



# Heron Resources Limited

## Quarterly Report

September 2017

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27 October 2017

## HIGHLIGHTS

### Woodlawn Zinc-Copper Project

- **Woodlawn Development :**
  - Commencement of site construction activities, marked with a ground breaking event attended by the Hon. Angus Taylor MP, Mayor Bob Kirk from Goulburn Mulwaree Council and local community members.
  - Earthworks contractor, Ertech Pty Ltd ("Ertech"), commenced site works with earthmoving resources consisting of 33 pieces of mobile plant and 34 personnel.
  - EPC contractor, Sedgman, mobilised to assist with earthworks oversight and site establishment. Orders placed for critical path items of equipment valued at \$25M.
  - Additional key project personnel appointed including Mining Manager, Contract Project Manager and Earthworks Supervisor.
- **Woodlawn Development Funding:**
  - The A\$140M<sup>1</sup> equity funding component completed on 7 September.
  - The A\$100M<sup>1</sup> debt funding component conditions precedent were progressed with drawdown targeted for the first half of 2018.

### Woodlawn Exploration

- **Woodlawn Lens Extension Drilling Campaign:**
  - G2 Lens drilling program completed, 22 holes for 4,246m. Assays received and Mineral Resource update commenced. Significant results include:
    - 4.7m @ 53.0% ZnEq<sup>2</sup> from 107m (10.8% Zn, 0.7% Cu, 8.6% Pb, 10.4g/t Au, 802g/t Ag) WNDD0114
    - 14.0m @ 12.4% ZnEq from 146m (7.5% Zn, 1.0% Cu, 1.7% Pb, 0.1g/t Au, 9g/t Ag) WNDD0114
    - 5.6m @ 18.3% ZnEq from 91m (2.5% Zn, 0.1% Cu, 1.7% Pb, 1.8g/t Au, 418g/t Ag) WNDD0120
    - 5.8m @ 14.3% ZnEq from 210m (0.1% Zn, 4.4% Cu, 0.2g/t Au, 12g/t Ag) WNDD0123
- **Woodlawn Regional Exploration:**
  - Initial Currawang diamond drilling program completed, 5 holes for 2,994m. Significant results away from known lenses include:
    - 6.4m @ 14.6% ZnEq from 485m ( 11.7% Zn, 0.6% Cu, 0.7% Pb, 0.1g/t Au, 16g/t Ag) CWDD0002
    - 2.9m @ 13.5% ZnEq from 567m (3.4% Zn, 3.0% Cu, 0.2% Pb, - g/t Au, 16g/t Ag) CWDD0002
    - Recent drilling indicates a significant new mineralised position. DHEM surveys planned for early November 2017.
  - Drill program to commence during the fourth quarter at the Kangiara project to follow-up results from earlier this year: 42m @ 0.20 g/t Au and 0.26% Cu from 4m to end of hole (CRRB027).

### Corporate

- **General Meeting:** A General Meeting of Shareholders was held on 17 August to approve the A\$240M Woodlawn Project development financing. All resolutions were passed and the financing completed on 7 September.
- **Cash:** Heron held A\$124 million in cash (excluding bonds of A\$4.57 million) and A\$8.2 million in investments as at 30 September 2017.
- **Board of Directors:** Orion Mine Finance Group's nominee director, Mr Peter Rozenauers, and Castlake LP's nominee director, Mr Ricardo De Armas, were appointed to the Heron Board as Non-executive Directors.

<sup>1</sup> Assumes exchange rate of AUD/USD 0.76 as per announcement on 30 June 2017

<sup>2</sup> Refer to page 7 for the ZnEq calculation assumption.



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Heron Resources Ltd (“Heron” or the “Company”) is pleased to provide its report for the September 2017 Quarter. During this reporting period the Company principally focused on the advancement of the Woodlawn Zinc-Copper Project.

### WOODLAWN ZINC-COPPER PROJECT

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

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

The last 36 months have seen Heron directing its efforts to developing the Woodlawn Zinc-Copper Project with the successful completion of a Preliminary Economic Assessment (PEA) in 2015, followed by the Feasibility Study (FS) in June 2016 and now the completion of project financing in September 2017. This was conducted in a commodity market environment that continues to support a strengthening zinc price forecast over the next several years driven by a significant and growing supply shortfall.

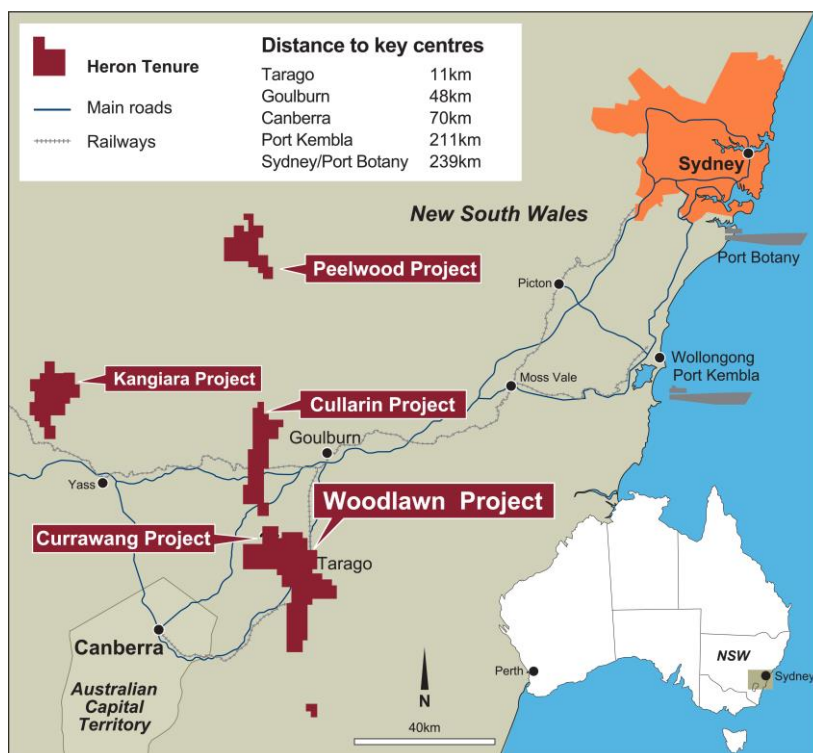


Figure 1: Woodlawn Location

### Woodlawn Project – Project Financing

On 7 September Heron successfully completed the A\$140 million<sup>3</sup> Equity Funding as part of the full A\$240 million total Woodlawn development funding package announced to the ASX & TSX on 30 June 2017.

