

Heron Resources Limited

NOTICE OF ANNUAL GENERAL MEETING EXPLANATORY STATEMENT, PROXY FORM AND MANAGEMENT INFORMATION CIRCULAR

**For the Annual General Meeting to be held on
Friday, 21 November 2014 at 2.00 pm Western Standard Time
at The Celtic Club,
48 Ord Street,
West Perth, Western Australia**

This is an important document. Please read it carefully. If there is any matter that you do not understand you should contact your financial adviser, stockbroker or solicitor.

HERON RESOURCES LIMITED
ABN 30 068 263 098

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Heron Resources Limited (“Heron” or the “Company”) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia at **2.00 pm WST on Friday, 21 November 2014**.

AGENDA

ORDINARY BUSINESS

1. FINANCIAL STATEMENTS AND REPORTS

“To receive and consider the consolidated financial statements of the Company and its controlled entities and the reports of the directors and auditor for the year ended 30 June 2014.”

The Corporations Act requires the Financial Report (which includes the Financial Statements and Directors’ Declaration), the Directors’ Report and the Auditor’s Report to be laid before the Meeting. There is no requirement for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor’s Report.

2. RESOLUTION 1 – RE-ELECTION OF MR IAN BUCHHORN AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That Mr Ian Buchhorn, who retires by rotation in accordance with clause 11.1.3 of the Company’s Constitution and ASX Listing Rule 14.4, and, being eligible, offers himself for re-election, be re-elected as a Director.”

3. RESOLUTION 2 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That the Remuneration Report, as set out in the Directors’ Report for the year ended 30 June 2014, be adopted.”

Please note that the vote on this Resolution is advisory only, and does not bind the Directors or the Company. The Chairman will allow a reasonable opportunity for Shareholders to ask questions about, or make comments on, the Remuneration Report.

Voting exclusion: The Company will disregard any votes cast on Resolution 2 by any member of the Key Management Personnel of the Company whose remuneration is included in the Remuneration Report, or a Closely Related Party of such member.

However, the Company will not disregard any votes cast on Resolution 2 by such person if:

- (a) the person is acting as proxy and the Proxy Form specifies how the proxy is to vote on the Resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chairman of the Meeting voting an undirected proxy and their appointment expressly authorises the Chairman to exercise the proxy even though Resolution 2 is connected with the remuneration of the Key Management Personnel of the Company.

If you are a member of the Key Management Personnel of the Company or a Closely Related Party of such person (or are acting on behalf of any such person) and purport to cast a vote (other than as a proxy as permitted in the manner set out above), that vote will be

disregarded by the Company (as indicated above) and you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

4. **RESOLUTION 3 – APPROVAL TO ISSUE OPTIONS TO MR WAYNE TAYLOR**

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of a maximum of 858,369 Options to Mr. Wayne Taylor for the purpose of and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting exclusion: The Company will disregard any votes cast on Resolution 3 by Wayne Taylor and any person associated with Wayne Taylor. However, the Company will not disregard any votes cast on Resolution 3 by Mr Wayne Taylor if Mr Wayne Taylor is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

The Company will also disregard any votes cast on Resolution 3 by a member of the Key Management Personnel or their Closely Related Parties as proxy for another person where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

5. **RESOLUTION 4 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN**

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.2, exception 9, and for all other purposes, the issue of Options under the Company’s Employee Share Option Plan, as described in the Explanatory Statement, be approved.”

Voting exclusion: The Company will disregard any votes cast on Resolution 4 by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any person associated with that Director.

However, the Company will not disregard any votes cast on Resolution 4 by a Director if:

- (a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will also disregard any votes cast on Resolution 4 by a member of the Key Management Personnel or their Closely Related Parties, as proxy for another person, where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

6. **RESOLUTION 5 – APPROVAL OF NON-EXECUTIVE DIRECTOR SHARE PLAN**

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.2, exception 9, and for all other purposes, the issue of Shares in lieu of director’s fees under the Company’s Non-Executive Director Share Plan, as described in the Explanatory Statement, be approved.”

Voting exclusion: The Company will disregard any votes cast on Resolution 5 by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any person associated with that Director.

