



28 April 2017

## HIGHLIGHTS

### Woodlawn Zinc-Copper Project

- **Front End Engineering Design (FEED):** Work with Sedgman saw the finalisation of the plant layout design, tendering of construction earthworks and completion of the major plant equipment packages
- **Project Readiness:** Continuation of site activities focused on the site water balance, water treatment, mine dewatering and land subdivision for purchase
- **Project Financing:** Negotiations and documentation are well advanced with debt and equity providers and the Company expects that the financing process will be completed in the current quarter. Significant progress was made with a number of pre-financing activities:
  - **Due diligence** – project financing related technical review activities have been completed
  - **Veolia Cooperation Agreement** – the Company entered into a new cooperation agreement with Veolia covering the shared use of the Woodlawn Site
  - **Environmental Protection Licence** - NSW Environment Protection Authority (EPA) issued Heron's environment protection licence (EPL)
  - **EPC & Offtake Contracts** – contracts covering the Engineering, Procurement and Construct of the Woodlawn processing facility and the concentrate offtake are in their final stages with award expected in the next month

### Woodlawn Exploration

- **G2 Lens:** New drilling program initiated targeting an expansion to shallow reserves as initial plant feed – drilling will focus on the high grade G2 Lens hanging-wall zone discovered in 2016
- **Kangiarra Project:** (90 km NW of Woodlawn): Strong soil geochemistry anomalism provides potential for a significant McPhillamys style greenfields gold and base-metal discovery at the Crosby Prospect – RAB drilling to commence in May to test key areas

### Corporate

- **Ardea Resources:** Spin-out of the Company's non-Woodlawn assets into Ardea Resources resulting in a successful ASX listing on 9 February 2017, currently trading at \$0.60, significant value creation for Heron shareholders
- **R&D:** On 13 March 2017 the Company received the 2015/16 R&D activity refund totalling A\$3.2M
- **Cash:** Heron held A\$16.3M in cash (excluding bonds) and A\$4.7M in investments as at 31 March 2017



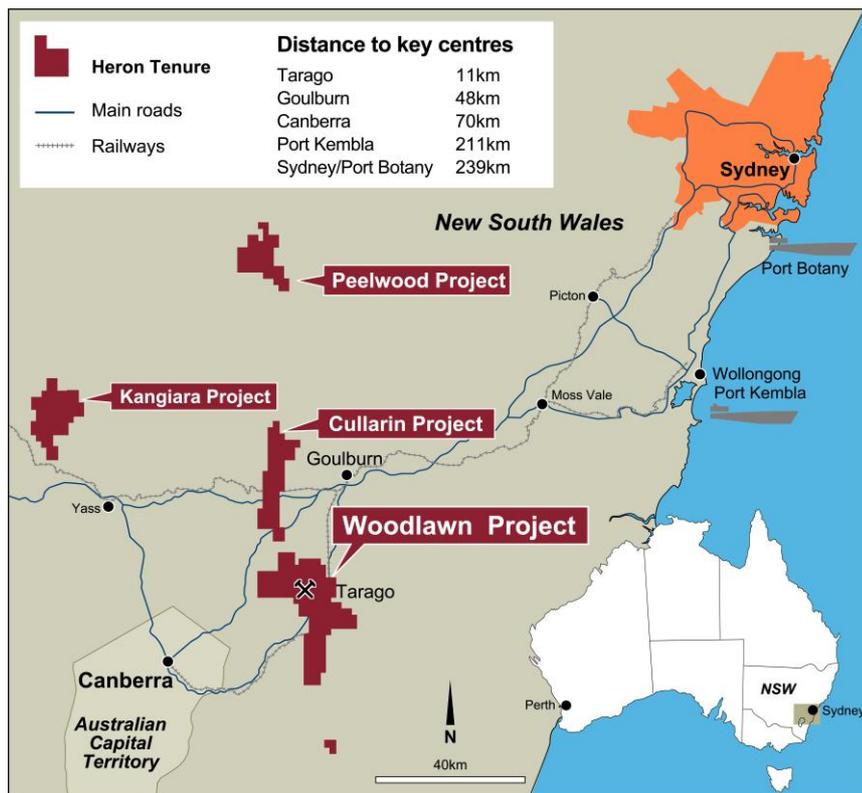
# Heron Resources Limited Quarterly Report

March 2017

Heron Resources Ltd (“Heron” or the “Company”) is pleased to provide its report for the March 2017 quarter. During this reporting period the Company has principally focused on the advancement of the Woodlawn Zinc-Copper Project and the spin-out of Ardea Resources Ltd.

## 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 Woodlawn Volcanogenic Massive Sulphide (VMS) deposit.

The last 24 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 then the Feasibility Study (FS) in June 2016. This was conducted in a commodity market environment that continues to support a strengthening zinc price over the next several years driven by a significant and growing supply shortfall.