The Equity Funding comprised a A\$103 million Cornerstone Investor Placement to Greenstone Resources LP and co-investors (“Greenstone”), Orion Mine Finance Group (“Orion”) and Castlake LP (“Castrlake”), on behalf of funds it manages, as well as a A\$32 million Institutional Placement. The Equity Funding Package also included an A\$5 million Share Purchase Plan of which approximately A\$3.48 million was subscribed for by existing Heron shareholders with the shortfall balance of approximately A\$1.52 million subsequently placed to various investors.

A total of approximately 2,001 million shares were issued through the Equity Funding at an issue price of \$0.07 per share which rank equally with existing shares on issue.

The other components to the full Woodlawn development funding package include the US\$60M senior debt facility and the

<sup>3</sup> Assumes exchange rate of AUD/USD 0.76 as per announcement on 30 June 2017



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US\$16M silver prepayment facility (combined A\$100 million<sup>3</sup>), both being provided by Orion. The Company is working through the remaining conditions precedent to these facilities which include the establishment of the underground mining and port facility contracts, an independent engineers report covering the costs to completion, and other customary requirements for facilities of this nature. The Company expects to have these completed well prior to the requirement to draw on these funds and in the case of the silver prepayment this is expected to be drawn early in 2018, with the senior debt facility being drawn during the first half of 2018.

In conjunction with completion of the Equity Funding, Heron welcomed Orion's nominee director, Mr Peter Rozenauers, and Castlake's nominee director, Mr Ricardo De Armas, to the Heron Board as Non-executive Directors.

### Woodlawn Project – Development Progress

The completion of the project development financing enabled the Company to formally commit to the full suite of development activities that now place Heron on schedule to commission the processing plant late in 2018 and deliver the first shipment of concentrate to market in the first quarter of 2019. Activities that were commenced or completed during the Quarter, include:

- **Purchase of Long Lead Equipment:** In August Heron placed initial orders for a number of items of equipment that are on the project critical path for the development of the project. Items include the M10000 Isa Mill and Outotec flotation cells and thickeners;
- **Earthworks:** Ertech and its subcontractors mobilised to site in early September and activities commenced. The earthmoving resources now consist of 33 pieces of plant and 34 personnel. Work has progressed on the main road entrance from Collector Road, main process plant site levelling and foundation preparation including the plant run-off dam and haulage road. Earthworks will continue until the New Year with commencement of the underground box cut for the underground access, and construction of Tailings Storage Facility 4 to commence next quarter;
- **Project EPC Works:** Sedgman also mobilised to site to oversee earthworks activities and prepare for the start to construction activities beyond earthworks. Engineering design progressed (20% complete) and procurement activities were well advanced with \$25M of \$30M equipment orders placed (including the long lead items noted above);
- **Compliance Activities:** TSF4 design was formally approved by the NSW Dam Safety Committee;
- **Mine Planning:** Expressions of interest were requested in September for the tendering of the underground mining contract. It is expected this contract will encompass all underground development and production activities, other than mine planning which Heron will retain responsibility for. The contract is expected to be awarded in the coming quarter.
- **Water Management:** Water management activities and mine dewatering continued. The refurbishing of the existing borefield progressed and is near complete;
- **Water Treatment:** Tenders for water treatment services were received and are being evaluated. Award and commencement is expected next quarter; and
- **Community:**
  - The quarterly project community consultation committee met on 16 August with no concerns being raised.
  - A general community meeting was held on 28 August to provide a general overview to interested residents.
  - On 29 September a ground breaking event was held on site to mark the start of project development activities. The Company was pleased to have in attendance the Assistant Minister for Cities and Digital Transformation and Federal Member for Hume, the Hon. Angus Taylor MP as well as Mayor Bob Kirk from Goulburn Mulwaree Council to turn the first soil on the construction site.
- **Project Personnel:** Additional key project personnel appointed including Mining Manager, Contract Project Manager and Earthworks Supervisor.





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*Figure 2: Ertech go-bay*



*Figure 3: ROM pad development*



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*Figure 4: Clearing of underground box cut area*

## Woodlawn Exploration

Woodlawn exploration activities are currently focusing on defining additional resources that can be accessed early in the mine schedule. In particular, the G2 Lens, described below, shows promise in this regard.

### G2 Lens Drilling

The G2 Lens is located to the south of the Kate Lens, and is adjacent to the planned route of the decline, 100-200m below surface. A program of 22 diamond core holes for 4,246m of diamond core drilling was recently completed to further define the shallow resource base. Two key mineralised horizons have been identified, namely G2 Main and G2 Hanging-wall (G2HW).

The G2 Main zone was the primary target of the drilling campaign and consists of a zone of 5-10cm zinc sulphide-rich stringers cross-cutting beds of coarse-grained volcanic breccia. The G2HW zone was discovered during the follow-up program and consists of very high-grade massive and stringer sulphides occurring approximately 30 to 40m stratigraphically above the G2 Main zone (see Figures 5-6).

