



Heron Resources Limited

HERON RESOURCES LIMITED

AN AUSTRALIAN ZINC-COPPER PRODUCER

PROJECT UPDATE & OFFER INVESTOR PRESENTATION

4 OCTOBER 2019

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Compliance Statement (JORC 2012)

The technical information in this release relating to the exploration results and forward program at the Woodlawn Project is based on information compiled by Mr David von Perger, who is a Member of the Australian Institute of Mining and Metallurgy (Chartered Professional – Geology). Mr von Perger is a full time employee of Heron Resources Limited and has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 edition). Mr von Perger has reviewed and approved the technical information this presentation.

The company confirms it is not aware of any new information or data that materially affects the information set out on pages 31 and 32 of this document and in the cases of the Mineral Resource and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

An Exploration Target is term used within the JORC 2012 Code for an estimate of the exploration potential of a mineral deposit, however the potential quantity and grade is conceptual in nature and there is insufficient information to estimate a Mineral Resource and it remains uncertain if further exploration will result in the estimation of a Mineral Resource.

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. $ZnEq = Zn\% + Cu\% \cdot 3.12 + Pb\% \cdot 0.81 + Au\ g/t \cdot 0.86 + Ag\ g/t \cdot 0.03$. 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 test work undertaken during the 2015-16 feasibility study.

OVERVIEW

Heron Resources Limited (**Heron**) is raising A\$91 million via an entitlement offer, convertible note and zinc by-product stream (**Funding Package**), accompanied by a restructure of senior debt.

PROJECT UPDATE	<ul style="list-style-type: none">Construction of the Woodlawn Zinc-Copper Project (Woodlawn) by Sedgman Pty Limited (Sedgman) was completed seven months behind schedule, which when combined with a slower than planned ramp-up, has created an identified funding deficit of A\$91 millionAbsent further and immediate funding, Heron forecasts it will run out of unrestricted cash by the end of October 2019 and there will be material uncertainty whether Heron could continue as a going concernHeron's major shareholders, Greenstone Resources LP (Greenstone), funds managed by Castllake, L.P. (Castllake) and Orion Mine Finance Group (Orion) are prepared to support this required funding, conditional on (among other things) a settlement over the previously announced dispute with SedgmanTo satisfy this condition and provide certainty as to its working capital requirements, Heron has reached a A\$15 million settlement with Sedgman, with \$2 million paid in Heron shares, and \$13 million in deferred cash considerationWoodlawn has been reviewed by independent industry specialists who have confirmed its technical and operational basis, with no significant ongoing technical or operational flaws foundProduction profile remains materially in-line with that at the time of the 2017 financing notwithstanding previous delays
OUTLOOK & STRATEGY	<ul style="list-style-type: none">Following the significant delay in completing the process plant construction, plant ramp-up is now proceeding to a revised schedule with Woodlawn now starting to produce marketable base metal concentratesSales have commenced with first lead shipment taken place and first zinc shipment expected late October 2019Heron is undertaking a A\$91 million funding package to bridge its working capital gap as Woodlawn is ramped-up to nameplate capacity, as well as strengthen Heron's balance sheet during this period
A\$91 MILLION FUNDING PACKAGE	<ul style="list-style-type: none">A\$35 million fully underwritten 0.7324 for 1 accelerated non-renounceable entitlement offer at an issue price of A\$0.20 per share (Entitlement Offer), which is open to all eligible shareholders²US\$35 million (A\$52 million¹) of convertible notes to be issued to funds managed by Castllake, Greenstone and Orion (Convertible Notes)US\$3 million (A\$4 million¹) stream over zinc by-product (Stream) and 12 month extension of the senior secured loan granted by Orion, with Heron to make an early repayment of US\$10 million against the loan (Debt Restructure)Orion have provided various waivers in relation to its senior debt facility as announced on 30 September 2019Proceeds from funds managed by Castllake and Orion subject to FIRB approval³, as well as shareholder approval required for certain terms of the Funding Package

Notes:

1. Assumes exchange rate of 0.678 AUDUSD.
2. Subject to the restrictions as outlined in the Prospectus, which will be made available on the ASX platform and via Heron's website at www.heronresources.com.au.
3. Excluding their participation in the Entitlement Offer.

UPDATE & OUTLOOK

Following substantial construction and commissioning delays, Heron remains focused on its ramp up to nameplate production and cash flow positive operations.

May-19 > May-19 to Jun-19 > Jun-19 to Oct-19 > Aug-19 > Today > Next

PLANT CONSTRUCTION COMPLETION	INITIAL PLANT RAMP UP	SEDGMAN SETTLEMENT	INDEPENDENT TECHNICAL REVIEW	FINANCING PACKAGE	RAMP UP TO NAMEPLATE PRODUCTION
<ul style="list-style-type: none"> Completed in May 2019, after a delay of seven months Delay resulted in additional holding costs over the period 	<ul style="list-style-type: none"> Initial ramp up issues in May and June related to incorrect piping configuration have now been corrected However these issues prevented production of saleable product in those months, whilst still incurring near full costs on processing and mining 	<ul style="list-style-type: none"> Claim received from Sedgman for \$53m in excess of the agreed Guaranteed Maximum Price EPC Contract (EPC Contract) Settled for \$15m in a combination of Heron shares (\$2m escrowed for 2 years) and \$13m in cash deferred into 5 quarterly instalments beginning in June 2021 	<ul style="list-style-type: none"> Found no significant ongoing technical or operational flaws Plant now progressing to a revised ramp-up schedule Satisfied with current ramp-up progress, which is starting to produce marketable zinc, lead and copper concentrates 	<ul style="list-style-type: none"> Accelerated Entitlement Offer considered to offer the best balance between certainty and participation Substantial support from existing shareholders who are participating in the Entitlement Offer and also investing via convertible note Senior lender, Orion, investing further via zinc by-production stream and restructuring of debt to support delay in cash flows 	<ul style="list-style-type: none"> Starting to produce saleable concentrates Focus areas: <ol style="list-style-type: none"> Improving product quality, particularly with respect to lead production Achieving recovery improvements according to the revised ramp-up plan Identifying and implementing improvements to the processing plant

SEDGMAN

Full settlement of Sedgman claims over the Woodlawn EPC Contract has been reached, allowing Heron to focus on its operations and avoid a potentially protracted legal dispute.

HISTORY	<ul style="list-style-type: none">• Front end engineering design contract (FEED Study) was awarded to Sedgman in September 2016 following a competitive tender• Details of a A\$107 million guaranteed maximum price EPC (EPC Contract) were negotiated during the FEED Study, with the EPC Contract executed in May 2017• Construction commenced in September 2017 immediately following completion of financing package• Project reported as being on time until October 2018, when Sedgman submitted its first cost and time claim (\$10.8 million)• Further claims were received by Sedgman (now up to \$53 million) and announced by Heron on 4 February 2019• Woodlawn construction was ultimately completed in May 2019, reflecting a seven month delay to schedule
SETTLEMENT	<ul style="list-style-type: none">• Heron has elected to settle the dispute in order to provide certainty as to its working capital requirements to complete Woodlawn• The Settlement sum is \$15 million, split into two components<ol style="list-style-type: none">1. A\$2 million in Heron shares at the same share price (A\$0.20 per share) as the Entitlement Offer, which shall be subject to escrow for a period of two years<ol style="list-style-type: none">a) The shares will be issued after the Record Date for the Entitlement Offer and will be issued utilising Heron's existing placement capacity2. A\$13 million in deferred cash payments, with 4 equal payments of A\$2.5 million to be made on or before 30 June 2021, 30 September 2021, 31 December 2021 and 31 March 2022 and a final A\$3 million payment to be made on or before 30 June 2022
GOING FORWARD	<ul style="list-style-type: none">• Practical Completion of the process plant and paste plant have already been achieved• Sedgman is still responsible for practical completion of the crushing circuit and is working with Heron in an effective manner to achieve this milestone• Sedgman will also honour the warranty period and rectify all agreed defects at site for a period of 12 months after respective practical completion dates



SECTION 1

FUNDING & DEBT RESTRUCTURE

FUNDING PACKAGE OVERVIEW

The Funding Package comprises three components: 1) A \$35m entitlement offer, 2) A \$52m¹ convertible note, and 3) a partial repayment and restructure of Orion's debt, accompanied by a A\$4m¹ new zinc stream.