However, the Company will not disregard any votes cast on Resolution 5 by a Director if:

- (a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

- (b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will also disregard any votes cast on Resolution 5 by a member of the Key Management Personnel or their Closely Related Parties, as proxy for another person, where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

7. RESOLUTION 6 – ISSUE OF OPTIONS TO MR WAYNE TAYLOR, MANAGING DIRECTOR

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

“That, subject to Resolution 4 being passed, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the issue of a maximum of 4,000,000 Options to Mr. Wayne Taylor under the Company’s Employee Share Option Plan, for the purpose of and on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion: The Company will disregard any votes cast on Resolution 6 by Mr Wayne Taylor and any person associated with Mr Wayne Taylor. However, the Company will not disregard any votes cast on Resolution 6 by Mr Wayne Taylor if Mr Wayne Taylor is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

The Company will also disregard any votes cast on Resolution 6 by a member of the Key Management Personnel or their Closely Related Parties as proxy for another person where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

8. RESOLUTION 7 – ISSUE OF OPTIONS TO IAN BUCHHORN, EXECUTIVE DIRECTOR

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

“That, subject to Resolution 4 being passed, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the issue of a maximum of 3,000,000 Options to Mr. Ian Buchhorn under the Company’s Employee Share Option Plan, for the purpose of and on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion: The Company will disregard any votes cast on Resolution 7 by Mr Ian Buchhorn and any person associated with Mr Ian Buchhorn. However, the Company will not disregard any votes cast on Resolution 7 by Mr Ian Buchhorn if Mr Ian Buchhorn is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

The Company will also disregard any votes cast on Resolution 7 by a member of the Key Management Personnel or their Closely Related Parties as proxy for another person where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

9. RESOLUTION 8 – ISSUE OF OPTIONS TO CRAIG READHEAD, NON-EXECUTIVE DIRECTOR

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

“That, subject to Resolution 4 being passed, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the issue of a maximum of 1,000,000 Options to Mr. Craig Readhead under the Company’s Employee Share Option Plan, for the purpose of and on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion: The Company will disregard any votes cast on Resolution 8 by Mr Craig Readhead and any person associated with Mr Craig Readhead. However, the Company will not disregard any votes cast on Resolution 8 by Mr Craig Readhead if Mr Craig Readhead is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

The Company will also disregard any votes cast on Resolution 8 by a member of the Key Management Personnel or their Closely Related Parties as proxy for another person where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

10. RESOLUTION 9 – ISSUE OF OPTIONS TO STEPHEN DENNIS, NON-EXECUTIVE DIRECTOR

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

"That, subject to Resolution 4 being passed, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the issue of a maximum of 1,000,000 Options to Mr. Stephen Dennis under the Company's Employee Share Option Plan, for the purpose of and on the terms and conditions set out in the Explanatory Statement."

Voting exclusion: The Company will disregard any votes cast on Resolution 9 by Mr Stephen Dennis and any person associated with Mr Stephen Dennis. However, the Company will not disregard any votes cast on Resolution 9 by Mr Stephen Dennis if Mr Stephen Dennis is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

The Company will also disregard any votes cast on Resolution 9 by a member of the Key Management Personnel or their Closely Related Parties as proxy for another person where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

11. RESOLUTION 10 - ISSUE OF SHARES IN LIEU OF DIRECTOR'S FEES TO CRAIG READHEAD, NON-EXECUTIVE DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Resolution 5 being passed, for the purpose of Listing Rule 10.14 and for all other purposes, the Company is authorised to issue Shares in lieu of director's fees to Mr. Craig Readhead, pursuant to the Company's Non-Executive Directors Share Plan, on the terms and conditions and in the manner set out in the Explanatory Statement."