The significant intercepts from this program and specific to the G2 Main zone are:





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Thickness (m)	ZnEq (%)	Downhole start (m)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)	Drill hole WNDD
14.0	12.4	146.0	7.5	1.0	1.7	0.1	9	114
Incl. 6.9	21.6	150.6	13.0	1.9	2.8	0.1	22	114
6.8	7.9	113.8	5.3	0.3	1.6	0.1	8	118
10.7	5.3	124.5	3.7	0.5	0.2	0.1	2	118
5.6	18.3	90.7	2.5	0.1	1.7	1.8	418	120
7.2	10.0	100.0	2.4	0.1	1.5	2.7	124	121
5.3	6.9	185.2	1.8	1.4	0.4	0.3	8	123
5.8	14.3	209.7	0.1	4.4	-	0.2	12	123
7.5	5.5	221.0	0.2	1.6	-	0.2	5	129
4.0	6.0	206.0	0.2	1.8	-	0.1	6	131
5.0	10.5	136.0	5.0	0.2	3.7	0.4	54	132
5.0	9.2	141.2	4.8	0.5	2.9	0.1	14	133

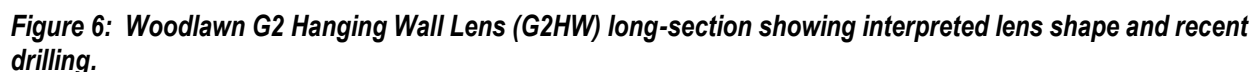
These G2 Main results are in line with expectations and delineate moderate-grade stringer mineralisation that is present over mineable widths. Of note are a number of significantly higher-grade results (holes WNDD0114 and WNDD0120) which suggest the possibility of higher overall grades of material from this area.

The significant intercepts from the G2 Hanging-wall zone are:

Thickness (m)	ZnEq (%)	Downhole start (m)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)	Drill hole WNDD
9.8	28.0	107.0	8.7	0.5	5.2	4.0	326	110
Incl. 3.7	56.0	107.0	18.7	1.2	10.0	6.9	650	110
5.9	7.0	116.6	3.6	2.2	0.2	0.4	27	112
4.7	53.0	107.2	10.8	0.7	8.6	10.4	802	114
Inc. 2.7	87.2	107.2	18.4	1.2	14.4	16.9	1,299	114
3.1	15.8	111.4	3.4	0.3	1.2	1.0	326	115
2.4	16.0	108.1	8.1	0.4	2.8	0.8	119	116

The G2HW zone is a newly recognized zone of high-grade mineralisation that has been discovered in the last year. Whilst the position is relatively small, its high-grade means it will be a valuable addition to the early mine inventory. Heron believes that similar zones of high-grade mineralisation are likely to be present in the western portion of the Woodlawn system, but were missed by the existing wide-spaced drill hole spacing. As well, there is also the newly defined copper mineralisation in the down plunge and footwall position to the G2 Main zinc stringer mineralisation (see Figure 5). This copper mineralisation occurs as copper stringers in chlorite matrix plus zones of massive copper and pyrite sulphides. Relatively broad widths have been defined to date and the zone remains open down plunge.

Mineral Resource estimation incorporating these latest results is currently underway and is expected to be completed in the current quarter; this updated Mineral Resource will then be incorporated into the existing mine plan. The G2 mineralisation is still open in a number of directions and further drilling will be required to test these positions. Other shallow potential near term mining inventory positions (e.g. upper D Lens and upper Lisa Lens) are also being considered for additional extensional drilling.





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### WOODLAWN REGIONAL PROSPECTS

Heron continues to maintain and explore a strategic, 974km<sup>2</sup> tenement package over the prospective Silurian volcanic rocks around the Woodlawn Mine (Figure 9 in Appendix A).

The exploration strategy is to focus on known mineralisation with comparable metallurgy to Woodlawn and within proximal trucking distance of the proposed Woodlawn concentrator. A number of excellent targets exist, including Currawang, which is described in more detail below. Details of Heron's other regional prospects are contained in Appendix A

### Currawang Prospect

A program of five DDH holes for 2,994m was recently completed at Currawang, targeting extensions to the existing lenses, as well as the broader testing of the genetic and post-mineral structural environment associated with high-grade volcanic massive sulphide (VMS) mineralisation that was previously mined in the mid-1990's (approximately 0.5Mt). Heron's drilling program represents the first at Currawang since 1996.

The second drill hole in Heron's program, targeted the down-plunge extension to the main Currawang Lens (Figure 7; DDH CWDD0002) and intersected 6.4m of 5 to 10cm stringers, and semi-massive Zn sulphide mineralisation (Figures 7 and 8) from 485m within a broad zone of hydrothermal alteration hosted by the basalt sequence. Copper sulphides within this zone are thought to be responsible for the DHEM anomaly previously measured in this area.

This hanging-wall position represents a potential new zone, or lens, of mineralisation at Currawang. DDH CWDD0002 continued to a depth of 640m and passed through a broad (50m+) zone of intense chlorite alteration with copper-sulphide stringers. These type of chlorite zones are typically associated with the massive sulphide feeders which create the main VMS lenses. Assay results have been received and returned two significant intercepts from these two zones:

Thickness (m)	ZnEq <sup>1</sup> (%)	Downhole start (m)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)	Drill hole
6.4	14.6	484.9	11.7	0.6	0.7	0.1	16.0	CWDD0002
2.9	13.5	567.0	3.4	3.0	0.2	0.0	15.8	CWDD0002

These results are highly encouraging. The last DDH of the program (CWDD0005) was drilled beneath and down-plunge from these intercepts and intersected a broad zone (17.4m) of weak and low-grade Zn sulphides stringers from 428m depth.

Other DDH in the program targeted the primary Currawang structural controls along-strike to the north of the main Currawang Lens in an area of limited historic drilling (Figure 7; CWDD0001 and 03). DDH CWDD0001 intersected a broad interval (38m from 341m down-hole) of moderate to intense alteration comprising sericite, silica, pyrite, and chlorite development within a strongly foliated, and in-part brecciated basalt (the Currawang Basalt). Within this interval is 16m of an intensely developed hydrothermal alteration assemblage, with minor stringers of Zn sulphides with lesser amounts of Pb and Cu sulphides. DDH CWDD0003 intersected a broad zone of moderate to strong silica, chlorite, biotite alteration (381 to 433m depth) with some stringers of base-metal sulphides.

