



MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and nine month periods ended 31 March 2016

INTRODUCTION

The following is management's discussion and analysis of the financial condition and the results of operations of Heron Resources Limited, ("Heron" or the "Company") for the three month and nine month periods ended 31 March 2016, and its financial position as at 31 March, 2016 and should be read in conjunction with the Company's audited financial statements as at 30 June 2015 and half yearly financial statements as at 31 December 2015 which have been subject to audit review, including the accompanying notes thereto.

The Company's audited Financial Statements and Notes to the Financial Statements have been prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Additional information relating to the Company, including press releases, has been filed electronically with the Australian Securities Exchange ("ASX") and through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at www.sedar.com.

The date of this management's discussion and analysis is 3 May, 2016. Unless otherwise indicated all amounts discussed herein are denominated in Australian dollars. The relevant exchange rates applicable to the three and nine month periods ended 31 March, 2016 are as follows.

	Three months ended 31 March, 2016	Nine months ended 31 March 2016
AUD/CDN \$ Closing Rate994	.994
Average Rate990	.976

The Company's common shares trade on the Australian Stock Exchange (the "ASX") under the trading symbol "HRR", and on the Toronto Stock Exchange (the "TSX") under the trading symbol "HER".

Cautionary Note Regarding Forward-Looking Information

Certain information included in this management's discussion and analysis may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "believe", "plan", "scheduled", "intend", "estimate", "forecast", "predict", "potential",

“continue”, “anticipate” or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management’s future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of the Company. Without limitation, statements about the Company’s planned activities related to exploration or development activities carried out in Australia, constitute forward-looking information. Actual results may vary. See “Risk Factors and Uncertainties”.

Forward-looking information is based on certain factors and assumptions regarding, among other things, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, metal prices, the timing and amount of future exploration expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing and materials, including financing to conduct any future drilling program and the other activities necessary to continue to explore and develop the Company’s properties in the short and long term, the receipt of necessary regulatory approvals, and assumptions with respect to environmental risks, title disputes or claims, weather conditions, climate change and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Without limitation, in estimating expenditures the Company has assumed, among other things, that metal prices will not change materially from the prices used in its current financial forecasts or those of its affiliate, that it will obtain in a timely fashion all of the financing, regulatory approvals and other authorizations required to enable the continued exploration and development of its properties, and that such activities will proceed in the ordinary course without undue disruption. See “Risk Factors and Uncertainties”.

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what management currently expects. These factors include risks inherent in the exploration and development of mineral deposits, risks relating to changes in metal prices and the worldwide demand for and supply of metal, uncertainties inherent in the estimation of mineral reserves and resources, risks relating to the remoteness of the Company’s properties including access and supply risks, reliance on key personnel, construction and operational risks inherent in the conduct of mining activities, including the risk of increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the construction and development process, the risk of fluctuations in the Canadian/Australian and U.S./Australian dollar exchange rates, regulatory risks, including risks relating to the acquisition of the necessary licences and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities of the Company may not be available on satisfactory terms, or at all, environmental risks, including risks relating to climate change and the potential impact of global warming on project timelines and on construction and operating costs, and insurance risks. See “Risk Factors and Uncertainties”.

You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, the Company is under no obligation and does not undertake to update this information at any particular time, except as required by law.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has completed an evaluation of the design effectiveness of the Company's internal control over financial reporting. Based on this assessment, management has concluded that as at 31 March 2016, the Company's design for internal control over financial reporting was effective. Management has also evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of 31 March 2016. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed in reports filed or submitted by the Company under Australian and Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three month period ended 31 March 2016 that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

OVERVIEW

HERON RESOURCES LIMITED ("Heron" or "the Company") is engaged in the exploration and development of base and precious metal deposits in Australia. The Company is focused on the development of the high grade Woodlawn Project located 250km southwest of Sydney in New South Wales. Heron also owns the Kalgoorlie Nickel Project located north of Kalgoorlie in Western Australia, and holds a number of other quality base and precious metal exploration properties located in the Lachlan Fold Belt of New South Wales.