Voting exclusion: The Company will disregard any votes cast on Resolution 10 by Mr Craig Readhead and any person associated with Mr Craig Readhead. However, the Company will not disregard any votes cast on Resolution 10 by Mr Craig Readhead if Mr Craig Readhead is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

The Company will also disregard any votes cast on Resolution 10 by a member of the Key Management Personnel or their Closely Related Parties as proxy for another person where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

12. RESOLUTION 11 - ISSUE OF SHARES IN LIEU OF DIRECTOR'S FEES TO STEPHEN DENNIS, NON-EXECUTIVE DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Resolution 5 being passed, for the purpose of Listing Rule 10.14 and for all other purposes, the Company is authorised to issue Shares in lieu of director's fees to Mr. Stephen Dennis, pursuant to the Company's Non-Executive Directors Share Plan, on the terms and conditions and in the manner set out in the Explanatory Statement."

Voting exclusion: The Company will disregard any votes cast on Resolution 11 by Mr Stephen Dennis and any person associated with Mr Stephen Dennis. However, the Company will not disregard any votes cast on Resolution 11 by Mr Stephen Dennis if Mr Stephen Dennis is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

The Company will also disregard any votes cast on Resolution 11 by a member of the Key Management Personnel or their Closely Related Parties as proxy for another person where the Proxy Form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the Proxy Form to vote as the proxy decides, will not be excluded.

13. **RESOLUTION 12 – APPROVAL OF 10% PLACEMENT FACILITY**

To consider and, if thought fit, to pass the following as a **special resolution**:

"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."

Voting exclusion: The Company will disregard any votes cast on Resolution 12 by any person who may participate in the issue of Equity Securities under the additional 10% Placement Facility and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any person associated with those persons. However, the Company will not disregard any votes cast on Resolution 12 by such person if:

- (a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

14. **RESOLUTION 13 – CONTINGENT RESOLUTION – BOARD SPILL MEETING RESOLUTION**

Condition for Resolution 13: Resolution 13 will be considered at the Meeting only if at least 25% of the votes cast on Resolution 2 are against the adoption of the Remuneration Report.

If the condition (described above) is satisfied, to consider, and if thought to fit, to pass, with or without amendment, the following as an **ordinary resolution**:

"That, subject to and conditional on at least 25% of the votes cast on Resolution 2 being against the adoption of the Remuneration Report:

- (a) *a general meeting of the Company be held within 90 days of the date of this Meeting (the "Spill Meeting");*
- (b) *each of Mr Craig Readhead, Mr Ian Buchhorn* and Mr Stephen Dennis, cease to hold office immediately before the end of the Spill Meeting; and*
- (c) *resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting."*

* This assumes Mr Ian Buchhorn is re-elected at the Annual General Meeting.

Voting exclusion: The Company will disregard any votes cast on Resolution 13 by any member of the Key Management Personnel of the Company whose remuneration is included in the 2014 Remuneration Report, or a Closely Related Party of such member.

However, the Company will not disregard any votes cast on Resolution 13 by such person if:

- (a) the person is acting as proxy and the Proxy Form specifies how the proxy is to vote on the Resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chairman of the Meeting voting an undirected proxy and their appointment expressly authorises the Chairman to exercise the proxy even though Resolution 13 is connected with the remuneration of the Key Management Personnel of the Company.

If you are a member of the Key Management Personnel of the Company or a Closely Related Party of such person (or are acting on behalf of any such person) and purport to cast a vote (other than as a proxy as permitted in the manner set out above), that vote will be disregarded by the Company (as indicated above) and you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

1. EXPLANATORY STATEMENT

The Explanatory Statement accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice of Annual General Meeting and Explanatory Statement.

2. PROXIES

In Australia, for those wishing to vote by proxy¹, eligible Shareholders (or their Attorney) should complete and sign the enclosed proxy form and return it (and any Power of Attorney under which it is signed) to the Company by no later than **2.00 pm (WST) on Thursday, 19 November 2014** by:

- ONLINE visit www.securitytransfer.com.au and follow the instructions on your proxy form
- BY MAIL Security Transfer Registrars Pty Ltd, PO Box 535,
Applecross 6953 Western Australia
- BY FAX +61 8 9315 2233
- IN PERSON Security Transfer Registrars Pty Ltd, 770 Canning Highway,
Applecross 6153 Western Australia
- BY EMAIL registrar@securitytransfer.com.au
- Email to the Company Secretary on heron@heronresources.com.au

Proxy forms received later than 2.00 pm (WST) on Thursday, 19 November 2014 will be invalid.