1 Entitlement Offer	2 CONVERTIBLE NOTE	3 DEBT RESTRUCTURE & STREAM
<ul style="list-style-type: none"> 0.7324 for 1 at A\$0.20 per share accelerated renounceable pro rata entitlement offer to raise approximately A\$35 million Heron's major shareholders, funds managed by Castlake, Greenstone and Orion have undertaken to ensure the take up of their pro-rata entitlements under the offer² Patersons Securities (Patersons) and Nascent Capital (Nascent) engaged as Joint Lead Manager to place shortfall, with Patersons appointed to act as s615 nominee on behalf of foreign ineligible retail shareholders (subject to ASIC approval) Any shortfall that is not taken up by existing shareholders pursuant to an over-subscriptions facility, or placed by Patersons and Nascent, is fully underwritten by Greenstone (68%) and certain funds managed by Castlake (32%) 	<ul style="list-style-type: none"> US\$35 million convertible note provided by Greenston, Orion and funds managed by Castlake 2% upfront fee, capitalised to loan balance 15% per annum interest rate, capitalised quarterly³ Maturity date of 31-Dec-24, with conversion permitted at any time up to maturity at a conversion price of A\$0.25 per share, representing a 25% premium to the Entitlement Offer (subject to shareholder approval) 	<ul style="list-style-type: none"> 12 month extension (before early prepayment) of debt tenor, with the repayment profile adjusted to match delayed cash flows US\$1.3 million non-cash restructuring fee, capitalised to loan balance US\$10 million prepayment of debt, funded from equity raise US\$3 million zinc by-product stream funding – Heron to deliver silver ounces based on payable zinc tonnage at an agreed zinc-silver conversion ratio

The Company notes that each of the above components of the Funding Package is subject to a number of conditions precedent, including shareholder approval and completion of the Entitlement Offer. Heron intends to seek shareholder approval at a planned general meeting in December 2019.

Notes:

1. Assumes exchange rate of 0.678 AUDUSD.
2. Whilst fund restrictions may prevent certain funds managed by Castlake or Greenstone from taking-up their full pro-rata share under the Institutional and Retail Offers, they have committed to underwrite 100% of any shortfall under the Entitlement Offer.
3. Interest rate is a combination of 3-month USD LIBOR (subject to a minimum of 2.5%) plus 12.5%.



ENTITLEMENT OFFER OVERVIEW

The Offer is open to all eligible retail shareholders, who can choose to take up all, part or none of their entitlements.

OFFER STRUCTURE	<ul style="list-style-type: none"> 0.7324 for 1 accelerated non-renounceable pro rata entitlement offer to raise approximately A\$35m <ul style="list-style-type: none"> A\$12 million will be raised under the Institutional Entitlement Offer and A\$24 million is expected to be raised under the Retail Entitlement Offer and underwriting commitments ~177m new shares to be issued under the Entitlement offer (representing ~73% of current issued capital)
PRICING	<ul style="list-style-type: none"> Fixed price of A\$0.20 (ASX New Shares) per New Share (Offer Price), which represents^(1,2): ASX discounts: <ul style="list-style-type: none"> - 47% discount to the last closing price of A\$0.380 - 48% discount to the 5 day VWAP of A\$0.385 - 50% discount to the 10 day VWAP of A\$0.404
INSTITUTIONAL ENTITLEMENT OFFER	<ul style="list-style-type: none"> The Institutional Entitlement offer will be completed on 14 October 2019 Funds managed by Castllake and Orion will be participating in the institutional tranche of the Offer raising A\$12 million
RETAIL ENTITLEMENT OFFER	<ul style="list-style-type: none"> Eligible Retail Shareholders will be given an Entitlement to subscribe for 0.7324 New Shares for every 1 Share held as at the Record Date of 5.00pm (AEDT time) on 8 October 2019 Eligible Retail Shareholders can also apply for Additional New Shares in excess of their Entitlement A\$24 million to be raised between the Retail Entitlement Offer and underwriting commitments
JOINT LEAD MANAGER	<ul style="list-style-type: none"> Patersons and Nascent engaged as Joint Lead Manager to place shortfall, with Patersons appointed to act as s615 nominee on behalf of foreign ineligible retail shareholders (subject to ASIC approval) The Joint Lead Managers will facilitate demand for any shortfall on a reasonable endeavours basis
UNDERWRITING	<ul style="list-style-type: none"> The Entitlement Offer is fully underwritten by Greenstone (68%) and funds managed by Castllake (32%)

Notes:

1. Last traded price of Heron ordinary shares on the ASX on 15 August 2019.
2. Volume weighted average trading prices based on period of days Heron was able to be traded on the ASX, as applicable.



ENTITLEMENT OFFER TIMETABLE

EVENT	TIME / DATE ⁽¹⁾
Announcement of Entitlement Offer	4 October 2019
Lodgement of Prospectus with ASIC and released to ASX	4 October 2019
Conduct Institutional Entitlement Offer	4-7 October 2019
Announcement of results of Institutional Entitlement Offer	8 October 2019
Company Suspension lifted	8 October 2019
Record Date for the Entitlement Offer	5:00pm AEDT on 8 October 2019
Despatch of Prospectus and Entitlement and Acceptance Form and announcement that despatch completed	11 October 2019
Retail Entitlement Offer opens	11 October 2019
Settlement of Institutional Entitlement Offer	14 October 2019
Issue of New Shares under the Institutional Entitlement Offer and normal trading of the New Shares expected	15 October 2019
Retail Entitlement Offer closes	5.00pm AEDT on 22 October 2019
Announcement of results under Retail Entitlement Offer	25 October 2019
Settlement of Retail Entitlement Offer	7:00pm AEDT on 28 October 2019
Issue of New Shares under the Retail Entitlement Offer	29 October 2019
Normal trading of New Shares issued under the Retail Entitlement Offer expected to commence on ASX	30 October 2019
Completion of subscription of remaining shortfall shares by Underwriters	12 November 2019

ENTITLEMENT OFFER REGISTER OUTCOMES

Depending on entitlement offer take-up ratios by Heron shareholders, the various outcomes for the major shareholders are shown below.