Selected Annual Financial Information

Set forth below is certain selected financial information expressed in Australian dollars in respect of the five most recently completed financial years of the Company. This audited data is derived from the Company's full year financial statements which are prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All numbers below are in '000s except for the number of shares outstanding and Net Loss per share information.

Financial Year Ended:	Working Capital ⁽¹⁾	Total Assets ⁽²⁾	Shareholders' Equity	Common shares outstanding	Net Gain (Loss)	Net Gain (Loss) per Common Share (in dollars)
June 30, 2015	24,015	54,352	52,151	360,877,723	(5,674)	(0.016)
June 30, 2014	32,915	42,603	41,762	252,985,787	(6,389)	(0.025)
June 30, 2013	39,597	48,506	47,702	252,985,787	(10,483)	(0.039)
June 30, 2012	43,171	57,910	56,863	252,985,787	(5,356)	(0.022)
June 30, 2011	46,973	61,292	60,162	252,985,787	(14,056)	(0.055)

⁽¹⁾ See Capital Resources and Liquidity for a further discussion of working capital.

⁽²⁾ See Critical Accounting Policies and Estimates.

Quarterly Financial Information

Set forth below is certain selected financial information expressed in Australian dollars in respect of the most recently completed quarter and previous two quarters of the Company. This unaudited data is derived from the Company's interim financial statements which are prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All numbers below are in '000s except for the number of shares outstanding and Net Loss per share information

Quarter Ended:	Working Capital ⁽¹⁾	Total Assets ⁽²⁾	Shareholders' Equity	Common shares outstanding	Net Gain (Loss)	Net Gain (Loss) per Common Share (in dollars)
March 31, 2016	25,175	59,725	58,393	415,009,381	(37)	(0.00009)
December 31, 2015	23,634	59,933	58,430	415,009,381	(444)	(0.0011)
September 30 2015	27,177	60,713	58,711	415,009,381	(170)	(0.0004)

⁽¹⁾ See Capital Resources and Liquidity for a further discussion of working capital.

⁽²⁾ See Critical Accounting Policies and Estimates.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTH PERIODS ENDED 31 MARCH 2016 (all financial numbers in '000s)

The Company is principally involved in the exploration and evaluation of mineral properties. It had no revenues from operations in either the last quarter or nine month period to 31 March, 2016. Exploration expenditures on mineral properties are expensed as incurred in the Income Statement, unless there is a reasonable probability that the mineral property may become a productive mine, in which case the expenditure is capitalised onto the Balance Sheet. During the three month period the Company incurred \$1,914 in exploration expenditure of which \$1,462 was capitalised onto the Balance Sheet. All of the capitalised expenditure was incurred on the Woodlawn property.

Corporate and administrative expenses are charged to the Income Statement as incurred. Interest income consists only of interest on short-term invested funds. The Company reported a loss from operations in each of the three and nine month periods ended 31 March, 2016. Retained earnings are in a deficit position. The Company has not paid any dividends since inception.

The Company recorded a loss for the nine months ended 31 March 2016 of \$651 (\$0.002 per share) compared to a net loss of \$4,895 (\$0.014 per share) for the corresponding nine month period ended 31 March 2015. The Company recorded a loss for the three months ended 31 March 2016 of \$37 (\$0.00009 per share) compared to a net loss of \$1,114 (\$0.003 per share) for the corresponding period ended 31 March, 2015.

The Company's incurred general and administration expenses (including share based payments) of \$2,124 in the nine months to 31 March 2016 compared with the \$2,530 in the nine months to 31 March 2015. The decrease in the current period is due to lower consultancy and salaries and wages costs.

The Company recorded an investment gain of \$720 in the three months to 31 March 2016 (impairment of \$188 in the corresponding three months to 31 March 2015) and \$1,254 for the nine months period ended 31 March 2016 (impairment of \$1,101 for the corresponding nine months to 31 March 2015). This gain has been driven principally by an increase in Metalicity Limited's share price in the period.

EXPLORATION EXPENDITURES (all financial numbers in '000s)

Expenditures on exploration and evaluation in the three month period ended 31 March 2016 of \$1,914 (of which \$1,462 was capitalised) were marginally lower when compared to expenditures in the three month period ended 31 March 2015 of \$2,109 (of which \$1,575 was capitalised).