Note 1:

- Votes at the General Meeting may be given personally or by proxy, attorney or representative.
- A member entitled to attend and vote at the meeting has the right to appoint no more than two proxies.
- A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- If the member appoints two proxies and the appointment does not specify the proportion or the number of the member's votes each proxy may exercise, each proxy may exercise one half of the member's votes. If the member appoints two proxies, neither proxy may vote on a show of hands.
- A proxy need not be a member of the Company.
- A proxy form must be signed by the member or his or her attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed by a Director, Company Secretary, Sole Director and Sole Company Secretary or under the hand of a duly authorised officer or attorney.

In Canada, a Shareholder desiring to appoint some other person to represent him or her at the Meeting may do so either by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, mailing, faxing or emailing the form as above, or depositing the completed proxy at the office of:

- TMX Equity Transfer Services,
Suite 300, 200 University Avenue,
Toronto, Ontario, M5H 4H1.
- All duly completed and executed proxies of Shareholders in Canada must be received by Equity Financial Trust Company not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof.
- Proxy forms received later **5:00 pm (Toronto Time) on 18 November 2014**, will be invalid.

3. DATE FOR DETERMINING ELIGIBILITY TO VOTE

The Directors have determined, pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), that persons that are registered Shareholders of the Company at Company at **4.00 pm (WST) on Thursday, 19 November 2014** are eligible to vote.

The record date for the determination of Canadian registered Shareholders entitled to receive notice of the Meeting has been fixed at **October 10 2014**.

4. CORPORATE REPRESENTATIVE

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Bryan Horan', written in a cursive style.

BRYAN HORAN
Joint Company Secretary
17 October 2014

HERON RESOURCES LIMITED
ABN 30 068 263 098

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement has been prepared to provide Shareholders of Heron Resources Limited (“**Heron**” or the “**Company**”) with material information to enable them to make an informed decision in relation to the business to be conducted at the Annual General Meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 2.00pm WST on Friday, 21 November 2014.

2. FINANCIAL STATEMENTS AND REPORTS

The Financial Report, Directors’ Report and Auditor’s Report for the Company for the year ended 30 June 2014 will be laid before the Meeting.

There is no requirement under either the Corporations Act or the Constitution for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders as a whole to ask questions or make comments on the Remuneration Report and the management of the Company.

The Chairman will also allow a reasonable opportunity for Shareholders as a whole to ask the Company’s auditor questions relevant to:

- (a) the preparation and content of the Auditor’s Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

In addition to asking questions at the Meeting, Shareholders entitled to cast a vote at the Annual General Meeting may submit a written question to the Company’s auditor if the question is relevant to:

- (a) the content of the Auditor’s Report to be considered at the Annual General Meeting; or
- (b) the conduct of the audit of the Financial Report to be considered at the Annual General Meeting.

Written questions must be submitted no later than 14 November 2014 to:

Mr Bryan Horan
Joint Company Secretary
Heron Resources Limited
Level 1, 37 Ord Street
West Perth WA 6005
Email: bhoran@heronresources.com.au

3. RESOLUTION 1 – RE-ELECTION OF IAN BUCHHORN AS A DIRECTOR

The Company’s Constitution requires that an election of directors must take place each year. Each year (excluding the Managing Director and directors appointed to fill casual vacancies):

- (a) one third (or the nearest whole number not exceeding one third) of the directors; and
- (b) any other director who, if he or she does not retire, will at the conclusion of the meeting have been in office for three (3) or more years and for three (3) or more annual general meetings since he or she was elected to office,

must retire as a director of the Company.

If eligible, the director may then offer himself/herself for re-election as a director.

Accordingly, Mr Ian Buchhorn retires by rotation and, being eligible, offers himself for re-election as a Director.

Information with respect to Mr Ian Buchhorn is available in the Company's 2014 Annual Report, at pages 4 and 30.

The Directors (other than Mr Buchhorn) recommend that Shareholders vote *in favour* of re-electing Mr Buchhorn.

The Chairman of the Meeting intends to vote all undirected proxies *in favour* of this item of business.