Figure 1: Woodlawn Location

## Woodlawn Project – Development Progress

The Company is currently focused on a number of work streams to enable the commencement of construction immediately following the closing of project finance arrangements. Components of this work are also required as part of the project financing process. The main work activity areas included:

- **EPL Licence** – On 29 March the NSW Environment Protection Authority (EPA) issued Heron’s environment protection licence (EPL) (refer below);
- **Veolia** – The Company entered into a new Cooperation Deed with Veolia Environmental Services (Australia) Pty Ltd governing the joint use of the Woodlawn Project site (refer below);
- **Project Engineering** – Sedgman Pty Ltd (Sedgman) progressed front-end engineering design (FEED) for the plant and infrastructure of the Woodlawn Project. Work completed included the finalisation of the plant layout design, tendering of construction earthworks and major equipment packages. Engineering design is ongoing and approximately 20% completed;
- **Mine plan** – Mine re-entry planning continued during the quarter. Work focused on planning for probe drilling to place fill into existing workings adjacent to the landfill. This probe drilling will commence in the current quarter and will be conducted using a specialist geotechnical engineering company;



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- Water management – Water management activities saw the continuation of emptying Tailings Dam South in readiness for tailings mining. This work will slow over the coming cooler months. Mine dewatering is scheduled to commence in the current quarter;
- Water treatment – Water treatment test work was completed during the quarter and invitations to tender to service providers is underway; and
- Community – The quarterly project community consultation committee met in February with no concerns being raised. The Company exhibited at the Tarago Show in March with strong interest expressed in the employment opportunities the project will bring to the local community.

**Project Finance** – The Company has continued to advance negotiations and documentation with debt and equity providers for the project development funding. These discussions have taken longer than desired and initially anticipated; however, they are now well advanced and the Company expects that the financing process will be completed in the current quarter.

In addition to these discussions, significant progress was made with a number of pre-financing activities:

- Due diligence – project finance related technical and commercial review activities have been completed with strong results;
- Veolia Cooperation Agreement – The original Cooperation Deed with Veolia Environmental Services Australia Pty Ltd (“Veolia”) was entered into in 2008 and reflected the project as it was understood at that time. The project studies since this time resulted in a number of technical changes to the profile of the project and these factors, along with Veolia’s continued development of their activities on site, meant a detailed review and update of the previously agreed Cooperation Deed was required to ensure that it remained relevant and complete. The new agreement deals with the respective Heron and Veolia areas, rights and responsibilities associated with the joint use of the site. Specifically the agreement covers:
  - Delineation of Heron and Veolia area of operations;
  - Establishment of a committee comprising Heron and Veolia representatives to consider site interaction aspects;
  - Heron’s right to purchase the freehold lands covering its area of operation;
  - Division of site rehabilitation obligations and provision of compost material from Veolia for mine-site rehabilitation;
  - Working offset distances and controls to minimise impact on operations;
  - Management of site water with an overall principle of maintaining a zero discharge site; and
  - Commercial terms including insurance coverage, environmental bond and the provision of a bank guarantee.
- Environment Protection Licence – On 29 March 2017 the Company was issued its Environment Protection Licence (No. 20841) (EPL) from the NSW Environment Protection Authority (EPA) covering proposed construction, mining and processing activities at the Woodlawn Project site. This is the final licensing requirement prior to the commencement of construction activities at Woodlawn. In relation to the Woodlawn Project the EPL covers:
  - the permitted activities;
  - management of site activities and their impact on the environment;
  - the setting of limits for water, noise, blasting, hours of operation and odour;
  - monitoring and recording requirements; and
  - reporting obligations to the EPA.
- EPC - the Engineering, Procurement and Construct (EPC) contract for the Woodlawn processing facility is in a final draft form with award expected in the next month; and
- Offtake Contracts – Contracts covering the offtake for the zinc, copper and lead concentrates are in their final stages with award also expected in the next month.



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## Woodlawn Exploration

Woodlawn exploration activities are currently focusing on finding additional mineralisation proximal to the planned decline and able to be accessed early in the mine schedule. In particular, the G2 Lens, described below, shows promise in this regard.

### G2 Lens Drilling

A drilling contract has been entered into with the program expected to take two to three months to complete. It is important to note that this drilling program is not a pre-requisite to project financing and is being undertaken now to complete mine planning stope design prior to the start of mine development.

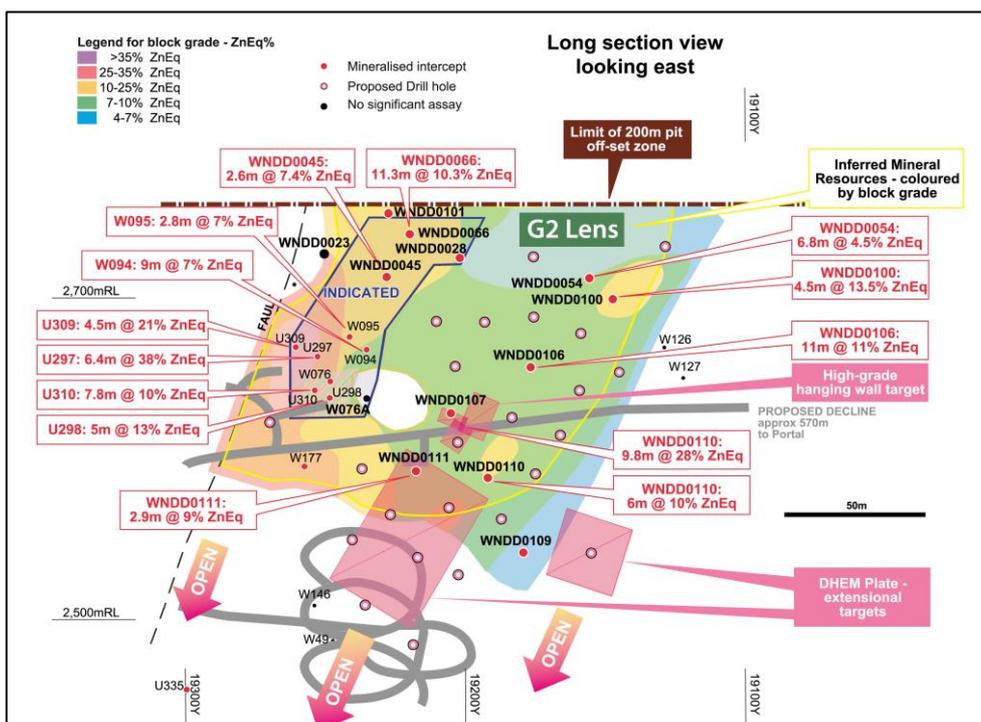
The G2 Lens is located to the south of the Kate Lens, and adjacent to the planned route of the decline between 100-200m below the surface (Figures 2 & 3). Drilling in 2016 targeted this area to test its ability to add immediately to the early mine inventory. Significant 2016 results for this area include:

- 9.8m @ 28% ZnEq from 107m (8.7% Zn, 0.5% Cu, 5.2% Pb, 4.0g/t Au, 326g/t Ag) WNDD0110
  - Including 3.7m @ 56% ZnEq (18.7% Zn, 1.2% Cu, 10.0% Pb, 6.9g/t Au, 650g/t Ag) WNDD0110
- 6.0m @ 10% ZnEq from 140m (7.9% Zn, 0.2% Cu, 0.7% Pb, 0.2g/t Au, 13g/t Ag) WNDD0110
- 2.9m @ 9% ZnEq from 160m (5.1% Zn, 0.3% Cu, 2.8% Pb, 0.5g/t Au, 11g/t Ag) WNDD0111
- 11.0m @ 11% ZnEq from 133m (6.3% Zn, 0.5% Cu, 3.3% Pb, 0.1g/t Au, 10g/t Ag) WNDD0106

The proposed program will consist of approximately 26 diamond core holes for 4,300m. The program is expected to deliver a significant addition to the early production base and will be sufficiently drilled to support detailed stope design and development planning. Encouraging recent metallurgical test work on the G2 mineralisation and a broader “early production” composite sample have returned higher metal recoveries than those used in the Woodlawn Feasibility Study and provides an excellent early production source for commissioning the operation.

### Decline Geotechnical Drilling and Mine Backfill

As part of this program a number of holes for geotechnical purposes will be drilled to provide additional information for the new decline route and confirm the location of near surface underground workings prior to mine re-entry. The mine excavation drilling will assist with the early backfilling of selected voids from surface.



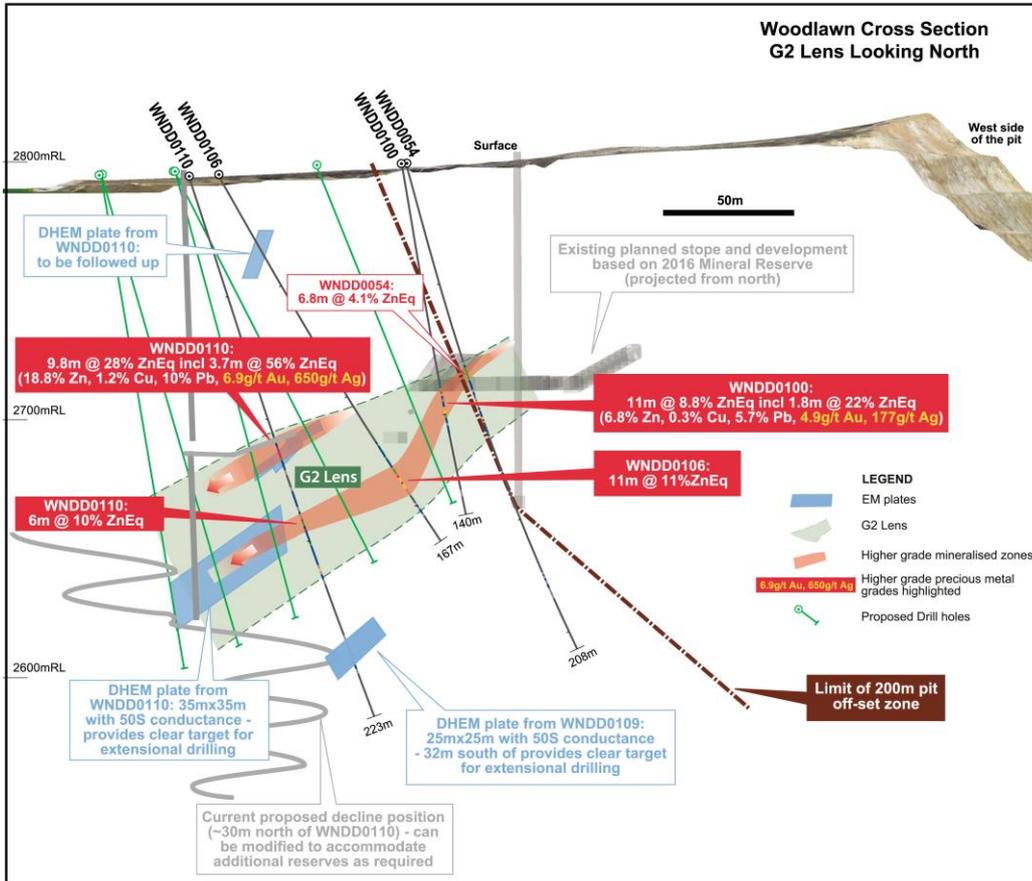
**Figure 2: Woodlawn G2 Lens long-section showing interpreted lens shape, recent drilling and proposed infill holes. The pit off-set refers the area 200m from the pit surface and is a limited access zone as per Veolia agreement.**



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Figure 3: Woodlawn G2 Lens cross-section showing lens position and location of DHEM modelled plates.