Exploration expenditure requirements to maintain all the exploration licences in good standing total \$3,229 per annum.

Below is a summary table of the exploration expenditures by tenement group for the three months ended 31 March 2016. (all numbers in '000s).

	Woodlawn	Lewis Ponds	KNP Project	Other WA	Other NSW	TOTAL
Drilling	\$15	-	-	-	-	\$15
Other exploration	\$1,447	\$38	\$292	\$42	\$80	\$1,899
TOTAL	\$1,462	\$38	\$292	\$42	\$80	\$1,914

Below is a summary table of the exploration expenditures by tenement group for the nine months ended 31 March 2016. (all numbers in '000s).

	Woodlawn	Lewis Ponds	KNP Project	Other WA	Other NSW	TOTAL
Drilling	\$2,570	-	-	-	-	\$2,570
Other exploration	\$3,399	\$96	\$712	\$115	\$323	\$4,645
TOTAL	\$5,969	\$96	\$712	\$115	\$323	\$7,215

Exploration Properties in Australia

The Company's main exploration properties are located in the Kalgoorlie region of Western Australia and in the Lachlan Fold Belt of New South Wales. The projects on these land holdings are more fully described in the Company's Annual Report which is available from the Company on request or which may be accessed from the Company's website, www.heronresources.com.au.

CAPITAL STOCK AND DEFICIT (all financial numbers in '000s)

The authorized capital of the Company consists of an unlimited number of common shares without par value.

At 31 March 2016 the Company had 415,009,381 issued and outstanding common shares, (30 June 2015: 360,877,723).

As at 31 March 2016 there were 30,977,539 stock options outstanding (30 June 2015: 13,055,077), bringing the fully diluted share position of the Company to 445,986,920.

The Company's accumulated deficit at 31 March 2016 is \$82,806 compared to \$82,155 at 30 June 2015. See "Results of Operations".

FINANCIAL CONDITION (all financial numbers in '000s)

The Company's total assets at 31 March 2016 increased to \$59,725 from \$54,352 at 30 June, 2015. This increase is primarily due to Greenstone Capital's investment in Heron.

Assets at 31 March 2016 include cash and cash equivalents of \$25,175 (30 June 2015: \$24,015). Cash not on account at a bank has been invested in bank guaranteed, term deposits.

Cash of \$2,094 was spent on exploration and evaluation during the three month period ended 31 March 2016 compared to \$1,937 during the corresponding period ended 31 March 2015.

The Company had current liabilities including trade payables and employee provisions of \$1,332 at 31 March 2016 (\$2,201 at 30 June 2015). The Company has no off balance sheet financing arrangements or material contingent liabilities or contractual obligations other than that disclosed in the interim financial statements for the three month and nine month periods ended 31 March 2016.

CAPITAL RESOURCES AND LIQUIDITY

The Company's mineral properties are at the exploration and pre-development stage. At this time the Company has no operating revenue and does not anticipate earning any operating profits until the Company is able to place a project into production, or acquire a mining asset with operating cash flow. Until such time, the Company will be required to raise funds through equity financing, possibly supplemented by the exercise of options and warrants, or by other means in order to continue its exploration and development activities.

In the past, the Company has successfully raised capital through issuance of equity or sale of assets. There can be no assurance that the Company will be able to raise more capital or obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to raise capital or obtain financing could result in the postponement of further exploration or project development activities. Any additional financing or capital raised by the Company could result in substantial dilution to the shareholders of the Company. See "Risk Factors and Uncertainties".

TRENDS (all numbers in '000s)

Due to the nature of its projects, the Company has a history of incurring operating losses. These losses will continue until a profitable project is developed and operating or a cash generating operating asset is acquired.

The net loss in the three month period ended 31 March, 2016, of \$37 was lower than the loss incurred in the three month period ended 31 March 2015 of \$1,114, primarily due to the gain on mark to market investments in the period.

The Company's current staff headcount is 14 compared to 13 at the beginning of the quarter.

CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of properties for minerals.