4. **RESOLUTION 2 – ADOPTION OF REMUNERATION REPORT**

The Directors' Report for the year ended 30 June 2014, which is on pages 34 – 35 of the Company's 2014 Annual Report, contains a Remuneration Report. The Remuneration Report sets out the remuneration policy for the consolidated entity comprising the Company and its controlled entities, and reports on the remuneration arrangements in place for the Key Management Personnel of the consolidated entity. Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Corporations Act requires that a listed company put to a vote at its annual general meeting a resolution that its remuneration report be adopted. The Corporations Act expressly provides that the vote is advisory only and does not bind the Company or the Directors.

While the vote does not bind the Company or the Directors, there are important consequences if there is a material "against" vote on this resolution. The Corporations Act was amended in 2011 to introduce what is referred to as the "two strikes" rule. The two strikes rule provides that if at least 25% of the votes cast on the adoption of the remuneration report at two consecutive annual general meetings are against adopting the remuneration report, Shareholders will have the opportunity to vote on a "spill resolution" (as described below).

At last year's annual general meeting, approximately 36% of the votes cast in respect of the resolution to adopt the 2013 Remuneration Report were against that resolution and only approximately 64% of the votes cast were voted in favour of the resolution. Because the Company failed to obtain the necessary 75% vote in favour of adoption of the 2013 Remuneration Report, the Company recorded a "first strike" under the "two strikes" rule.

If (and only if) at least 25% of the votes cast on Resolution 2 at the 2014 Annual General Meeting are against adopting the Remuneration Report, this will constitute a "second strike" and Resolution 13 (known as the "**Spill Resolution**") will be put to the Meeting and voted on.

The Spill Resolution is an ordinary resolution which, if passed, will require the Board to convene a further general meeting of the Company ("**Spill Meeting**") to consider the composition of the Board. More details in relation to the Spill Resolution and the Spill Meeting are set out below in respect of Resolution 13.

If less than 25% of the votes cast on Resolution 2 are against adopting the Remuneration Report at the 2014 Annual General Meeting, then there will be no "second strike" and Resolution 13 will not be put to the Meeting.

It is therefore particularly important that Shareholders vote on Resolution 2. At the 2013 annual general meeting of the Company, only approximately 37% of voting shares on issue in the Company participated in the poll relating to the adoption of the 2013 remuneration report. Of this, approximately 49% were abstentions, which do not count as a vote cast on the resolution to adopt the Remuneration Report. Despite the relatively small subset of Shareholders that voted, the Board recognises the vote at the 2013 annual general meeting as an indication of Shareholder sentiment. The Board has had careful regard to the outcome of the vote and to subsequent discussions with Shareholders when setting the Company's

remuneration policies. The Board considers that the Company's remuneration arrangements, as set out in the 2014 Remuneration Report, are fair, reasonable and appropriate, in line with industry standards and structured in a way that the Company can attract and retain suitably qualified and experienced employees to manage the Company.

The Directors unanimously recommend that Shareholders vote *in favour* of adopting the 2014 Remuneration Report.

The Chairman of the Meeting intends to vote all undirected proxies *in favour* of this item of business.

5. RESOLUTION 3– APPROVAL TO ISSUE OPTIONS TO MR WAYNE TAYLOR

5.1 Background

The board of TriAusMin Limited determined to grant, 2,000,000 TriAusMin options, with an exercise price of \$0.04 (**TriAusMin Options**) to Mr Taylor, as part of his remuneration package, prior to the implementation of the scheme of arrangement with TriAusMin Limited earlier this year (**Scheme**). As disclosed in the scheme booklet for the Scheme, the TriAusMin Options were intended to be cancelled and Options granted on the same terms as the relevant TriAusMin Options with the exercise price being adjusted accordingly. On this basis, subject to Shareholder approval 858,369 Options will be issued to Mr Taylor at an exercise price of \$0.09.

The Options will be issued on the terms set out in Schedule 1 of this Explanatory Statement.

5.2 Listing Rule 10.11

Listing Rule 10.11 provides that a company must not issue securities to a person who is a related party of the Company unless the issue has been approved by holders of ordinary securities.