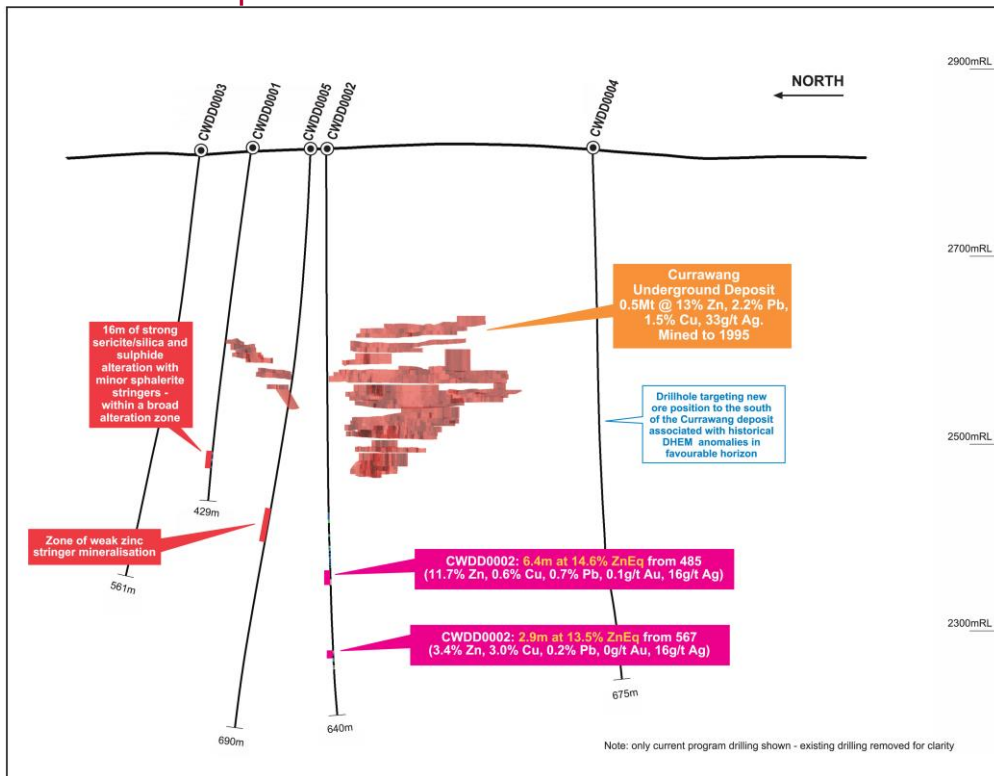




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**Figure 7: Currawang long-section (looking east) showing the areas previously mined (shaded red) and the traces of the five DDH in this campaign.**

DDH CWDD0004 was drilled to a depth of 675m testing the southern extent of the mineralisation, and intersected a weakly developed zone of silica, chlorite, pyrite alteration towards the bottom of the hole – this was less well developed than the other intercepts to the north.

Overall, the 5 DDH hole campaign was very successful, intercepting high-grade intercepts in new stratigraphic and structural positions, which both extend and further delineate the known extents of mineralisation and alteration. These five wide-spaced DDH intercepts provide a geospatial platform enabling Heron to develop a Down Hole Electromagnetic survey (DHEM) program to test for potential conductors peripheral to these DDH intercepts which may indicate extensions of existing, or new, sulphide mineralisation.

Heron's exploration program is part of the NSW Government's Cooperative Drilling Program, with 50% of the direct drilling costs being reimbursable to Heron for the first 4 holes.



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**Figure 8: Photograph DDH cores showing Zn sulphide (sphalerite stringers) in DDH CWDD0001 from 486m depth. NQ2 (46.7mm diameter) DDH core within the tray with each length approximately 1m long.**

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

## CORPORATE

**General Meeting:** A General Meeting of Shareholders was held on 17 August to approve the A\$240M Woodlawn Project development financing package. All resolutions were passed and the equity component of the financing completed on 7 September.

**Cash:** Heron held A\$124 million in cash (excluding bonds of \$A4.577 million) and A\$8.2 million in investments as at 30 September 2017.

**Board of Directors:** In conjunction with completion of the Equity Funding, Heron welcomed Orion's nominee director, Mr Peter Rozenauers, and Castlelake's nominee director, Mr Ricardo De Armas, to the Heron Board as Non-executive Directors.



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### APPENDIX A – REGIONAL EXPLORATION PROJECTS

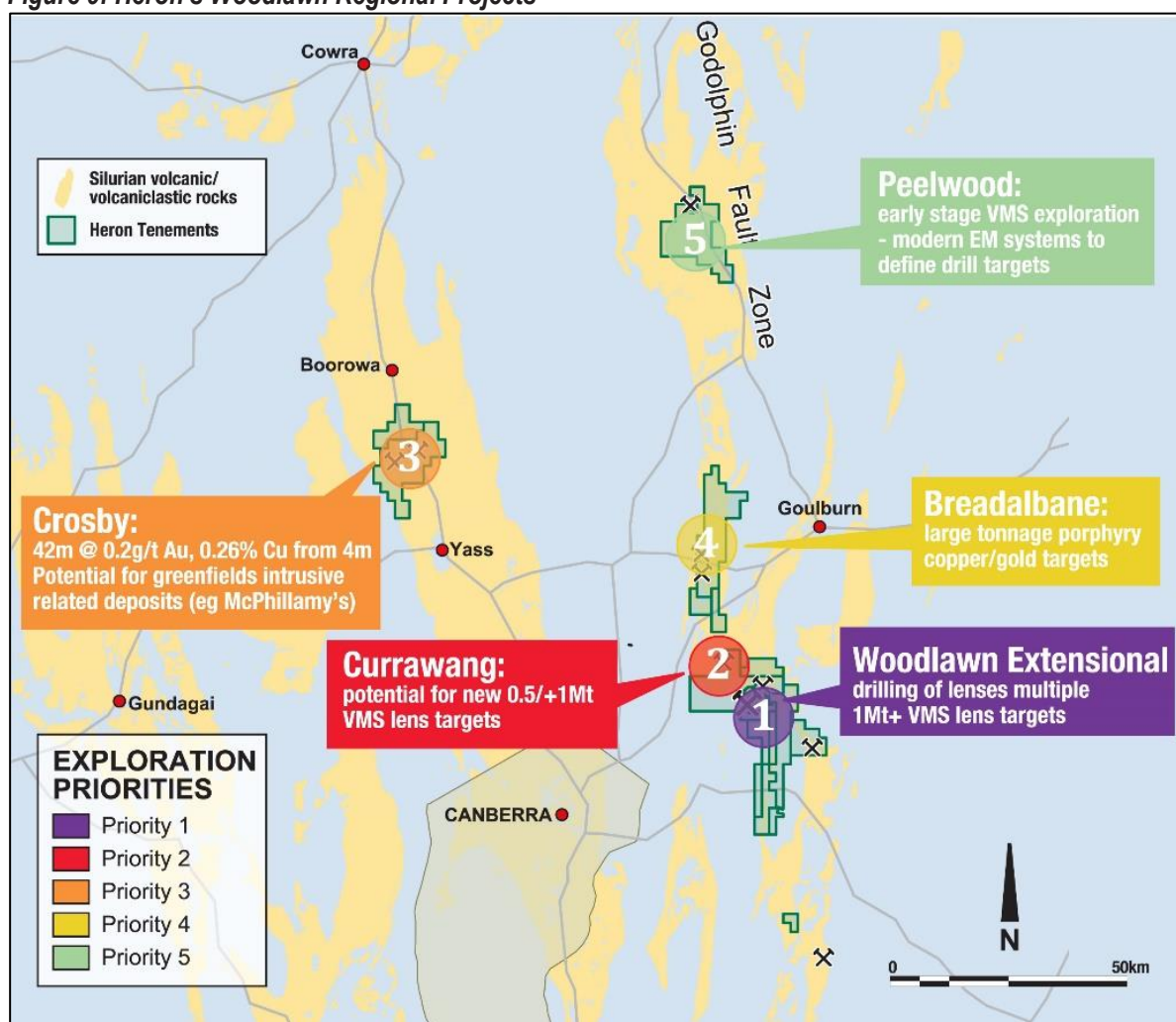
**Montrose Prospect:** 6km WNW of Woodlawn, where broad zones of intense pyrite-sericite alteration in Woodlawn Volcanics are present. Limited drilling in the 1980s and 1990s intercepted zones of modest-grade mineralisation which received little follow-up work. Remodelling of the numerous historic EM geophysical anomalies has provided clear targets for follow-up.