The properties in which the Company currently has an interest are at the exploration stage and as such the Company is dependent on external financing to fund its activities. In order to

carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. In some circumstances, the Company may enter into farm in/joint venture agreements whereby a third party earns an interest in a specific property by incurring an agreed amount of exploration expenditures. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that given the relative size of the Company this approach is reasonable.

COMMITMENTS

The Company is required to undertake expenditures of \$3,229,000 per year to keep exploration properties in good standing in the normal course of business. These obligations are subject to renegotiation when application for a mining lease is made and at other times.

The Company is contracted to non-cancellable operating leases in relation to its office premises at Level 1, 37 Ord Street, West Perth and at Suite 702, 191 Clarence Street, Sydney. The lease expires in Perth in June 2016 and in Sydney in September 2016. A performance bond of \$46,545 and \$12,969 for the Perth and Sydney office respectively has been lodged as surety against performance of the lease.

RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

During the quarter, the Company paid \$20,768 for the provision of office accommodation on normal terms and conditions from an entity related to Mr. I J Buchhorn.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

New Accounting Policies and Accounting Standards and Interpretations issued, but some not yet applicable at 31 March, 2016.

The Australian Accounting Standards Board has published various pronouncements that are not mandatory for the 31 March 2016 reporting period. The Company has reviewed all these pronouncements and assessed their applicability and the likely impact on the Company's accounting policies. The Group has not adopted any of the new and amended accounting standards and interpretations that have been issued or amended but are not yet effective. None of these standards or amendments to standards are expected to have a material effect on the financial position or performance of the Group.

The Company continues to assess the impact of these new accounting standards on its consolidated financial statements.

Future Accounting Changes

Other than those noted above, the Company is unaware at this time of any future changes to accounting standards that are contemplated by the Australian Accounting Standards Board and are relevant to the Company and which might impact future accounting reporting periods.

Summary of Significant Accounting Policies

The following is a summary of significant accounting policies used by the Company in the preparation of its financial statements. For a complete description of the significant accounting policies used by the Company in the preparation of its financial statements, please review the notes to the June 30, 2015 audited financial statements included in the Company's Annual Report. This Management's Discussion and Analysis should also be read in conjunction with the Company's quarterly financial statements and the notes thereto.

Going concern basis of accounting (all numbers in '000s)

The interim financial statements for the three month period ended 31 March 2016 have been prepared on the basis of a Going Concern, notwithstanding the fact that the Company incurred a loss for the 3 month period. The Company incurred a loss for the 3 month period after tax of \$37 (2015: \$1,114) and a net cash inflow from operating and investing activities of \$1,541 (2015: outflow \$2,421).

The Financial Report has been prepared on the basis of a going concern, as the Directors believe that the Company has adequate funding to pay its debts as and when they become due for a period of twelve months from the date of approving this report.

Remuneration of Directors and Key Management Personnel Including Share Based Payments

The cost to the Company of share options granted to Directors and Key Management Personnel is included at fair value as part of the Directors' and Key Management Personnel's aggregate remuneration in the financial year the options are granted.

The fair value of the share option is calculated using the Black Scholes option pricing model, which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The cost of these options is expensed in the Income Statement on a pro rata basis to the vesting dates. Unvested options are cancelled upon termination of service with the Company.

Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognized to the extent that there is convincing evidence that it is probable that future tax profits will be available against which deductible temporary differences can be utilized.

The amount of benefits brought to account or which may be realized in the future is based on the assumption that no adverse change will occur in income taxation legislation and the

anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by the law.

Earnings per share

Basic earnings per share are determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share adjusts the figures used in determining earnings per share by taking into account non anti-dilutive options outstanding during the quarter. The diluted earnings per share are capped at the basic earnings per share in circumstances of losses and anti-dilutive options.

Exploration expenditure and mineral leases

Exploration expenditures on mineral properties are expensed as incurred in the Income Statement, unless there is a reasonable probability that the mineral property may become a productive mine, in which case the expenditure is capitalised onto the Balance Sheet. These capitalised costs are only carried forward if the rights to the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or, where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against the results in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Restoration, rehabilitation and environmental expenditure

Restoration, rehabilitation and environmental expenditure to be incurred during the production phase of operations is accrued when the need for such expenditure is established, and then written off as part of the costs of production of the mine property concerned. Significant restoration, rehabilitation and environmental expenditures to be incurred subsequent to the cessation of production at each mine property are accrued, in proportion to production, when its extent can be reasonably estimated.