Under Resolution 3, the Company seeks approval from Shareholders for the Options, to be issued to a Director, Mr Taylor, who by virtue of his position as Director of the Company is a related party of the Company.

5.3 Information requirements of Listing Rule 10.13

In compliance with the information requirements of Listing Rule 10.13 for the purposes of approval under Listing Rule 10.11, Shareholders are advised of the following information:

- (a) The Options, are proposed to be issued to Mr Taylor, a Director of the Company and who is, as such, a related party of the Company.
- (b) The maximum number of Options that may be acquired by Mr Taylor pursuant to Resolution 3 is 858,369.
- (c) The Options will be issued no more than one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). The Options will be issued on one date.
- (d) Each Option will be granted to Mr Taylor for nil consideration. The exercise price of the Options will be \$0.09. The Options will be issued on the terms set out in Schedule 1 of this Explanatory Statement.
- (e) A voting exclusion statement for Resolution 3 has been included in the Notice of Meeting preceding this Explanatory Statement.
- (f) No funds will be raised from the issue of the Options as they will be issued for nil cash consideration.

5.4 Chapter 2E Corporations Act

Chapter 2E of the Corporations Act regulates the provision of “financial benefits” to “related parties” by a public company. Chapter 2E prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

A “related party” is widely defined under the Corporations Act, and includes the directors of the company under section 228 of the Corporations Act. As such, the Directors of the Company are related parties of the Company for the purposes of section 208 of the Corporations Act.

A “financial benefit” is construed widely and in determining whether a financial benefit is being given, section 229 of the Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit. Section 229 of the Corporations Act includes as an example of a financial benefit, the issuing of securities or the granting of an option to a related party.

The issue of the Options, under Resolution 3 constitutes the provision of a financial benefit to a related party.

It is the view of the Directors (other than Mr Taylor) that the proposed issue of Options pursuant to Resolution 3 fall within the “reasonable remuneration” exception under Section 211 of the Corporations Act given the circumstances of the Company and the position held by Mr Taylor.

Accordingly, the Directors (other than Mr Taylor) have determined not to seek Shareholder approval for the purposes of Section 208 of the Corporations Act for the issue of the Options to Mr Taylor, however Shareholder approval is still required to be sought for the purposes of Listing Rule 10.11.

5.5 Board Recommendation

The Directors (except for Mr Taylor) recommend that Shareholders vote in favour of Resolution 3.

6. RESOLUTIONS 4 AND 5 – APPROVAL OF EMPLOYEE INCENTIVE PLANS

6.1 Background

The Directors considered that it is appropriate to establish two new employee incentive plans, namely the Employee Share Option Plan (**ESOP**) and the Non-Executive Directors Share Plan (**NEDSP**).

The ESOP is proposed to be established in order to:

- (a) reward employees of the Company;
- (b) assist in the retention and motivation of employees of the Company; and
- (c) provide an incentive to employees of the Company to grow shareholder value by providing them with an opportunity to receive an ownership interest in the Company.

The NEDSP is proposed to be established to provide Non-Executive Directors with the opportunity to sacrifice a percentage of their Director’s fees for a given financial year in exchange for the provision of Shares.

Accordingly, the Directors propose to adopt the:

- (a) ESOP under which employees of the Company (which may include Directors) may be offered the opportunity to be granted Options; and
- (b) NEDSP under which Non-Executive Directors may sacrifice a percentage of their Director’s fees for a given financial year in exchange for the provision of Shares.

The plans are designed to provide incentives to the employees and Directors of the Company and to recognise their contribution to the Company’s success. Under the current circumstances the Directors consider that the incentive plans are a cost effective and

efficient incentive for the Company as opposed to alternative forms of incentives such as cash based remuneration.

The ESOP was originally adopted on 19 August 2014. On 26 September 2014, the Board resolved to update the ESOP to increase the number of Options issuable pursuant to the ESOP from 5% of the Company's issued and outstanding Shares to 10% of the total number of issued and outstanding Shares. The ESOP was also amended to include an insider participation limit to confirm with the policies of the TSX.

To enable the Company to secure employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The plans are designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain shareholdings in the Company.

