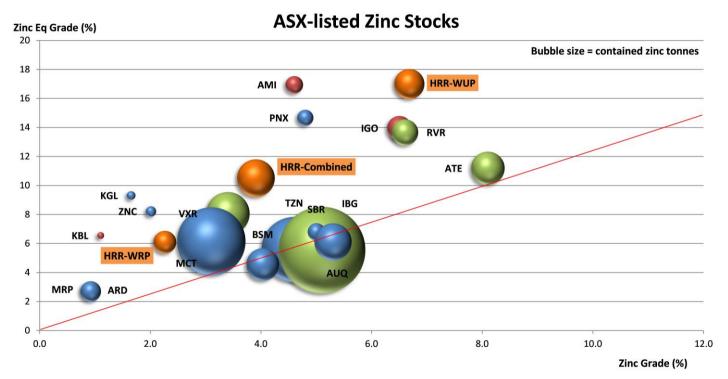
# Woodlawn – a High Grade Deposit

A Compelling Peer Comparison



• (HRR-WUP) - The new 6.5Mt WUP Resource compares extremely well to global peers (HRR-WUP)

 (HRR-WRP) - The WRP Resource grade of ~6% ZnEq is above some greenfields peers.



"WUP" – Woodlawn Underground Project
"WRP" – Woodlawn Tailings Retreatment Project

treatment Project Source:

urce: **\*\*Hartleys** 

# **Delivering – Pathway to Production**





Merger HRR + TRO



8 Months
PEA Finalised

12 Months
Feasibility Study
(FS)



- Merger completed Aug 2014
- Woodlawn PEA drilling commenced Sep 2014

"PEA" – Preliminary Economic Assessment
"WUP" – Woodlawn Underground Project
"WRP" – Woodlawn Tailings Retreatment Project

- On-time, on-budget
- Multiple high grade extensions

Delivered robust business case

- Significant new shallow Resource
- New mine plan
- Successful metallurgical testwork
- Single plant WUP + WRP

- \$11M FS budget
- Fully funded
- Tracking to plan
- New strategic partner Greenstone Resources LP announced 24 July 2015
- FS completion Q2 2016

- Independent Technical Expert reviewing FS in prep for funding
- Active discussions with potential funding parties
- Seeking EOI's for construction
- Project construction (12-18 months)
- First production target early 2018



# **Woodlawn Feasibility Study**

**Project Status** 







AMML - Australian Minmet Metallurgical Laboratories Pty. Ltd.

International Environmental Consultants Pty Ltd - srk consulting







**Tailings Resource & Reserves** 

**UG Resource & Reserves** 

Mine Planning

**Metallurgical Testwork** 

Plant Engineering & Design

Infrastructure, Transport & Logistics

**Study Delivery** 



**Heron Resources** Limited

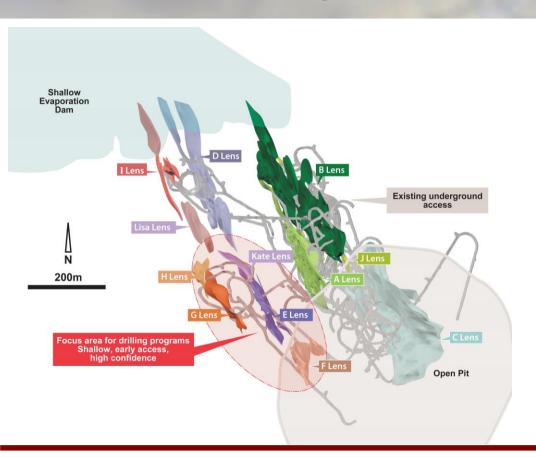
**ASX: HRR** 

TSX: HER

11

# 2014 & 2015 Drilling At Woodlawn





#### Assays (2014/2015) > 20% ZnEq

#### Kate Lens:

14.4m @ 20.7% ZnEq from 374m 8.8m @ 30.1% ZnEq from 374m 12.3m @ 33.7% ZnEq from 414m 7.1m @ 39.4% ZnEq from 340m 20.5m @ 20.7% ZnEq from 383m 34.0m @ 20.8% ZnEq from 351m 5.4m @ 27.7% ZnEq from 401m 3.9m @ 26.9% ZnEq from 408m 9.1m @ 31.6% ZnEq from 370m