Subscribed equity	Current ownership		Take-up of rights by other shareholders ¹					
			100% take-up		50% take-up		Nil take-up	
Participation	Shares (#m)	%	Shares (#m)	%	Shares (#m)	%	Shares (#m)	%
Greenstone ²	66	27%	114	26%	132	31%	151	35%
Funds managed by Castllake	61	25%	106	25%	115	27%	123	29%
Orion	41	17%	71	16%	71	16%	71	16%
Sub-total	168	69%	290	68%	317	74%	345	80%
Sedgman settlement	-	-	10	2%	10	2%	10	2%
Other shareholders	74	31%	128	30%	101	24%	74	17%
Totals	242	100%	429	100%	429	100%	429	100%

Notes:

- From shareholders apart from Orion, Greenstone and funds managed by Castllake. Assumes full take up of rights by Greenstone, funds managed by Castllake and Orion, and any shortfall taken up by Greenstone and funds managed by Castllake. This table does not reflect full conversion of convertible note (shareholder approval will be required for convertible note conversion rights).
- Greenstone ownership includes shares owned by Greenstone affiliates.

CONVERTIBLE NOTES

Heron's major shareholders are further supporting Heron's immediate funding requirement with participation in the Convertible Notes.

TOTAL AMOUNT	<ul style="list-style-type: none">• A total of US\$35 million is expected to be raised via separate Convertible Notes with Heron's shareholders, comprising<ul style="list-style-type: none">• Greestone – US\$17 million• Funds managed by Castlelake – US\$15 million• Orion – US\$3 million
MATURITY DATE	<ul style="list-style-type: none">• 31 December 2024
INTEREST RATE	<ul style="list-style-type: none">• 3-month USD LIBOR (subject to a minimum of 2.5%), plus 12.5% margin• Interest to accrue daily and capitalise quarterly onto the loan balance
UPFRONT FEE	<ul style="list-style-type: none">• 2% of the Total Amount, capitalised onto the loan balance
CONVERSION	<ul style="list-style-type: none">• Convertible Notes holders may elect to convert some or all of the Convertible Notes at any time after the date of issue, prior to the Maturity Date (subject to shareholder approval)
CONVERSION PRICE	<ul style="list-style-type: none">• A\$0.25 per share, a 25% premium to the Entitlement Offer price
REDEMPTION	<ul style="list-style-type: none">• Noteholders must require Heron to redeem all of the Convertible Notes that has not otherwise been redeemed or converted by the Maturity Date
SECURITY	<ul style="list-style-type: none">• Unsecured
OTHER TERMS	<ul style="list-style-type: none">• Other terms included as consistent for a financing of this nature, and as outlined in the Prospectus, which will be made available shortly on the ASX platform and via Heron's website at www.heronresources.com.au

DEBT RESTRUCTURE & NEW STREAM FUNDING

In addition to taking up their rights under the Entitlement Offer, Orion have agreed to restructure their existing senior debt facility, and provide US\$3m in zinc stream funding.

DEBT RESTRUCTURE	<ul style="list-style-type: none">• Maturity date of US\$60¹ million loan (senior secured) extended by 12 months from 31-Dec-2022, to 31-Dec-2023• Repayment profile revised over longer tenor to match delayed cash flows• US\$10 million prepayment of loan balance, from proceeds of the Funding Package
RESTRUCTURING FEE	<ul style="list-style-type: none">• US\$1.3 million non-cash restructuring fee, capitalised to loan balance
NEW STREAM	<ul style="list-style-type: none">• US\$3 million stream over zinc by-product at agreed percentages, converted to silver per 170.2 conversion ratio, paid for at 20% of market silver price:<ul style="list-style-type: none">• 0.30% of zinc until the delivery of 140 tonnes; then• 1.15% of zinc until the delivery of 910 tonnes; then• 2.25% of zinc until the delivery of 4200 tonnes; then• 0.75% of zinc for remaining life of mine
STANDSTILL AGREEMENT	<ul style="list-style-type: none">• Orion have provided various waivers in relation to its senior debt facility as announced on 30 September 2019

SOURCES AND USES OF FUNDS

Sources		A\$m	Uses		A\$m
A Not conditional on Heron shareholder approval					
Institutional Entitlement Offer		12	Partial prepayment of Senior Debt		3
Retail Entitlement Offer		24	Interest payment of Senior Debt, including withholding tax		3
Cash on hand (30-September-19)		10	Plant rectification and improvement works		3
			Underground capital works		6
			Underground mining working capital		8
			Processing working capital		5
			Minimum liquidity buffer		10
			General working capital		4
			Equity raising and transaction costs		2
Total		45	Total		45
B Conditional on Heron shareholder approval					
Convertible Notes		52 ¹	Partial prepayment of Senior Debt		11
Stream		4 ¹	Underground mining and processing plant capital works		6
			Underground mining working capital		20
			Processing, concentrate and site services working capital		19
Total		56	Total		56
Total Sources		101	Total Uses		101

PRO FORMA BALANCE SHEET¹

	\$'000	A Post Entitlement Offer				B Post Convertible Notes & Stream			
		30-Jun-2019	Pro Forma Adjustments	Pro Forma Adjustments	30-Jun-2019	Pro Forma Adjustments	30-Jun-2019	Pro Forma Adjustments	30-Jun-2019
	Audited	To Sep-19		Pro Forma 1			Pro Forma 2		
ASSETS									
Cash assets	31,465	(21,829)	1	30,107	2	39,743	44,656	7	84,399
Restricted Cash	7,777	-		-		7,777	-		7,777
Trade and other receivables	3,398	-		-		3,398	-		3,398
Investments and other assets	2,343	-		-		2,343	-		2,343
Property, plant and equipment	11,962	-		-		11,962	-		11,962
Mine Property	242,849	21,829	1	-		264,678	-		264,678
Total Assets	299,794	-		30,107		329,901	44,656		374,557
LIABILITIES									
Trade and other payables	6,060	-		-		6,060	-		6,060
Provisions	31,924	-		(2,000)	3	29,924	-		29,924
Existing borrowings	132,910	-		(3,358)	4	129,552	(9,482)	8, 9	120,070
Zinc linked silver stream	-	-		-		-	4,425	10	4,425
Convertible Notes	-	-		-		-	52,655	11, 12	52,655
Total Liabilities	170,894	-		(5,358)		165,536	47,598		213,134
Net Assets	128,900	-		35,465		164,365	(2,942)		161,423
EQUITY									
Contributed equity	259,742	-		37,399	3, 5	297,141	-		297,141
Option reserve	2,857	-		-		2,857	-		2,857
Accumulated losses	(133,699)	-		-		(133,699)	(2,942)	9, 12	(136,641)
Equity raising fees	-	-		(1,934)	6	(1,934)	-		(1,934)
Total Equity	128,900	-		35,465		164,365	(2,942)		161,423

Notes:

- Cash spent between 30-Jun-2019 and 30-Sep-2019
- Proceeds from Entitlement Offer, less transaction fees
- 10m New Shares issued at A\$0.20 per share to Sedgman
- Partial repayment of Orion debt via issue of shares
- 177m new shares issued at A\$0.20 per share
- Transaction fees associated with the Entitlement Offer
- Proceeds from Convertible Notes and stream
- Partial repayment of Orion debt via Convertible Notes and stream
- US\$1.3 million debt restructuring fee, capitalized onto loan balance
- US\$3 million zinc linked silver stream
- US\$35 million Convertible Notes
- US\$0.7 million drawdown fee, capitalized onto Convertible Notes loan balance