## WOODLAWN REGIONAL PROSPECTS

Heron continues to maintain and explore a strategic, 620km<sup>2</sup> tenement package over the prospective Silurian volcanic rocks around the Woodlawn Mine (Figure 4).

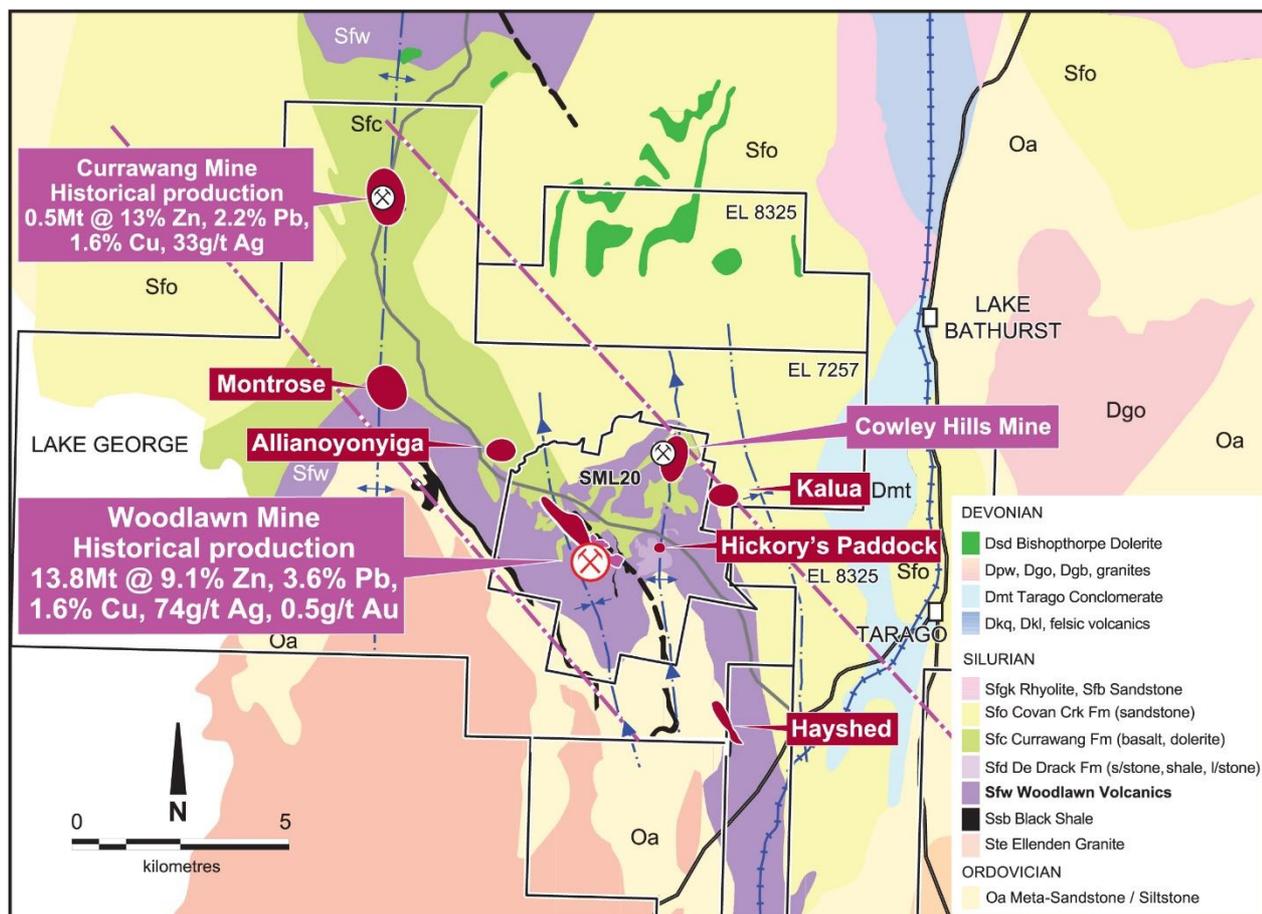
The exploration strategy is to focus on known mineralisation with comparable metallurgy to Woodlawn and within proximal trucking distance of the proposed Woodlawn concentrator. A number of excellent targets exist, which are described in more detail below.



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Figure 4: Woodlawn Regional Exploration Project – Key Targets



## Currawang Prospect

The Currawang Prospect, wholly owned by Heron, is located 10km north west of the Woodlawn mine (Figure 4) and produced approximately 0.5Mt of high-grade polymetallic ore from an underground operation in the early 1990s that was processed at Woodlawn. The attraction of the Currawang mine is its potential to open up a second, nearby production centre at Woodlawn which could provide an additional high grade production source.