**Other Woodlawn Prospects:** The Allianoyonyiga and Kalua Prospects are both grassroots prospects defined by pre-Heron moving loop EM surveys, situated along strike, west and east respectively from the Cowley Hills deposit. Moderate silica-pyrite alteration in rhyolitic volcanic rocks has been mapped at Kalua along strike from the EM anomalies, whereas the Allianoyonyiga Prospect is wholly covered by alluvium of the Allianoyonyiga Creek and will require drilling to test further.

#### East Lachlan Regional Projects

The Company retains a significant portfolio of tenements in the East Lachlan area of New South Wales within hauling distance of Woodlawn. The key project areas include Cullarin, Kangiara and Peelwood (see Figure 9).

Figure 9: Heron's Woodlawn Regional Projects







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### Kangiarra (EL8400, EL8573, 100% Heron)

The Kangiarra Project is located 90km NW of Woodlawn and 26km NNW of the town of Yass, and is a historical copper mine where previous explorers (to 2014) have delineated a small, low-grade, gold, silver, copper, lead, zinc deposit (non JORC). The geology comprises felsic volcanic and related sedimentary rocks of the Silurian Douro Group.

As reported last quarter, a program of 33 rotary air-blast (RAB) holes for 743m was completed in May 2017 providing a first pass test of strong soil geochemical anomalies at the Crosby Prospect with significant results including:

- 10m @ 0.11g/t Au, from 30m to end of hole (CRRB007)
- 3m @ 0.77 g/t Au, from 33m depth to end of hole (CRRB008)
- 4m @ 0.96% Zn, 0.36% Pb and 0.07g/t Au, from 54m (CRRB024)
- **42m @ 0.20 g/t Au and 0.26% Cu from 4m to end of hole (CRRB027)**
- 4m @ 0.25% Cu from 24m to end of hole (CRRB029)

A further review of historical data in this area has identified a broad IP chargeability and geochemical (Cu and Au in soils) anomaly associated with the result from CRRB027 that extends 750m north-south and some 400m east-west. A follow-up program of RAB drilling is planned for the fourth quarter in 2017.

### Cullarin Project (EL7954, EL7468, 100% Heron)

The Cullarin Project is located 20km NW of Woodlawn and 30km W of Goulburn (Figure 9) and covers the prospective Silurian-aged Wet Lagoon Volcanics – a sequence of rhyolite and dacitic volcanic and volcanoclastic rocks with potential for VMS, skarn and shear-related gold and base-metal deposits. A previous compilation of historic drilling (1970 Astley Consolidated Holding P/L) identified significant Cu results at Breadlebane, B2:

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

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

### Peelwood Project (ELA5473, 100% Heron)

The Peelwood Project is located 100km N of Woodlawn (Figure 9) and covers felsic volcanic and related sedimentary rocks of the Silurian Campbells Group. The Peelwood Mine is a VMS system that was a historic copper, lead, zinc and silver producer. The Company has applied for ground directly to the south of the historical mining area and will assess the position for high-grade zones of mineralisation. Only very limited exploration has been conducted in the area covered by the ELA in recent years, however a number of good drill intercepts have been reported.

The central part of the project area contains a cluster of five north west striking mineralized gossans over a strike length of about 6 km. Historic soil sampling has delineated an anomalous lead-zinc mineralized zone. A significant exploration target for follow up is south of the main Black Springs prospect where previous drilling has returned intersections including 4m at 9.7% Zn, 3.6% Pb and 29g/t Ag from 111.2m (BSJ-7) and 2.5m at 0.2% Zn, 11.8% Pb and 130ppm Ag from 26m (BSDH7). Mineralization is associated with foliated interbedded, porphyritic tuffs and fine grained sediments. Structural setting is excellent, being on the Godolphin Fault which hosts the McPhillamy's and Lewis Ponds polymetallic resources located some 70km north along structure.

Heron will assess the historical data and look to generate new targets with modern, high-powered electro-magnetic surveys.



