



Heron Resources Limited

ASX/TSX Release

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Dear Foreign Shareholder

Share Election – Ardea Spin-Off

As announced to ASX on 10 August 2016, Heron Resources Limited (**Heron**) is proposing to restructure its non-Woodlawn asset portfolio in New South Wales and Western Australia, with a focus on gold and nickel, through the spin-off and listing on ASX of its wholly owned subsidiary, Ardea Resources Limited (**Ardea**) (**Spin-Off**).

Under the Spin-Off, 41.5 million Ardea shares (**Ardea Shares**) held by Heron will be transferred to Heron shareholders, pro rata to their holding on the record date of 6 October 2016 (**Record Date**).

On 29 September 2016, Heron shareholders approved the Spin-Off. The Spin-Off remains subject to certain conditions, and there is no certainty that the Spin-Off will complete. On 9 November 2016 Heron and Ardea lodged a prospectus (**Prospectus**) for the Spin-Off, including a public offer to raise up to A\$6 million, with Heron shareholders with an Australian or New Zealand address having a priority entitlement (**Priority Offer**).

You are a registered holder of Heron shares on the Record Date with a registered address outside Australia (**Ineligible Shareholder**), and to comply with applicable local laws, it is not possible to have your pro-rata entitlement of Ardea Shares transferred to you. Rather those shares will be dealt with by a Lead Manager under a Sale Facility.

Heron has appointed Euroz Securities Limited to act as lead manager and sale nominee (**Lead Manager**) under a share sale facility (**Sale Facility**) for the Spin-Off.

Options available to you

You have the following options:

1. **Retain your Ardea Shares** – if you wish to retain your Ardea Shares and it is lawful to do so, please contact Heron's share registry (Security Transfer Australia) to obtain a personalised share retention form (which must be completed and returned by no later than 23 December 2016). By doing so, you will warrant that the transfer of your Ardea Shares will comply with all applicable laws and these shares will be transferred to you at no cost through the Sale Facility. It is your responsibility to satisfy yourself that transferring your Ardea Shares to you complies with all applicable laws.
2. **Retain your Ardea Shares and apply for additional Ardea Shares under the Priority Offer** – if you elect to retain your Ardea Shares then you may also apply for additional Ardea Shares under the Priority Offer. When you contact Security Transfer to request your share retention form, also request your personalized Priority Application Form. The two forms can be emailed to you.
3. **Have your Ardea Shares sold** – the Lead Manager will attempt to sell your Ardea Shares under the Sale Facility if you choose this option. The proceeds will be pooled under the Sale Facility and any net proceeds accounted to you (or, if your Heron shares are held by an intermediary such as investment dealer, bank or other financial institution, the intermediary). To receive funds and if you have not done so, you will need to advise Security Transfer of your nominated Australian dollar denominated bank account.

Mechanisms of the Sale Facility

The Lead Manager, as Heron's nominee, will attempt to sell Area Shares under the Sale Facility either:

1. in conjunction with the offers made under the Prospectus, in which case the sale price under the Sale Facility will be \$0.20 per Ardea Share; or
2. as soon as reasonably practicable following Ardea's proposed listing on ASX, at such prices and on such other terms as the Lead Manager determines in its absolute discretion (acting in good faith and with the objective to achieve the best price reasonably obtainable having regard to factors such as the prevailing market conditions), and at the risk of the Ineligible Shareholder, provided that:

- (a) Ardea Shares sold off-market are sold at a price that is no less than \$0.20, being the price at which Ardea Shares will be offered under the proposed public offer; and
- (b) Ardea Shares sold on-market will be offered in the ordinary course of trading on ASX.

In addition, the Lead Manager will use reasonable endeavours to ensure that the price at which it sells Ardea Shares (whether on or off-market) is consistent with an orderly market and ordinary commercial practice. The Lead Manager, subject to the above, will have absolute discretion to determine the timing and price at which the Ardea Shares may be sold and the manner of any such sale. There is no guarantee that the Lead Manager will be able to sell the Shares of Ineligible Shareholders on ASX or at all.

Sale proceeds will be calculated on an average basis so that all Ineligible Shareholders will receive the same price for each Ardea Share sold on their behalf, subject to rounding down to the nearest whole Australian cent.

If the Ardea Shares under the Sale Facility are sold on-market, the sale price of these Ardea Shares and, therefore, the sale proceeds to be received by each Ineligible Shareholder, cannot be guaranteed, as the market price of Ardea Shares will fluctuate over time. Shareholders will be able to obtain information on the market price of Ardea Shares on the ASX's website (www.asx.com.au) following Ardea's proposed listing on ASX.

The sale proceeds (less 1% brokerage fee of the value of the Ardea Shares sold), if any, will be remitted to each Ineligible Shareholder by:

1. direct credit to the nominated bank account as notified to Heron's share register; or
2. where an account has not been provided, by cheque sent by mail to the Ineligible Shareholder's address as shown on Heron's share register,

and in any event no later than eight weeks following Ardea's proposed listing on ASX.

Heron, Ardea and the Lead Manager take no responsibility for the outcome of the sale of Ineligible Shareholder's Ardea Shares or the inability to sell such shares.

Conditions to the Spin-Off

The completion of the Spin-Off remains subject to the following conditions:

3. Ardea receiving subscriptions for Shares for a minimum of A\$3.5 million;
4. Ardea obtaining a conditional admission letter from ASX on terms satisfactory to the Directors, acting reasonably; and
5. final approval by Heron's directors.

Your Ardea Shares will only be transferred to you or sold under the Sale Facility (whichever the case maybe) following the satisfaction of these conditions. If these conditions are not satisfied, Ardea will remain a wholly owned subsidiary of Heron.

If you have any queries in relation to this letter, please contact the Company's share registry (Security Transfer Australia) on +61 8 9315 2333 or the Company Secretary on +61 8 6500 9200. Alternatively you may wish to seek your own financial or other advice.

For further information regarding Ardea, please visit www.ardearesources.com.au or www.heronresources.com.au or contact:

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