A number of significant historical intercepts that occur outside the mining stopes have been identified, including:

- 10.1m @ 17% ZnEq (9.0% Zn, 0.9% Cu, 4.3% Pb, 54g/t Ag), CU054
- 8.6m @ 16% ZnEq (8.8% Zn, 0.8% Cu, 5.2% Pb, 34g/t Ag), CU056

These drill holes are in the northern part of the old mined areas and at the time of their drilling were not followed-up. Further assessment is on-going and a follow-up drill hole program has been designed to test the down plunge extension of these intercepts. Combined with high-powered DHEM survey, this program has the potential to identify new extensions to the Currawang mineralisation. An initial program of three diamond drill holes for 2,120m has received a NSW New Frontiers Cooperative Drilling grant which provides for reimbursement of 50% of the drilling costs, drilling is expected to commence later in 2017.

**Montrose Prospect:** 6km west north west 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.



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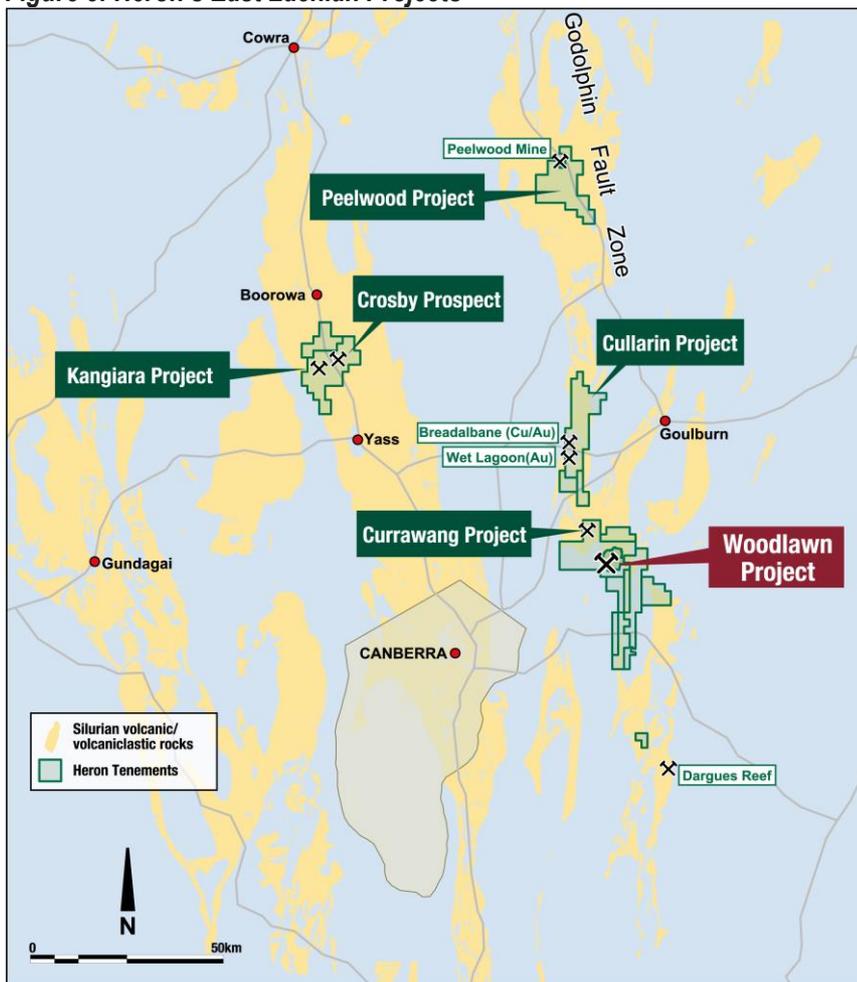
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**Other Woodlawn Prospects:** The Allianoyonyiga and Kalua Prospects are both grassroots prospects defined by pre-Heron moving loop EM surveys, situated along strike, west and east respectively from the Cowley Hills deposit. Moderate silica/pyrite 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 (recent application) (see Figure 5).

**Figure 5: Heron's East Lachlan Projects**



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

The Cullarin Project is located 20km north west of Woodlawn and 30km west of Goulburn 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.

During the quarter rock chip results from the Bredalbane prospects (B1 and B2) confirmed strong Cu anomalism in the B1 and B2 ironstones - Cu to 0.19%, Au to 0.28ppm with anomalous As, Sb, Bi, W, Co. A compilation of historic drilling (1970 Astley Consolidated Holding P/L) identified significant Cu results at B2:



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

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 – that again has not been drill tested.