PRO FORMA CAPITAL STRUCTURE

SHARES

Subscribed Equity	Current ownership		ENTITLEMENT OFFER (assuming 100% take-up of rights by all s/h)	SEGDMAN SETTLEMENT (initial shares issued)	CONVERTIBLE NOTES (assuming full conversion ^{*1,2})	Proforma Share Register	
	Shares (#m)	%	Shares (#m)	Shares (#m)	Shares (#m)	Shares (#m)	%
Participation							
Greenstone ³	66	27%	48	-	213	327	37%
Funds managed by Castlelake	61	25%	45	-	199	305	35%
Orion	41	17%	30	-	38	109	12%
Sub-total	168	69%	123	-	450	741	84%
Other shareholders	74	31%	54	-	-	128	15%
Sedgman	-	-	-	10	-	10	1%
Totals	242	100%	177	10	450	879	100%

* Subject to shareholder approval

OPTIONS & PERFORMANCE RIGHTS

- 1.92m employee options outstanding:
 - Expiry dates range from 4 December 2020 to 1 February 2022
 - Exercise prices range from A\$0.72 to A\$1.10
- 4.92m performance rights outstanding:
 - Expire on 1 July 2020 and 1 July 2021
 - \$nil exercise price options

CONVERTIBLE NOTE (AT MATURITY)

	US\$m	A\$m ¹	Shares (#m) ^{1,2}
Principal	35	52	206
Drawdown fee	1	1	4
Capitalised interest	41	60	240
Total	76	113	450

Notes:

- Assumes AUD USD exchange rate of 0.678. Subject to rounding.
- Assumes Convertible Notes value of US\$76m (A\$113m) including capitalised interest and fees is converted at A\$0.25/share in Dec-2024.
- Greenstone ownership includes shares owned by Greenstone LPs.

KEY RISKS (1 OF 3)

Mining risks

The Company is in the ramp up phase of production at its Woodlawn Project and as such is exposed to normal risks and uncertainties, such as the Woodlawn Project failing to perform as expected, having higher than expected operating costs, having lower than expected customer revenues, potential equipment breakdown, failures and operational errors. In addition, there will be operating losses which need to be funded as the Project ramps up to nameplate capacity. There is a risk that the Company may need to raise additional funds via equity raisings or financing facilities to fund ongoing operating and capital expenditure if the Woodlawn Project fails to reach commercial and name plate production in a timely manner.

The Woodlawn Project's operations rely on a number of key contracts for the provision of mining, haulage, port and handling services. The ability of the Company to operate efficiently will depend on the performance of counterparties with whom the Company has contracted to fulfil their obligations under the relevant agreements.

The timely and cost-effective operation of the Company's mining activities are dependent on the adequate and timely supply of fuel, chemicals and other critical supplies and spares. If the Company is unable to procure the requisite quantities of fuel, chemicals and other critical supplies and spares in time and at an acceptable price or if there are significant disruptions to those supplies, the performance of the Company's business and results of operations could be materially and adversely affected.

Metal prices and Exchange Rates

Changes in base and precious metal prices may impact on the cashflows and profitability of Heron. Low base and precious metal prices may have a materially adverse effect on Heron's cash flows, profitability and share price. A significant portion of Heron's revenue is denominated in US currency and movements in currency exchange rates may affect cash flows, profitability, costs and revenue. It is not possible to accurately predict future movements in metal prices and/or exchange rates.

Operating risks

In common with other enterprises in the minerals and mining industry, Heron's mineral exploration, development and mining and processing activities, including the delivery of supplies and consumables and the transportation of products are subject to conditions beyond Heron's control that can result in difficulties in ramp-up and operating plant and equipment, mechanical failure or plant breakdown or reduce production and sales and/or increase costs. These conditions include (but are not limited to): changes in legislative requirements; market conditions; government policies; exchange rates; abnormal or severe weather or climatic conditions; natural disasters; unexpected maintenance or technical problems; key equipment failures; industrial disruption; and variations in existing and new geological conditions (including underground workings).



KEY RISKS (2 OF 3)

Proceeds from refinancing may not provide sufficient funding

The Company has restructured the Debt Package to reduce the quantum of debt by US\$10 million. There remains the possibility that this reduction of debt, together with the funds to be raised under the Entitlement Offer and Convertible Note issue, will not be sufficient to execute its strategy as announced to ASX on 4 October 2019.

Under these circumstances, neither the Company nor the Directors can provide any assurance that if further funding is required, such funding can be raised on terms favourable to the Company (or at all). Additional equity funding will dilute existing Shareholders.

If the Company is unable to obtain additional funding as required, the Company may be required to delay or indefinitely postpone exploration, development or production on the Company's projects and/or reduce the scope of its operations.

Convertible Notes risk

The issue of the Convertible Notes as part of the Debt Package is conditional upon Shareholders approving the issue under the Corporations Act and the ASX Listing Rules. The Company intends to hold a general meeting seeking approval for the issue of the Convertible Notes in December 2019. If Shareholder approval is not obtained at this general meeting, the Company will be unable to issue the Convertible Notes and raise sufficient funds to execute its strategy as announced to ASX on 4 October 2019 and there would be material uncertainty regarding whether the Company would continue as a going concern. There can be no assurance that Shareholders will approve the issue of the Convertible Notes.

If Shareholder approval is received and the Convertible Notes are issued, the Company will be subject to certain undertakings and requirements under the Convertible Notes.

Failure of the Company to comply with the arrangements could lead to the amounts outstanding under the Convertible Notes becoming immediately repayable.

Future capital requirements

Whilst the Entitlement Offer and the Debt Package are expected to leave the Company adequately financed, the Company may require further financing to continue to operate in the future if for example, it fails to meet its mining schedule or there is otherwise a material departure from the Company's anticipated performance. Any additional equity financing that the Company may undertake in the future may dilute existing shareholdings. Further debt financing, if available, may also involve restrictions on financing and operation activities.



KEY RISKS (3 OF 3)

Going concern

The Company's annual financial report for the financial year ended 30 June 2019 has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and discharge of liabilities in the normal course of business. However, it includes a note at page 59 in the Prospectus regarding the basis of preparation of its financial statements on a going concern basis, despite its net current liability position.

Compliance with finance facility terms

In addition, under the Debt Package (including the current stream arrangements), Orion has security over the Company's assets and a parent company guarantee. On 30 September 2019, the Company announced that it has executed a waiver letter with Orion which has the effect of waiving any non-compliance issues arising under the existing debt documents to the extent necessary to permit the implementation of the Entitlement Offer and the Debt Package restructure, subject to certain conditions being met. However, failure of the Company to comply with the waiver conditions could lead to the amounts outstanding under the finance facility and the deposit under the stream arrangements becoming immediately repayable and failing repayment, Orion enforcing its security over the Company's assets.

Risk of Shareholder dilution

If Eligible Shareholders elect not to take up their Entitlement or only take up part of their Entitlement, they will be subject to substantial dilution as a result of the issue of Shares under the Entitlement Offer. In addition, Ineligible Retail Shareholders will be subject to substantial dilution under the Entitlement Offer.

Further, the Company has entered into convertible notes agreements, pursuant to which it has agreed, subject to certain conditions precedent, to issue Convertible Notes with an aggregate face value of US\$35 million. Conversion of the convertible notes (together with all capitalised interest amounts and fees) into Shares will result in substantial dilution to Shareholders.