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### APPENDIX B - EXPLORATION JOINT VENTURE PROJECTS

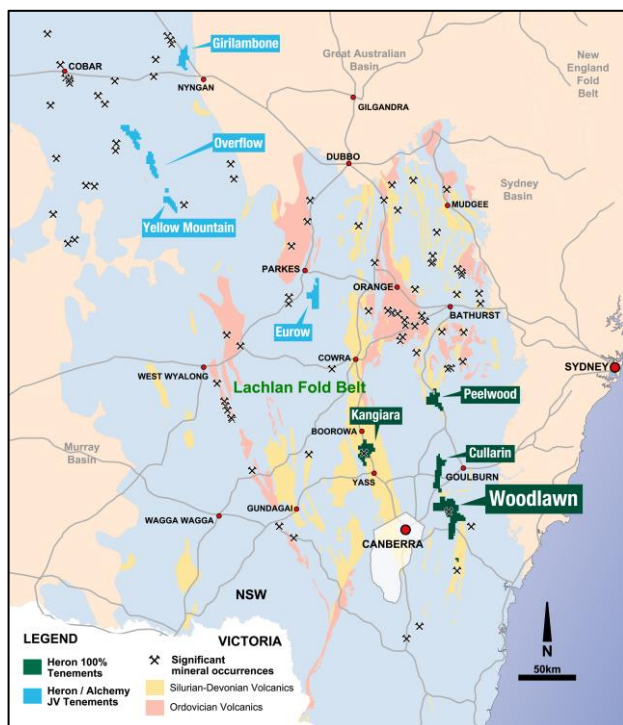
Heron retains a high quality tenement holding in the Lachlan Fold Belt of NSW and the Eastern Goldfields of Western Australia. This tenure is held through farm-in and joint ventures interests and includes several other free-carried residual or royalty interests which results in minimal costs to Heron.

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

Heron entered into a Farm-In Agreement with Alchemy Resources Limited (Alchemy) (ASX:ALY) covering a portfolio of Heron's NSW exploration tenements (see Figure 10) in May 2016. The Farm-In Agreement covers 674km<sup>2</sup> of the central Lachlan Orogen in NSW, including the following exploration tenements: EL5878 Overflow, EL7941 Overflow, EL8267 Overflow, EL8192 Eurow, EL8318 Girilambone and EL8356 Yellow Mountain.

Approval for follow-up drilling at Overflow has been delayed due to native title clearance that is expected early in 2018. A program of two RC holes is planned for late in 2017 at the Black Range Tank prospect where there is a poorly tested coincident soil and EM anomaly associated with a surface gossan zone. Soil geochemistry programs are also planned in late 2017 for the Eurow and Girilambone project areas.

**Figure 10: Heron NSW Projects (including Alchemy JV tenure)**



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

The Bulong Gold Project is located 30km east of Kalgoorlie with Southern Gold (ASX:SAU) managing the joint venture as part of their exploration efforts around the producing Cannon Gold Mine. Work completed by SAU during the Quarter included:

- Results of geochemical sampling on P25/2062 (24 rockchip, 33 soil samples), confirmed the presence of low grade gold anomalism associated with thin quartz veining along and parallel to the sediment/ultramafic contact. Soil sampling confirmed the previously interpreted NW trend to anomalous Au-in soil without adding extra detail. A prospector undertook some dozer pushing and detecting with minor success (several nuggets <10g and minor small fragments).
- Geochemical sampling on P25/2062, M25/134 and M25/209 was conducted with field mapping and sampling (33 rock chip samples). Results pending.



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- Due to low prospectivity/ heritage difficulties the following tenements were relinquished during the last quarter: P25/2062, P25/2252, P25/2253, P25/2254, P25/2255 and M25/210.





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### **Compliance Statements (JORC 2012 and NI43-101)**

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

### **Zinc equivalent calculation – Woodlawn**

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

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This news release contains forward-looking statements and forward-looking information within the meaning of applicable Australian and 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 ability to complete the Ardea spin-off, 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, the ability to complete the Ardea spin-off on the basis of the proposed terms and timing or at all, the 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.



# Heron Resources Limited

## Quarterly Report

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*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.***