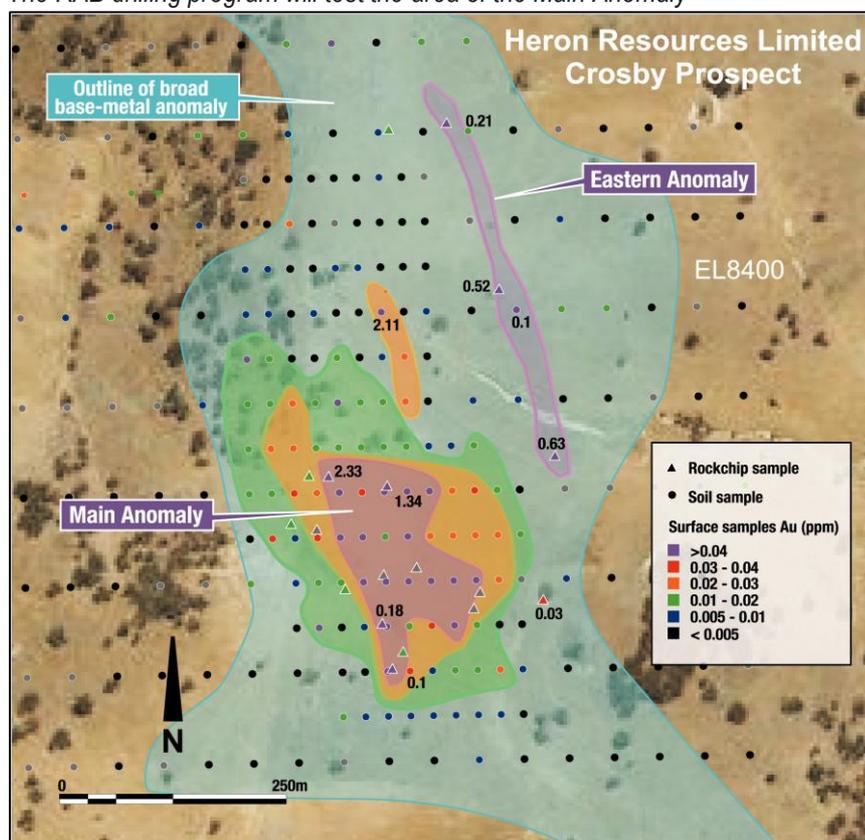
## Kangiarra Project (EL8400, ELA 5433 100% Heron)

The Kangiarra Project is located 90km north west of Woodlawn and 26km north north west of the town of Yass (Figure 5). It covers felsic volcanic and related sedimentary rocks of the Silurian Douro Group. Kangiarra itself is a historical copper mine and previous explorers (to 2014) have delineated a small, low-grade gold, silver, copper, lead zinc deposit (not JORC 2012 compliant). Potential exists to build on this position.

At the Crosby Prospect (named after the nearby trig station) 5km to the north east of Kangiarra, previous explorers outlined a strong gold anomaly (2.3g/t Au in rock chips and 0.17g/t Au in soils) within a 2.5km north west-trending zone of anomalous geochemistry (Au, As, Zn, Pb, Cu; Bi, Mo, Sb - Figure 6). These results are from public open-file sources with the Company conducting check sampling which returned similar soil results with levels above 150ppb Au being recorded and rock-chips up to 4g/t Au to the north-west of the soil anomaly recorded.

### Figure 6: Crosby Prospect showing surface geochemistry anomaly.

The RAB drilling program will test the area of the Main Anomaly





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The anomaly has zones of pyrite and biotite alteration at surface and lies within rhyolitic to dacitic volcanics and volcanoclastic units of the Hawkins Volcanics. The setting is similar to the McPhillamys gold deposit (approximately 2.2Moz Au as reported by Regis Resources Ltd <http://www.regisresources.com.au/>) located 130km to the north north east.

A program of approximately 56 Rotary Air-Blast (RAB) holes for 1,400m is proposed to provide first pass testing of the soil geochemical anomalies (Figures 6). The majority of the drilling is focused on the Crosby Main target plus 3 lines to the north providing coverage of the northern geochemical anomalies associated with old workings. The program, once started, will take 1 to 2 weeks to complete and is scheduled to commence in May.

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

The Peelwood Project is located 100km north of Woodlawn (Figure 5) and covers felsic volcanic and related sedimentary rocks of the Silurian Campbells Group. The Peelwood Mine is a VMS system that was an 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 McPhillamys 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.

## **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. The key joint venture projects are described below.

### ***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 7) in May 2016. The Farm-In Agreement covers 674 km<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.

During the quarter a 361m diamond core hole was completed with two significant intersections (refer ALY.AX release dated 29<sup>th</sup> March 2017):

- 18m @ 2.1g/t Au, 111g/t Ag from 245m (OFDD001)
  - including 11m @ 3.0g/t Au, 141g/t Ag from 253m
- 3m @ 7.3g/t Au, 43g/t Ag from 286m (OFDD001)

These results are considered to be significant and represent an extension to the known zones of mineralisation. Further drilling is being planned.