(4.6% Zn, 4.1% Cu, 0.8% Pb, 1.0g/t Au, 57g/t Ag), WNDD0001 (12.6% Zn, 1.6% Cu, 7.5% Pb, 2.3g/t Au, 152g/t Ag), WNDD0002 (20.0% Zn, 2.1% Cu, 6.1% Pb, 0.8g/t Au, 53g/t Ag), WNDD0007 (16.9% Zn, 0.9% Cu, 11.3% Pb, 3.5g/t Au, 254g/t Ag), WNDD0029 (8.1% Zn, 2.4% Cu, 2.9% Pb, 0.8g/t Au, 68g/t Ag), WNDD0031 (10.0% Zn, 1.1% Cu, 3.5% Pb, 1.6g/t Au, 97g/t Ag), WNDD0033 (15.1% Zn, 1.5% Cu, 6.0% Pb, 1.0g/t Au, 75g/t Ag), WNDD0036 (6.9% Zn, 3.9% Cu, 1.5% Pb, 1.0g/t Au, 75g/t Ag), WNDD0046 (8.5% Cu, 0.1g/t Au, 8.9g/t Ag), WNDD0053 (18.3% Zn, 2.3% Cu, 4.6% Pb, 1.1g/t Au, 53.7g/t Ag), WNDD0073

#### Lisa Lens:

4.2m @ 28.5% ZnEq from 242m 12.4m @ 20.0% ZnEq from 222m

(17.7% Zn, 1.6% Cu, 5.0% Pb, 1.1g/t Au, 28g/t Ag), WNDD0015 (12% Zn, 1.6% Cu, 2.0% Pb, 0.7g/t Au, 23g/t Ag), WNDD0104

#### G Lens:

9.3m @ 20.5% ZnEq from 76m 2.1m @ 29.8% ZnEq from 61m 4.7m @ 30.4% ZnEq from 40m 4.7m @ 22.4% ZnEq from 52m 4.2m @ 36.9% ZnEq from 66m 2.9m @ 35.4% ZnEq from 96m

(5.2% Zn, 2.6% Cu, 2.3% Pb, 2.0g/t Au, 122g/t Ag), WNDD0013 (3.1% Zn, 6.5% Cu, 1.3% Pb, 1.2g/t Au, 146g/t Ag), WNDD0014 (3.9% Zn, 5.5% Cu, 2.3% Pb, 1.6g/t Au, 203g/t Ag), WNDD0057 (6.1% Zn, 2.3% Cu, 4.0% Pb, 1.4g/t Au, 153g/t Ag), WNDD0058 (18.7%Zn, 1.7% Cu, 9.9% Pb, 1.0g/t Au, 131g/t Ag), WNDD0064 (12.7% Zn, 2.6% Cu, 8.1% Pb, 2.5g/t Au, 202g/t Ag), WNDD0088

#### I Lens:

5.7m @ 21.8% ZnEq from 626m

(13.3% Zn, 0.7% Cu, 5.4% Pb, 1.2g/t Au, 26g/t Ag), WNDD0006

#### H Lens:

1.7m @ 38.5% ZnEq from 109m 0.75m @ 51.5% ZnEq from 104m 1.1m @ 52.0% ZnEq from 117m 2.5m @ 45.3% ZnEq from 93m (3.5% Zn, 6.8% Cu, 4.9% Pb, 3.9g/t Au, 213g/t Ag), WNDD0026 (5.6% Zn, 8.1% Cu, 6.8% Pb, 3.6g/t Au, 398g/t Ag), WNDD0027 (24% Zn, 4.3% Cu, 12.9% Pb, 1.5g/t Au, 97g/t Ag), WNDD0044 (7.1% Cu, 4.5g/t Au, 626g/t Ag) WNDD0103

#### E Lens:

4.2m @ 28.5% ZnEq from 135m 4.6m @ 47.2% ZnEq from 55m 3.0m @ 58.7% ZnEq from 64m

(14.8% Zn, 2.2% Cu, 6.2% Pb, 0.7g/t Au, 37g/t Ag), WNDD0012 (24.4% Zn,1.1% Cu, 13.6% Pb, 1.4g/t Au, 241g/t Ag), WNDD0078 (28.5% Zn, 2.1% Cu, 13.1% Pb, 2.2g/t Au, 372g/t Ag), WNDD0078