# Heron Resources Limited

## Quarterly Report

September 2017

### Corporate Directory

<b>Directors</b>  Stephen Dennis** <i>Chairman</i> Borden Putnam III** Fiona Robertson ** Wayne Taylor Mark Sawyer*+ Peter Rozenauers*+ Ricardo De Armas*+ <i>* Denotes Non-executive</i> <i>+ Denotes Independent</i>	<b>Issued Share Capital</b>  As at the date of this report, Heron Resources Limited had 2,416,661,640 ordinary shares and 21,429,828 options.  The options have expiry dates ranging from 23 October 2017 to 1 February 2022 and have exercise prices ranging from A\$0.07 to A\$0.29  Heron trades on the ASX as 'HRR' and on the TSX as 'HER'.	<b>Registered Office and Address for Correspondence</b>  <b>Sydney</b> Suite 702, 191 Clarence Street Sydney NSW 2000 Telephone +61 2 9119 8111 <b>Perth</b> Level 1, 7 Havelock Street West Perth, WA 6005 Telephone +61 8 6500 9200  Email heron@heronresources.com.au																																																																																																								
<b>Executive Management</b>  Wayne Taylor <i>Managing Director &amp; Chief Executive Officer</i>  Simon Smith <i>General Manager – Finance &amp; Administration &amp; Company Secretary.</i>  David von Perger <i>General Manager - Exploration</i>  Charlie Kempson <i>General Manager - Strategy &amp; Business Development</i>  Andrew Lawry <i>Chief Operating Officer</i>  Brian Hearne <i>General Manager - Woodlawn</i>	<b>Monthly Share Price Activity</b>  <b>(A\$ per share - ASX)</b> <table><tr><th>Month</th><th>High</th><th>Low</th><th>Close</th></tr><tr><td>Oct 16</td><td>0.150</td><td>0.130</td><td>0.130</td></tr><tr><td>Nov 16</td><td>0.150</td><td>0.125</td><td>0.140</td></tr><tr><td>Dec 16</td><td>0.140</td><td>0.110</td><td>0.115</td></tr><tr><td>Jan 17</td><td>0.135</td><td>0.115</td><td>0.130</td></tr><tr><td>Feb 17</td><td>0.135</td><td>0.120</td><td>0.120</td></tr><tr><td>Mar 17</td><td>0.125</td><td>0.096</td><td>0.100</td></tr><tr><td>Apr 17</td><td>0.105</td><td>0.091</td><td>0.092</td></tr><tr><td>May 17</td><td>0.095</td><td>0.078</td><td>0.083</td></tr><tr><td>Jun 17</td><td>0.085</td><td>0.070</td><td>0.070</td></tr><tr><td>Jul 17</td><td>0.074</td><td>0.070</td><td>0.074</td></tr><tr><td>Aug 17</td><td>0.086</td><td>0.066</td><td>0.072</td></tr><tr><td>Sept 17</td><td>0.076</td><td>0.065</td><td>0.065</td></tr></table>  <b>(CA\$ per share - TSX)</b> <table><tr><th>Month</th><th>High</th><th>Low</th><th>Close</th></tr><tr><td>Oct 16</td><td>0.135</td><td>0.110</td><td>0.125</td></tr><tr><td>Nov 16</td><td>0.140</td><td>0.105</td><td>0.140</td></tr><tr><td>Dec 16</td><td>0.145</td><td>0.110</td><td>0.110</td></tr><tr><td>Jan 17</td><td>0.165</td><td>0.115</td><td>0.130</td></tr><tr><td>Feb 17</td><td>0.145</td><td>0.120</td><td>0.120</td></tr><tr><td>Mar 17</td><td>0.135</td><td>0.100</td><td>0.110</td></tr><tr><td>Apr 17</td><td>0.110</td><td>0.090</td><td>0.092</td></tr><tr><td>May 17</td><td>0.095</td><td>0.080</td><td>0.080</td></tr><tr><td>Jun 17</td><td>0.095</td><td>0.080</td><td>0.080</td></tr><tr><td>Jul 17</td><td>0.008</td><td>0.070</td><td>0.075</td></tr><tr><td>Aug 17</td><td>0.085</td><td>0.070</td><td>0.075</td></tr><tr><td>Sept 17</td><td>0.080</td><td>0.070</td><td>0.075</td></tr></table>	Month	High	Low	Close	Oct 16	0.150	0.130	0.130	Nov 16	0.150	0.125	0.140	Dec 16	0.140	0.110	0.115	Jan 17	0.135	0.115	0.130	Feb 17	0.135	0.120	0.120	Mar 17	0.125	0.096	0.100	Apr 17	0.105	0.091	0.092	May 17	0.095	0.078	0.083	Jun 17	0.085	0.070	0.070	Jul 17	0.074	0.070	0.074	Aug 17	0.086	0.066	0.072	Sept 17	0.076	0.065	0.065	Month	High	Low	Close	Oct 16	0.135	0.110	0.125	Nov 16	0.140	0.105	0.140	Dec 16	0.145	0.110	0.110	Jan 17	0.165	0.115	0.130	Feb 17	0.145	0.120	0.120	Mar 17	0.135	0.100	0.110	Apr 17	0.110	0.090	0.092	May 17	0.095	0.080	0.080	Jun 17	0.095	0.080	0.080	Jul 17	0.008	0.070	0.075	Aug 17	0.085	0.070	0.075	Sept 17	0.080	0.070	0.075	<b>In Canada</b> Telephone + 1 647 862 1157 Email CMuir@heronresources.com.au  Website <a href="http://www.heronresources.com.au">www.heronresources.com.au</a>  <b>Share Registry (Australia)</b> Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross, 6153, WA Telephone +61 8 9315 2333 Facsimile +61 8 9315 2233  Email registrar@securitytransfer.com.au  Please direct enquiries regarding Australian shareholdings to the Share Registrar.  <b>Transfer Agent (Canada)</b> TSX Trust Transfer Services Inc 100 Adelaide St. W. Suite 301 Toronto ON M5H 4H1 Toll Free: 1 (866) 393-4891 Tel: (416) 361-0930 Email: TMXInvestorservices@tmx.com  Please direct enquiries regarding North American shareholdings to the Transfer Agent.
Month	High	Low	Close																																																																																																							
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# Heron Resources Limited

## Quarterly Report

September 2017

## Appendix 5B

## MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

HERON RESOURCES LIMITED

ABN

30 068 263 098

Quarter ended

30 September 2017

### **Consolidated statement of cash flows**

	Current Qtr \$A'000	Year to Date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for: (a) production (b) development (c) administration	(2,995)	(2,995)
1.3 Dividends received	53	53
1.4 Interest and other items of similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Taxes (paid)/refunded (R&D)		
1.7 Other –GST		
<b>Net Operating Cash Flows</b>	<b>(2,942)</b>	<b>(2,942)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) plant and equipment (b) equity investment (c) mine under construction (d) exploration activities	(10) - (10,662) (987)	(10) - (10,662) (987)
1.9 Proceeds from sale of: (a) prospects (b) equity investment (c) other fixed assets	- 94 -	- 94 -
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
<b>Net Investing Cash Flows</b>	<b>(11,565)</b>	<b>(11,565)</b>
1.12 Total operating and investing cash flows (carried forward)	<b>(14,507)</b>	<b>(14,507)</b>



# Heron Resources Limited

## Quarterly Report

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1.12 Total operating and investing cash flows (brought forward)	(14,507)	(14,507)
<b>Cash flows related to financing activities</b>		
1.13 Proceeds from the issue of shares, options, etc.	140,115	140,115
1.14 Realised foreign exchange loss – equity raise	(4,956)	(4,956)
1.15 Proceeds from borrowings		
1.16 Repayment of borrowings		
1.17 Dividends paid		
1.18 Payment of Share issue costs	(3,730)	(3,730)
<b>Net financing cash flows</b>	<b>131,429</b>	<b>131,429</b>
<b>Net increase (decrease) in cash held</b>	<b>116,922</b>	<b>116,922</b>
1.19 Cash at beginning of quarter/year	11,690	11,690
1.20 Other	-	-
<b>1.21 Cash at end of quarter</b>	<b>128,612</b>	<b>128,612</b>

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

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

1.24 Explanation necessary for an understanding of the transactions

Director's fees, salaries and superannuation for the quarter (A\$293,987).