### ***Rocky Gully Nickel-Copper JV (10% Heron, 90% Metalicity Ltd)***

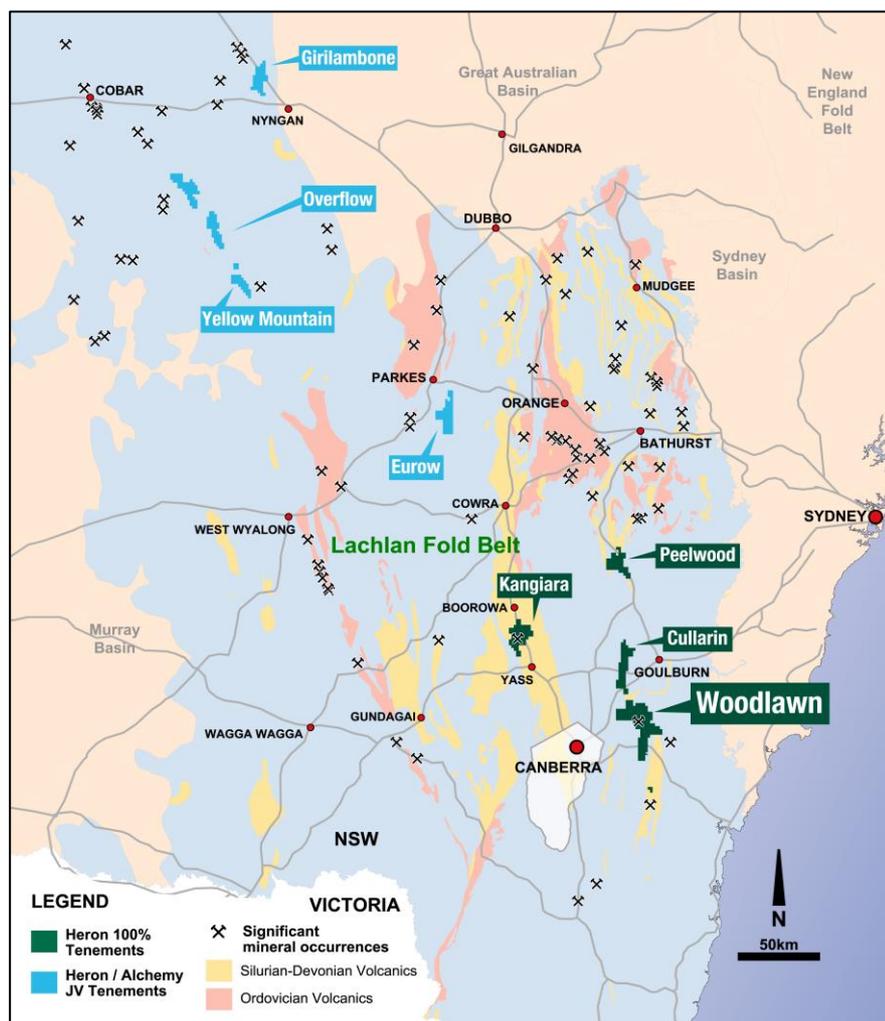
Metalicity Ltd (ASX:MCT) have acquired a 90% interest in the Rocky Gully Project comprising the three tenements: E70/2801, E70/4543 and E70/4437. Heron retains a 10% interest in the tenements free carried through to the completion of a pre-feasibility study. Heron currently holds 13,375,000 MCT shares.



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Figure 7: 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 a trial geochemical survey on the Tooting Bec prospect and field mapping and sampling (19 rock chip samples) as part of ongoing work on P25/2062, M25/134 and M25/209.

## **CORPORATE**

**Ardea Resources:** The spin-out of the Company's non-Woodlawn assets into Ardea Resources Limited resulted in the successful ASX listing of Ardea on 9 February 2017. Heron shareholders received a 1 for 10 in specie distribution of Ardea shares. The Company received 10M, \$0.25, 3 year Ardea options as reimbursement of the out of pocket expenses associated with the IPO.

**R&D:** On 13 March 2017 the Company a R&D activity refund totalling A\$3.2M for the period 2015/16.

**Cash:** Heron held A\$16.3M in cash (excluding bonds) and A\$4.7M in investments as at 31 March 2017



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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 Formula - Woodlawn**

The zinc equivalent ZnEq calculation takes into account, mining costs, milling costs, recoveries, payability (including transport and refining charges) and metal prices in generating a Zinc equivalent value for Au, Ag, Cu, Pb and Zn.  $ZnEq = Zn\% + Cu\% * 3.12 + Pb\% * 0.81 + Au\ g/t * 0.86 + Ag\ g/t * 0.03$ . Metal prices used in the calculation are: Zn US\$2,300/t, Pb US\$ 2,050/t, Cu US\$6,600/t, Au US\$1,250/oz and Ag US\$18/oz. It is Heron’s view that all the metals within this formula are expected to be recovered and sold.

### **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. 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.**



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### Corporate Directory

<p><b>Directors</b></p> <p>Stephen Dennis<sup>*,*</sup> <i>Chairman</i>          Borden Putnam III<sup>*</sup>          Fiona Robertson <sup>*,*</sup>          Ian Buchhorn          Wayne Taylor          Mark Sawyer<sup>*,*</sup></p> <p><i>* Denotes Non-executive          + Denotes Independent</i></p> <p><b>Executive Management</b></p> <p>Wayne Taylor  <i>Managing Director &amp; Chief Executive Officer</i></p> <p>Ian Buchhorn  <i>Executive Director</i></p> <p>Simon Smith  <i>General Manager – Finance &amp; Administration &amp; Company Secretary.</i></p> <p>David von Perger  <i>General Manager - Exploration</i></p> <p>Charlie Kempson  <i>General Manager - Strategy &amp; Business Development</i></p> <p>Andrew Lawry  <i>Chief Operating Officer</i></p> <p>Brian Hearne  <i>General Manager - Woodlawn</i></p>	<p><b>Issued Share Capital</b></p> <p>As at the date of this report, Heron Resources Limited had 415,009,381 ordinary shares, 25,229,828 options.</p> <p>The options have expiry dates ranging from 23 October 2017 to 1 February 2022 and have exercise prices ranging from A\$0.09 to A\$0.31</p> <p>Heron trades on the ASX as 'HRR' and on the TSX as 'HER'.</p> <p><b>Monthly Share Price Activity</b></p> <p style="text-align: center;"><b>(A\$ per share - ASX)</b></p> <table border="1"> <thead> <tr> <th>Month</th> <th>High</th> <th>Low</th> <th>Close</th> </tr> </thead> <tbody> <tr><td>Apr 16</td><td>0.110</td><td>0.089</td><td>0.105</td></tr> <tr><td>May 16</td><td>0.120</td><td>0.105</td><td>0.115</td></tr> <tr><td>Jun 16</td><td>0.165</td><td>0.120</td><td>0.130</td></tr> <tr><td>Jul 16</td><td>0.170</td><td>0.140</td><td>0.155</td></tr> <tr><td>Aug 16</td><td>0.180</td><td>0.145</td><td>0.155</td></tr> <tr><td>Sept 16</td><td>0.160</td><td>0.130</td><td>0.145</td></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> </tbody> </table> <p style="text-align: center;"><b>(CA\$ per share - 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# Heron Resources Limited