Capital and operating costs

Heron's capital and operating costs estimates are based on the best available information at the time. Any significant unforeseen increases in the capital and operating costs associated with the operation of the Woodlawn Project would impact Heron's future cash flow and profitability. Capital and operating costs for the development of major projects in Australia have increased in recent years due to higher raw material prices as well as increased labour and contractor costs.

Resource and reserve estimates

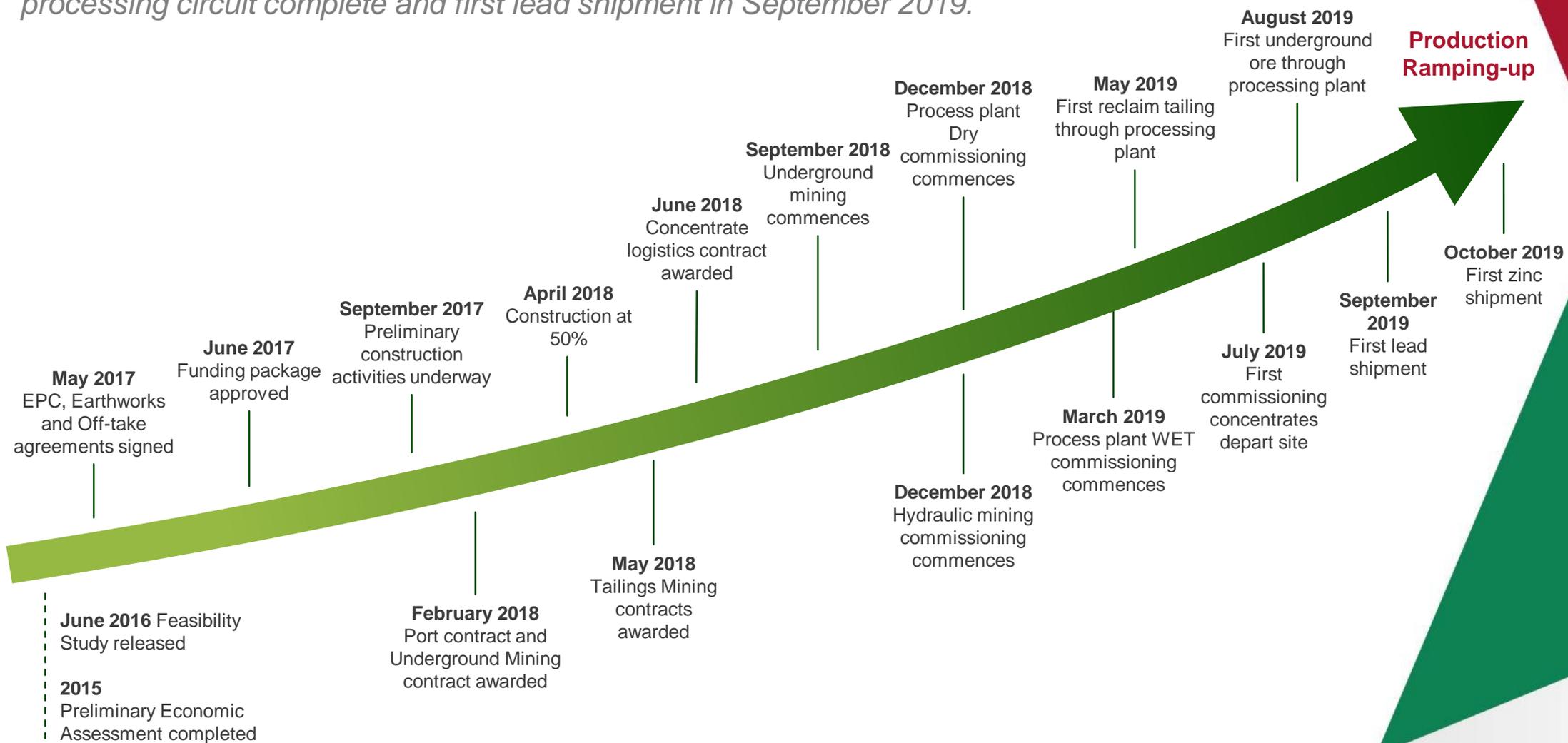
Heron has made estimates of its resources and reserves based on relevant reporting codes, where required, and judgments based on knowledge, skills and industry experience. However, there is no guarantee that estimates will prove to be accurate. Actual mining results may materially differ from forecasts and estimates due to further findings and results not previously known or fluctuations in operating costs, exchange rates and metal prices.

SECTION 2

WOODLAWN PROJECT UPDATE

WOODLAWN MILESTONES ACHIEVED

Heron remains focused on ramp-up activities, with two of three practical completion tests for its processing circuit complete and first lead shipment in September 2019.



WOODLAWN INDEPENDENT TECHNICAL REVIEW

Following late delivery of the process plant, Heron commissioned independent technical specialists SRK and METS to assess Woodlawn. The outcomes reaffirm Heron's view that Woodlawn remains sound with an attractive production profile as at the time of financing, notwithstanding previous delays.

SRK CONSULTING Mining Plan Review

- Mine plan is appropriate and achievable in FY20 and beyond
- Schedule has allowed for contingency time buffer for activities such as breakthrough into the historical decline, plug construction and backfill of the crown pillar
- Level of conservatism in the mine schedule ensures that any potential unknowns do not derail the production plan

METS ENGINEERING Ramp-Up Report

- No significant ongoing technical or operational flaws
- Past operating records and Feasibility Study test-work still supports the production of a high recovery, marketable concentrate
- Good equipment with systems, procedures, maintenance, stores and assay facilities to develop a high functioning process plant

FORECAST TIMELINE (beyond previous slide)

- October 2019: Crusher and ball mill – practical completion, first zinc ship
- November 2019: 170tph throughput target (90% of nameplate)
- December 2019: 180tph throughput target (95% of nameplate)
- January 2020: second zinc ship
- February 2020: nameplate throughput of 190tph achieved
- March 2020: first copper ship
- Mid 2020: nameplate recovery achieved

WOODLAWN COMMISSIONING UPDATE

Heron has a clear action plan to proceed as smoothly as possible through commissioning and achieve nameplate capacity.