### Non-cash financing and investing activities

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

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

See attached schedule



# Heron Resources Limited

## Quarterly Report

September 2017

### Financing facilities available

Add notes as necessary for an understanding of the position

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	20,000
4.3 Production	-
4.4 Administration	1,200
<b>Total</b>	<b>21,700</b>

### Reconciliation of cash

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

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	2,879	1,690
5.2 Deposits at call	120,956	10,000
5.3 Bank Overdraft		
5.4 Other (provide details)		
Property Rental bond	3,577	
Environmental bonds	1,200	
Bank Guarantee		
<b>Total: cash at end of quarter (Item 1.21)</b>	<b>128,612</b>	<b>11,690</b>





# Heron Resources Limited

## Quarterly Report

September 2017

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

#### Interests in Mining Tenements sold, reduced or relinquished

Tenement	Location	Nature of Interest	% Beginning of Quarter	% At end of Quarter <sup>a</sup>
E70/02801	85km NW of Albany	10	10	0
E70/04543	105km NW of Albany	10	10	0
M25/00210	40km E of Kalgoorlie	20	20	0
P25/02252	40km E of Kalgoorlie	20	20	0
P25/02253	40km E of Kalgoorlie	20	20	0
P25/02254	40km E of Kalgoorlie	20	20	0
P25/02255	40km E of Kalgoorlie	20	20	0
P25/02062	40km E of Kalgoorlie	20	20	0

Note a: includes changes between end of quarter and release of report; b: see details of Siberia sale agreement within body of report, subject to registration of transfer documents

#### Interests in Mining Tenements acquired or increased

Tenement	Location	Nature of Interest	% Beginning of Quarter	% At end of Quarter <sup>a</sup>
ELA5433	30km NNW of Yass	100	Pending	Approved
ELA5464	10km NW of Nyngan	100	Pending	Approved
ELA5465	16km NW of Nyngan	100	Pending	Approved
ELA5473	90km north of Woodlawn	100	Pending	Approved

Note a: includes changes between end of quarter and release of report

#### Heron Resources Ltd Tenement Schedule for March 2017 Quarterly Report

Tenement	Location	Heron Interest (%)	Status	Note
<b>Western Australia Projects – Joint Ventures</b>				
<b>Southern Gold Farm In Project – Southern Gold Ltd 80%, HRR 20%</b>				
M25/00059	34km East of Kalgoorlie	20	Live	1
M25/00134	40km E of Kalgoorlie	20	Live	1
M25/00145	40km E of Kalgoorlie	20	Live	1
M25/00161	40km E of Kalgoorlie	20	Live	1
M25/00171	40km E of Kalgoorlie	20	Live	1
M25/00209	40km E of Kalgoorlie	20	Live	1
P25/02256	40km E of Kalgoorlie	20	Live	1
P25/02257	40km E of Kalgoorlie	20	Live	1
P25/02258	40km E of Kalgoorlie	20	Live	1
<b>New South Wales Projects</b>				
<b>Woodlawn Project</b>				
EL7257	40km SSW of Goulburn	100	Live	
EL7468	5km E of Collector	100	Live	
EL7469	15km E of Bungendore	100	Live	
EL7954	25km W of Goulburn	100	Live	
EL8325	60km ENE of Canberra	100	Live	
EL8353	7.5km SE of Woodlawn	100	Live	
S(C&PL)L20	40km SSW of Goulburn	100	Live	
EL8400	27km NNE of Yass	100	Live	
EL8573	30km NNW of Yass	100	Live	
EL8623	90km north of Woodlawn	100	Live	
<b>Nyngan Project</b>				
EL8631	10km NW of Nyngan	100	Live	
<b>Alchemy Farm in &amp; JV Tenements</b>				
Girilambone				



# Heron Resources Limited

## Quarterly Report

September 2017

Tenement	Location	Heron Interest (%)	Status	Note
EL8318	27km NW of Nyngan	100	Live	Alchemy
<b>Overflow/Eurow/Parkes</b>				
EL5878	100km NW of Condobolin	100	Live	Alchemy
EL7941	100km NW of Condobolin	100	Live	Alchemy
EL8267	70km SE of Cobar	100	Live	Alchemy
EL8356	59km WSW of Tottenham	100	Live	Alchemy
EL8192	23km SE of Parkes	100	Live	Alchemy

Notes:

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

### Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (\$)	Amount paid up per security (see note 3) (\$)
<b>7.1 Preference securities</b> (description)				
<b>7.2 Changes during Quarter</b>				
(a) Increases through share issues				
(b) Decreases through returns of capital, buybacks, redemptions				
<b>Ordinary securities</b>	2,416,661,640	2,416,661,640		
<b>7.3 Changes during Quarter *</b>				
(a) Increases through share issues	2,001,562,259	2,001,562,259	A\$0.07	-
(b) Decreases through returns of capital, buybacks				
<b>7.4 Convertible debt securities</b> (description)				
<b>7.5 Changes during Quarter</b>				
(a) Increases through issues				
(b) Decreases through securities matured, converted				

### 7.6 Options

(description and conversion factor)

		Exercise Price	Expiry Date
16,500,000	Nil	\$0.072	4/12/2020
1,000,000	Nil	\$0.29	5/03/2018
21,459	Nil	\$0.12	23/10/2017
858,369	Nil	\$0.07	20/11/2018
400,000	Nil	\$0.134	1/09/2021
2,650,000	Nil	\$0.110	01/02/2022

### 7.7 Issued during Quarter

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# Heron Resources Limited

## Quarterly Report

September 2017

7.8 Exercised during Quarter

7.9 Expired during Quarter

7.10 Debentures  
(totals only)

7.11 Unsecured notes  
(totals only)

3,000,000	Nil	\$0.072	04/12/2020

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

*Nothing to report*



# Heron Resources Limited

## Quarterly Report

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### Compliance Statement

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

Sign here: \_\_\_\_\_  
Company Secretary  
Print name: Simon Smith

Date: . 27 October 2017

### Notes

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