# **Underground Mine Planning**

A 'New' Mine



### **PEA Target**

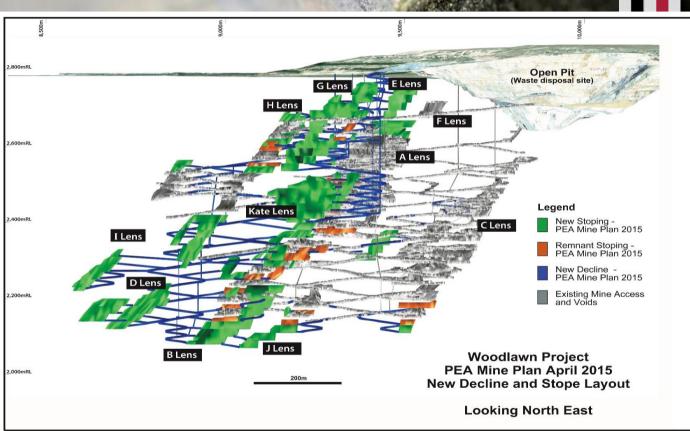
 Sufficient inventory to support underground operations "UG Starter Case"

### **PEA Outcomes**

- 80% of WUP plant feed estimate from new resources
- Mine depth extension limited to 80m
- WUP + WRP = 11 year mine life

### **Feasibility Target**

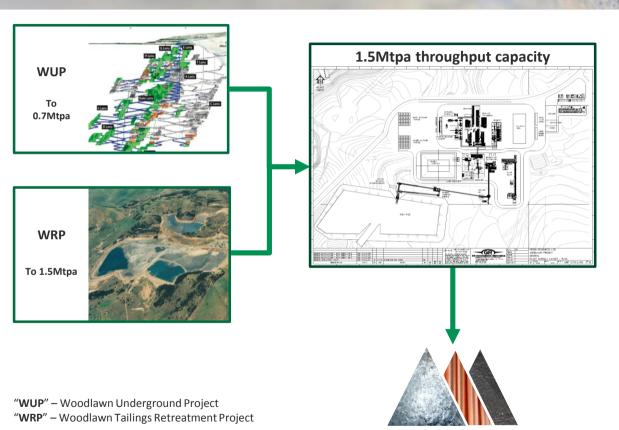
 Sufficient Reserves to support funding structure



# **Process Plant Design**

**Dual-Feed Treatment** 





Source (Production Target): Heron Preliminary Economic Assessment (PEA) - "Steady State"



Zn metal in concentrate
Annual Production Target
51ktpa Zn
(112Mlb)



Cu metal in concentrate
Annual Production Target
10ktpa Cu
(22Mlb)
+ Ag +Au



Pb metal in concentrate
Annual Production Target
16ktpa Pb
(35Mlb)

+Ag +Au

# **Woodlawn Infrastructure Advantages**



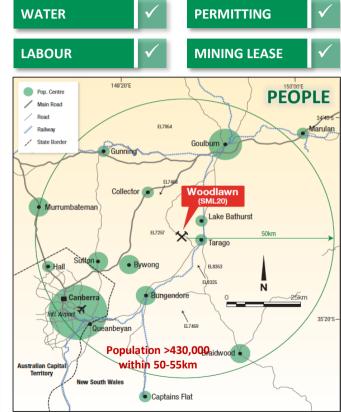
- Extensive stakeholder consultation through EA process
- Strong local community and government support
- Single immediate landowner Veolia
- Agreements in place to purchase land over operational footprint
- On-site collaboration Veolia