Business undertakings – joint ventures

The Company has certain exploration activities conducted through joint ventures with other parties. Where relevant, the Company's interest in these joint ventures is shown in the notes to the financial statements under the appropriate heading.

RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS

The Company's major mineral properties are the Woodlawn and Lewis Ponds Properties in NSW and the KNP project in WA (the "Properties"). Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon its existing Properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's Properties would have a material adverse effect on the Company's financial condition and results of operations.

Other risk factors and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand with reputable financial institutions. Financial instruments included in accounts receivable consist of sales tax receivable from government authorities in Australia and deposits held with vendors. Management believes that credit risk with respect to financial instruments included in cash and accounts receivable is low.

Liquidity risk (all financial numbers in '000s)

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at 31 March 2016, the Company had cash of \$25,175 (30 June 2015: \$24,015) to settle current liabilities of \$1,332 (30 June 2015: \$2,201). Apart from provision for employee entitlements (e.g. Annual Leave), the majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices. The Company continues to monitor the long term assets and assesses the value of the asset on a regular basis.

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in term deposits with banks.

Foreign currency risk

The Company's functional reporting currency is the Australian dollar and major purchases are transacted in Australian dollars. The Company funds its exploration and administrative expenses using Australian dollars.

In addition, management believes the foreign currency risk derived from currency conversions related to its operations is negligible and therefore does not hedge its foreign exchange risk.

Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to valuable minerals to determine the appropriate course of action to be taken by the Company. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of zinc, lead, copper, nickel and certain other metals.

Fair value

AIFRS accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of

judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying values for short-term investment, sundry receivables and prepaid expenses, subscription receivable, and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

The Company has designated its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next year:

- (i) Interest rate risk is immaterial.
- (ii) The Company holds all of its cash in low risk, secure Australian dollar term deposits at Australian banks. Foreign exchange risk related to required payments is perceived as negligible.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of valuable minerals may be produced in the future, a profitable market will exist for them.

As of 31 March 2016, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

RISK FACTORS AND UNCERTAINTIES

The Company is in the business of acquiring, exploring and developing mineral properties and is exposed to a number of risks and uncertainties that are common to other exploration companies in the same business. The industry is capital intensive at all stages and must rely on equity financing to fund exploration and development activities.

The ability of the Company to realize and profit from a property development is dependent upon its ability to define and delineate an orebody, to finance development costs, adhere to government and environmental regulations, and/or be able to realize the costs incurred on disposition of a property.

The future prospects of the Company are subject to a variety of risks that may cause actual results to differ materially from projected outcomes. Factors that could cause such differences include: world commodities markets, foreign exchange markets, equity markets, access to sufficient working capital, the ability to attract mining partners, the loss of or inability to hire key personnel, as well as government and environmental restrictions. Most of these factors are beyond the control of the Company which consequently cannot guarantee future results, levels of activity or ensure that a mineral discovery can be developed into a profitable mining operation. In addition, prices for the commodities contained in the Company's mineral resources at its exploration properties have fluctuated significantly over the last few years and may continue to do so. Such volatility may affect the timing and magnitude of funds which the Company may seek to raise to support further exploration and development.

The Company has taken steps to verify the title to its mineral properties, in accordance with industry standards for the current stage of exploration of such properties but these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found at www.heronresources.com.au or on the SEDAR website at www.sedar.com, or on the website of the ASX, www.asx.com.au.

APPROVAL

The Board of Directors of Heron Resources Limited has approved the disclosure contained in this Management Discussion and Analysis dated 3 May, 2016.

CORPORATE DIRECTORY

Directors

Wayne Taylor
Stephen Dennis
Ian Buchhorn
Borden Putnam III
Fiona Robertson
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Simon Smith

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The company is listed on both the Australian Stock Exchange (ASX) under the symbol HRR and the Toronto Stock Exchange (TSX) under the symbol HER.

Auditors

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