## Quarterly Report

March 2017

1.12 Total operating and investing cash flows (brought forward)	(174)	(6,513)
<b>Cash flows related to financing activities</b>		
1.13 Proceeds from the issue of shares, options, etc.	-	-
1.14 Proceeds from the sale of forfeited shares		
1.15 Proceeds from borrowings		
1.16 Repayment of borrowings		
1.17 Dividends paid		
1.18 Payment of Share issue costs	-	-
<b>Net financing cash flows</b>	<b>(174)</b>	<b>(6,553)</b>
<b>Net increase (decrease) in cash held</b>	<b>(174)</b>	<b>(6,553)</b>
1.19 Cash at beginning of quarter/year	16,512	22,891
1.20 Other	-	-
1.21 <b>Cash at end of quarter</b>	<b>16,339</b>	<b>16,339</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	275
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 (A\$275,539).

**Non-cash financing and investing activities**

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

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

See attached schedule



# Heron Resources Limited

## Quarterly Report

March 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	1,000
4.2 Development	2,000
4.3 Production	-
4.4 Administration	1,000
<b>Total</b>	<b>4,000</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	1,839	1,211
5.2 Deposits at call	14,500	15,342
5.3 Bank Overdraft		
5.4 Other (provide details) Property Rental bond Environmental bonds		
<b>Total: cash at end of quarter (Item 1.21)</b>	<b>16,339</b>	<b>16,553</b>



# Heron Resources Limited

## Quarterly Report

March 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>

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	Pending
ELA5464	10km NW of Nyngan	100	Pending	Pending
ELA5465	16km NW of Nyngan	100	Pending	Pending
ELA5373	90km north of Woodlawn	100	Pending	Pending
ELA5474	35km SE of Woodlawn	100	Pending	Pending

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
M25/00210	40km E of Kalgoorlie	20	Live	1
P25/02062	40km E of Kalgoorlie	20	Live	1
P25/02252	40km E of Kalgoorlie	20	Live	1
P25/02253	40km E of Kalgoorlie	20	Live	1
P25/02254	40km E of Kalgoorlie	20	Live	1
P25/02255	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	
ELA5433	30km NNW of Yass	100	Application	
ELA5373	90km north of Woodlawn	100	Application	
ELA5474	35km SE of Woodlawn	100	Application	
ELA5484	35km SE of Woodlawn	100	Application	
<b>Nyngan Project</b>				
ELA5464	10km NW of Nyngan	100	Application	



# Heron Resources Limited

## Quarterly Report

March 2017

Tenement	Location	Heron Interest (%)	Status	Note
ELA5465	16km NW of Nyngan	100	Application	
<b>Alchemy Farm in &amp; JV Tenements</b>				
<b>Girilambone</b>				
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:

- 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>	415,009,381	415,009,381		
<b>7.3 Changes during Quarter *</b>				
(a) Increases through share issues				-
(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				



# Heron Resources Limited

## Quarterly Report

March 2017

### 7.6 Options

(description and conversion factor)

			<i>Exercise Price</i>	<i>Expiry Date</i>
	20,300,000	Nil	\$0.092	4/12/2020
	1,000,000	Nil	\$0.31	5/03/2018
	21,459	Nil	\$0.14	23/10/2017
	858,369	Nil	\$0.09	20/11/2018
	400,000	Nil	\$0.154	1/09/2021
	2,650,000	Nil	\$0.130	01/02/2022
7.7 Issued during Quarter	2,650,000	Nil	\$0.13	01/02/2022
7.8 Exercised during Quarter				
7.9 Expired during Quarter	333,334	Nil	\$0.310	16/01/2017
	1,000,000	Nil	\$0.270	05/03/2017
	21,459	Nil	\$0.270	04/02/2017
7.10 Debentures (totals only)				
7.11 Unsecured notes (totals only)				

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

*Nothing to report*



# Heron Resources Limited

## Quarterly Report

March 2017

### 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.

A handwritten signature in black ink, appearing to read 'Simon Smith'.

Sign here: \_\_\_\_\_

Date: 28 April 2017

Print name: Company Secretary  
Simon Smith

### 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.