State Government Project Approval – July 2013

Mining Lease – SML20 renewed for 15 Years – Nov 2029

Mine Operations Plan (MOP)
Approved – Nov 2015





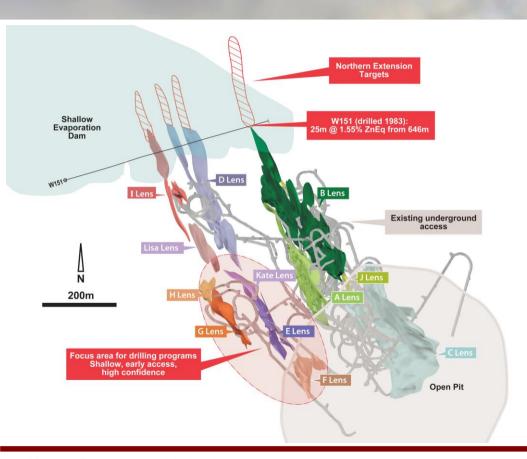
**Heron Resources** Limited

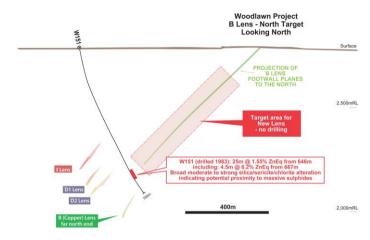
ASX: HRR

TSX: HER

# **Woodlawn Discovery Potential**







### In Mine:-

### **Demonstrated discovery potential**

- Kate Lens >0.5Mt
- Lisa Lens

#### Lens extensions

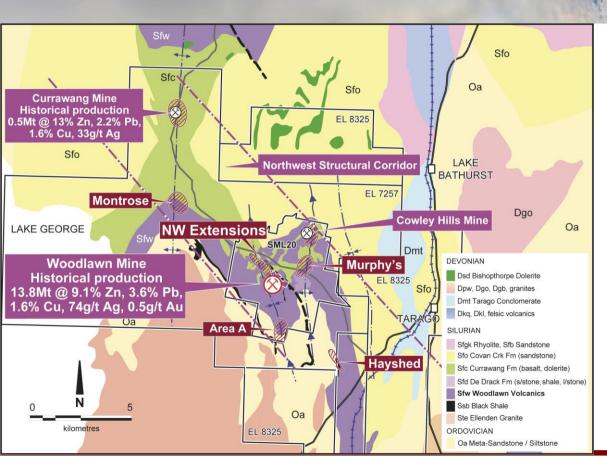
- Little drilling below operational depth (c. 620m)
- · Western lenses not tested to operational depths

#### New lens discoveries

- Logical structural positions untested
- Isolated massive sulphide intercepts to follow-up

# **Woodlawn Regional Exploration**





# A Quality Massive Sulphide District

### **Dominant Regional Position**

- 632 km<sup>2</sup> under tenure
- Coverage of VMS host rocks

### **Confirmed Prospectivity - Satellite Production**

- Currawang Mine
- · Cowley Hills Mine

### **Prospect & Target Generation**

- New & historic remote sensing datasets
- Geochem anomalies
- Extensive areas under cover
- Limited systematic exploration for >30 yrs

# Well Capitalised but Undervalued Relative to Peers

Positioned for uptick in EV as project progresses



- ✓ Attractive cash position,
- ✓ A clear route to market, and
- ➤ Trading at a significant discount to peers

Cash and Equivalents at 31 Dec 2015		
Cash	\$23.8M	
Listed Investments	\$3.1M	
Total	\$26.9M	

# **Early Mover Greenstone Resources**

LLP – Aug'15 A\$6.8M

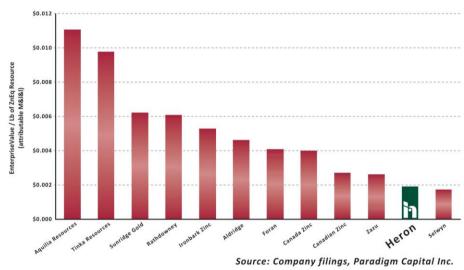
placement with Heron at

premium to market + potential

additional investment +

strategic relationship

### Relative Valuation of Peer Group Zinc Developers (EV/lb ZnEq)



Independent Broker Research Available From:











# **Heron Investment Proposition**





- ✓ Zinc strong and transparent market
- ✓ High grade / low risk / long life asset
- ✓ PEA delivered compelling development case
- ✓ Feasibility Study well advanced
- ✓ Short lead time to production
- ✓ Demonstrated discovery upside
- ✓ Favourable jurisdiction supported by excellent infrastructure
- ✓ Well capitalised and fully funded through Feasibility Study
- ✓ Strategic investor backing, a "value" stock

ASX: HRR TSX: HER

ASX: HRR TSX: HER

# Contacts

REGISTERED OFFICE: 1/37 Ord Street West Perth WA 6005 T: +61 8 6500 9200

SYDNEY OFFICE:
Suite 702/191 Clarence Street
Sydney NSW 2000
T: +61 2 9119 8111

Wayne Taylor (Managing Director) Ian Buchhorn (Executive Director)

www.heronresources.com.au heron@heronresources.com.au