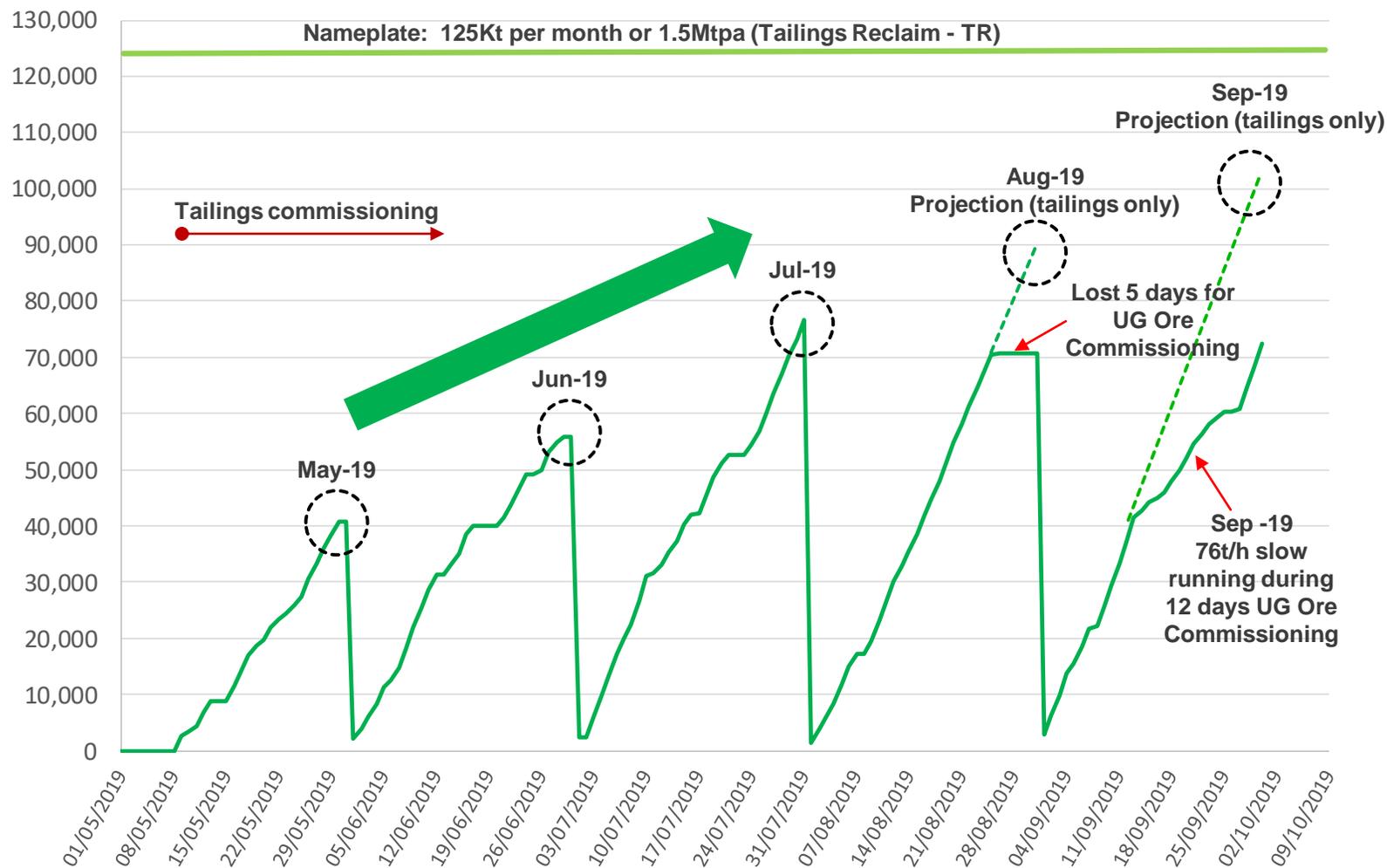
OPERATIONAL READINESS	HYDRO MINING	UNDERGROUND MINING	PROCESS PLANT	OFF-SITE LOGISTICS
<p>KEY ACTIONS:</p> <ul style="list-style-type: none"> Some operational roles to be filled <p>OVERVIEW:</p> <ul style="list-style-type: none"> Hydraulic mining in production Grades in line with Reserves Dry, wet and load commissioning of retreatment circuit complete Stockpiling of ore from underground delivered to ROM - commissioning material ready to treat Plant operation commenced 6 May 2019 – ramping up throughput Commissioning concentrates produced 	<p>KEY ACTIONS:</p> <ul style="list-style-type: none"> Improve uptime, standby equipment (barge pump) <p>OVERVIEW:</p> <ul style="list-style-type: none"> Hydraulic mining circuit fully operational and in production Optimising performance – achieved 4,332t (5 July 2019) – equates to 1.6Mtpa run rate Excellent flow densities and excavation control 	<p>KEY ACTIONS:</p> <ul style="list-style-type: none"> Detailed planning of entering the old mine workings <p>OVERVIEW:</p> <ul style="list-style-type: none"> Underground development in line with schedule 2.3km of underground development completed Steady recent trend of above plan monthly advance continues First ore from underground delivered to run-of-mine (ROM) pad (G2 lens) Primary ventilation and second means of egress well advanced Paste plant practical completion achieved 	<p>KEY ACTIONS:</p> <ul style="list-style-type: none"> Ramp up plan. Practical completion of crusher and ball mill <p>OVERVIEW:</p> <ul style="list-style-type: none"> Plant feed commenced on reclaimed tailings – 6 May 2019 Initial attention on mechanical performance and reliability – pumps, valves, motors, pipes Throughput ramp-up - design (190t/hr) achieved 10 July 2019 for short period Full shift zinc concentrate production >55% Zn achieved 9 July 2019 Process plant practical completion achieved (excl. crushing circuit) Commissioning of crushing circuit underway (scheduled for October 2019) 	<p>KEY ACTIONS:</p> <ul style="list-style-type: none"> First shipments <p>OVERVIEW:</p> <ul style="list-style-type: none"> Off site logistics underway for product delivery and running smoothly First zinc concentrates departed site early July First lead shipment departure occurred on 29 September First zinc shipment scheduled for late October



WOODLAWN PROCESS PLANT STATUS

Heron is making clear progress to ramping up to the throughput production target of 125kt per month.

Production (accumulated production tonnes each month)



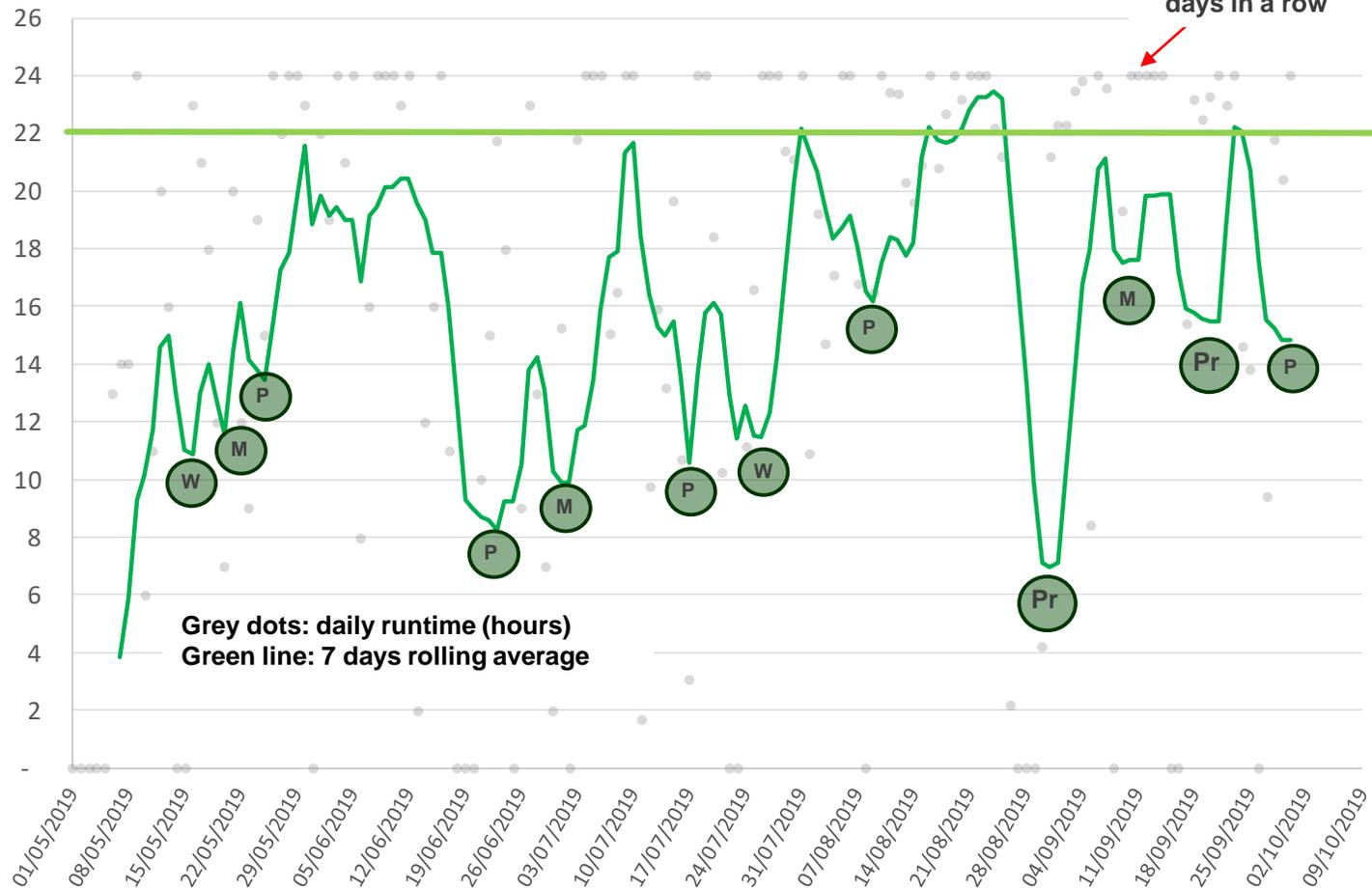
Improved Every Month

- May-19**
 - 40,773T
 - Ore commissioning commenced
- Jun -19**
 - 55,893T
- Jul -19**
 - 76,764T
- Aug -19**
 - 70,680T
 - Lost 5 days for UG ore commissioning
 - Otherwise projected to ~90,000T
- Sep -19**
 - 72,349T
 - Running slowly at 76t/h during 12 days UG ore commissioning (design 125t/h).
 - Otherwise projected to ~100,000T



WOODLAWN PROCESS PLANT STATUS

Runtime (hours / day) – target 22 hours /day (or 90%)



Runtime Improved

Record

- No downtime 6 days in a row (9-14 September)

Raw Water

- High usage of raw water caused major downtime in May and Jun
- Raw water usage reduced from 3000 to 500 m³ per day in July
- Since July, no more downtime caused by raw water
- Woodlawn raw water dam level has been rising

Process Downtime

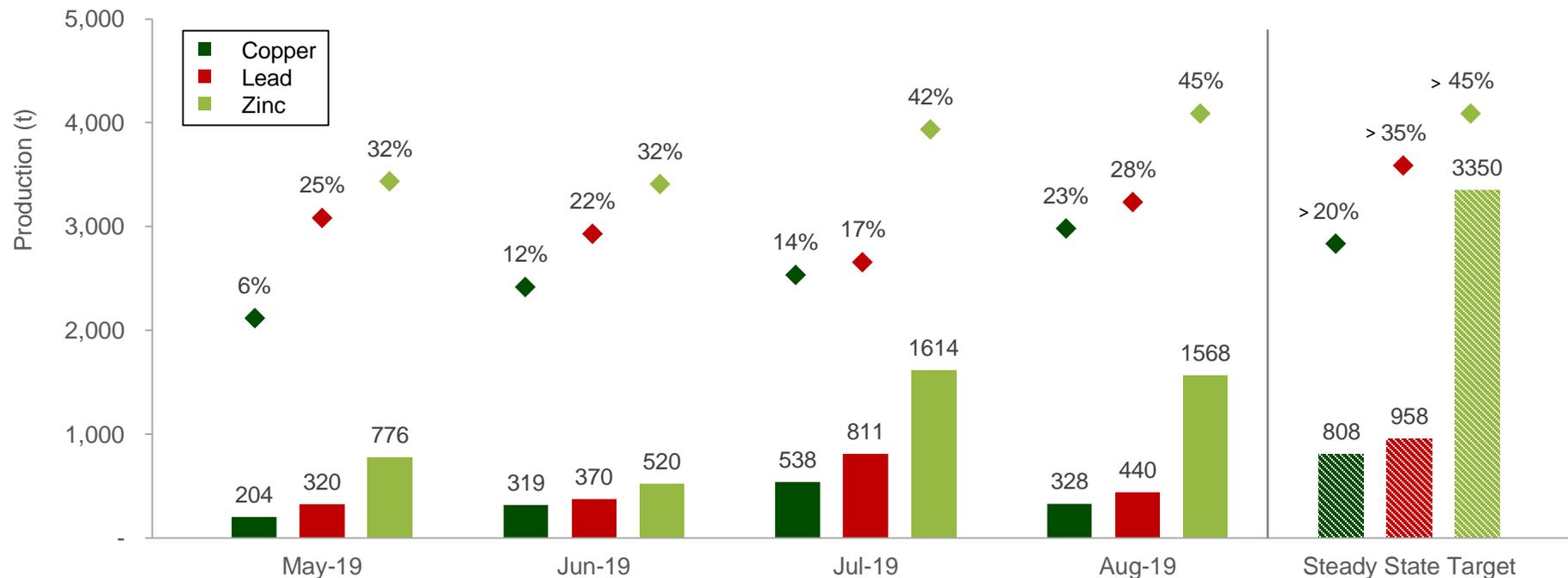
- In August there were two major process downtimes due to commissioning of UG ore mode. The cone crusher hydraulic hose failed, which has since been fixed
- Ramped up UG ore feed rate to 100t/h at the end of the first campaign – nameplate capacity is 125t/h

P Planned Downtime
 M Mechanical Downtime
 W Water Downtime
 Pr Process Downtime



WOODLAWN PRODUCTION SUMMARY

MONTHLY CONCENTRATE PRODUCTION & GRADE¹



Annualised production (ktpa)	2	4	9	4	4	6	6	10	19	4	5	19	10	12	40

- Concentrate quality during May and June was materially impacted by Sedgman related plant defects, largely remedied during July
- Focus in July was on achieving throughput targets for Sedgman, and in August the focus shifted towards improving product quality
- Zinc and copper headline grades are better than Feasibility Study targets, and lead continues to improve
- Steady improvements are being made towards a steady state production, with saleable concentrates starting to be produced

WOODLAWN SUMMARY

While Heron has experienced a number of challenges, the fundamentals of Woodlawn and the operational team in place remain sound. The proposed Funding Package, subject to a number of uncertainties including shareholder approval, will provide the key means for Woodlawn to successfully transition to cashflow positive operations.

Today

>

Next

CHALLENGES ADDRESSED

- ✓ Closure on Sedgman dispute
- ✓ Practical completion achieved on process plant and paste plant
- ✓ Practical completion imminent for crushing circuit
- ✓ Saleable concentrates starting to be produced
- ✓ Process plant optimisation underway – “start up” problems fixed
- ✓ Logistics chain working efficiently

STRONG FUNDAMENTALS

- Quality high-grade zinc and copper asset
- Production in ramp-up
- Sound commodity market fundamentals
- Supportive community & shareholder base
- Committed & experienced team
- Production profile materially in line with the DFS, notwithstanding delays

KEY GROWTH DRIVERS

- Nameplate production
- Cash flow positive
- In-mine exploration to expand LOM
- Attractive tenement package

APPENDIX 1

WOODLAWN ASSET OVERVIEW

ASSET WOODLAWN ZINC-COPPER PROJECT

Premier location in favorable jurisdiction with existing infrastructure – cost effective solutions

Key Project Physicals (No material changes from 2016 Feasibility Study)

1.5Mtpa Production Rate Split campaign - hard rock from underground operations or tailings reclaim

9.3 year LOM (Reserves only) Significant potential for upside

Reserves

- Underground 2.8Mt @ 14% ZnEq¹
- Reclaimed Tailings 9.5Mt @ 6% ZnEq¹

Steady State Gross Production

- 40ktpa Zn (88Mlbs)
- 10ktpa Cu (20Mlbs)
- 12ktpa Pb (25Mlbs)
- +Ag/+Au

Existing Infrastructure

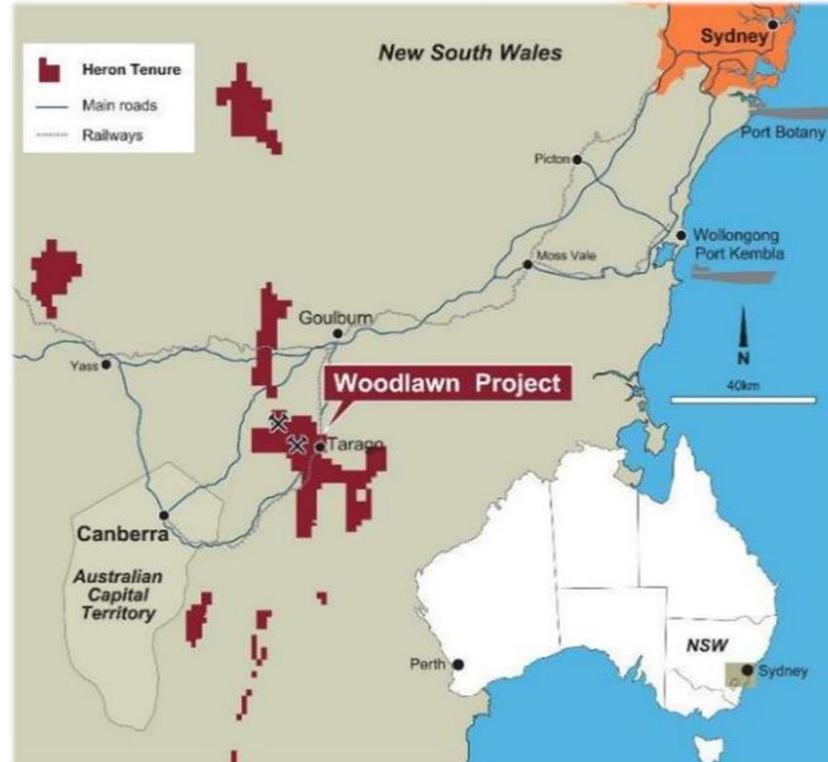
Transport Base metal concentrates to Port Botany and Port Kembla via existing road-rail infrastructure:

- Roads - sealed B-double rated
- Rail - Goulburn rail yard (approx. 50km)
- Intermodal solution is highly attractive

Power NSW State grid sub-station

Water Willaroo Bore Field

Population Centre Skilled labour and community infrastructure



ASSET WOODLAWN ZINC-COPPER PROJECT



July 18, 2019



UNDERGROUND

MINERAL RESOURCES AND ORE RESERVES

Woodlawn Total Underground Mineral Resource 2017 (ASX Release 13 Nov 2017)

(7% ZnEq cog for Polymetallic and 1% Cu cog for Copper)

Indicated + Measured Mineral Resource

			Tonnes Mt	ZnEq %	Zn %	Cu %	Pb %	Au g/t	Ag g/t
All Lenses	Polymetallic	Ind+Mea	2.7	21.6	10.9	1.5	4.0	0.7	79
All Lenses	Copper	Ind+Mea	1.9	9.7	0.7	2.6	0.1	0.2	14
Total	Combined	Ind+Mea	4.6	16.7	6.7	1.9	2.4	0.5	52

Inferred Mineral Resource

			Tonnes Mt	ZnEq %	Zn %	Cu %	Pb %	Au g/t	Ag g/t
All Lenses	Polymetallic	Inf	1.9	16.9	7.3	1.5	3.0	0.8	61
All Lenses	Copper	Inf	0.7	9.2	0.7	2.5	0.1	0.2	12
Total	Combined	Inf	2.6	14.9	5.6	1.8	2.2	0.6	48

Total Mineral Resource

			Tonnes Mt	ZnEq %	Zn %	Cu %	Pb %	Au g/t	Ag g/t
All Lenses	Polymetallic	Ind+Mea+Inf	4.6	19.7	9.4	1.5	3.6	0.7	71.6
All Lenses	Copper	Ind+Mea+Inf	2.6	9.6	0.7	2.6	0.1	0.2	13.5
Total	Combined	Ind+Mea+Inf	7.2	16.0	6.3	1.9	2.3	0.5	50.6

Woodlawn Underground Mineral Reserve Estimate 2016

Type	Reserve Category	Quantity (Mt)	ZnEq(%)	Zn(%)	Cu(%)	Pb(%)	Au(g/t)	Ag(g/t)
Polymetallic	Proven	0						
Polymetallic	Probable	1.8	16	8.1	1.2	2.9	0.56	57
Copper	Proven	0						
Copper	Probable	0.96	8.8	0.61	2.4	0.13	0.23	14
Total	Probable	2.8	14	5.5	1.6	1.9	0.45	42

TAILINGS

MINERAL RESOURCES AND ORE RESERVES

Mineral Resource Estimate - Woodlawn Retreatment Project (2016)

Resource Category	Grades						
	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Measured + Indicated Mineral Resources							
North Dam	2.7	6.0	2.40	0.42	1.30	0.27	34
South Dam	3.3	6.0	2.50	0.46	1.20	0.25	27
West Dam	3.8	6.5	2.0	0.62	1.40	0.40	35
Total Mea+ Ind	9.8	6.2	2.30	0.51	1.3	0.31	32
Inferred Mineral Resources							
North Dam	0.2	6.2	2.40	0.42	1.30	0.27	34
South Dam	0.9	5.6	2.30	0.48	1.20	0.25	24
West Dam	0.0	-	-	-	-	-	-
Total Inferred	1.1	5.8	2.30	0.47	1.20	0.25	27
Total Mea+Ind+Inf	10.9	6.2	2.30	0.51	1.29	0.30	32

Woodlawn Tailings Mineral Reserve Estimate 2016

Reported with no cut-off grade applied

Reserve Category	Quantity (Mt)	ZnEq(%)	Zn(%)	Cu(%)	Pb(%)	Au(g/t)	Ag(g/t)
Proven	6.4	6.0	2.2	0.5	1.3	0.29	31
Probable	3.2	6.0	2.1	0.5	1.3	0.33	32
Total (Proven + Probable)	9.5	6.0	2.2	0.5	1.3	0.31	31

APPENDIX 2

OFFER RESTRICTIONS



INTERNATIONAL OFFER RESTRICTIONS

United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "US Securities Act") and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.



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