Directors of the Company may participate under the ESOP or the NEDSP. However, prior shareholder approval will be required before a Director or related party of the Company can receive an issue of Options under the ESOP or an issue of Shares under the NEDSP.

The rules of TSX provide that all unallocated options, rights or other entitlements under a security based compensation arrangement which does not have a fixed number of maximum securities issuable, be approved every three (3) years. As such, the Company shall have the ability to continue granting Options under the ESOP and Shares under the NEDSP until 21 November 2017, which is the date that is three (3) years from the date of the Meeting at which Shareholder approval is being sought to approve both the ESOP and the NEDSP.

6.2 Regulatory Requirements

Approval is sought in respect of the adoption of the ESOP and NEDSP under Listing Rule 7.2 (Exception 9(b)) which provides an exception from the Listing Rule 7.1 15% annual limit on securities issued, under an employee incentive scheme provided, within three years before the date of issue, shareholders have approved the issue of securities under the plan. In the absence of such approval, the issue can still occur but is counted as part of the Listing Rule 7.1 15% limit which would otherwise apply during a 12 month period.

The following information is provided to Shareholders for the purpose of Listing Rule 7.2 Exception 9(b).

- (a) Schedule 2 contains a summary of the key terms of the ESOP and Schedule 3 contains a summary of the key terms of the NEDSP.
- (b) This is the first approval sought under Listing Rule 7.2 Exception 9(b) with respect to the ESOP and the NEDSP. No Options have previously been issued under the ESOP and no Shares have previously been issued under the NEDSP.
- (c) A voting exclusion statement for Resolution 4 in respect of the ESOP and Resolution 5 in respect of the NEDSP, are included in the Notice of Meeting preceding this Explanatory Statement.

6.3 Regulatory Requirements

Each of the Directors has an interest in the outcome of Resolution 4 and accordingly do not make a voting recommendation to Shareholders.

The Directors, other than Messrs Readhead and Dennis, recommend that Shareholders vote in favour of Resolution 5.

7. RESOLUTIONS 6, 7, 8, AND 9 - ISSUE OF OPTIONS TO MESSRS WAYNE TAYLOR, IAN BUCHHORN, CRAIG READHEAD AND STEPHEN DENNIS

7.1 Background

The Company has agreed, subject to obtaining Shareholder approval, to issue Options to the Directors as set out in the table below:

Resolution/Director	Options
Resolution 6 – Mr Wayne Taylor (Managing Director)	4,000,000
Resolution 7 – Mr Ian Buchhorn (Executive Director)	3,000,000
Resolution 8 – Craig Readhead (Non-Executive Director, Chairman)	1,000,000
Resolution 9 – Mr Stephen Dennis (Non-Executive Director)	1,000,000

Resolutions 6, 7, 8 and 9 are subject to Shareholders passing Resolution 4.

The Options are to be issued as part of Messrs Taylor, Buchhorn, Readhead and Dennis' remuneration packages and to secure the ongoing commitment of Messrs Taylor, Buchhorn, Readhead and Dennis to the continued growth of the Company.

The Company proposes to issue the Options, subject to obtaining Shareholder approval, as part of Messrs Taylor, Buchhorn, Readhead and Dennis' remuneration packages. The primary purpose of the issue of Options to Messrs Taylor, Buchhorn, Readhead and Dennis is to provide a market linked incentive to them in their respective roles as Directors, and to provide cost effective consideration for their commitment and contribution to the Company.

Messrs Taylor, Buchhorn, Readhead and Dennis (other than the Director the subject of the relevant resolution) do not consider there are any significant opportunity costs to the Company or benefits foregone in issuing the Options on the terms proposed. Messrs Taylor, Buchhorn, Readhead and Dennis (other than the Director the subject of the relevant resolution) consider that the options to be granted are appropriate considering the present size, circumstances and growth objectives of the Company.

The Options will be issued on terms set out in Schedule 2 and the specific terms set out in the table below.

Terms	Details
Grant Date	24 November 2014
Expiry Date	24 November 2019
Vesting	<p>One third of the Options granted to a Director to vest in the first year from the Grant Date (First Tranche).</p> <p>One third of the Options granted to a Director to vest in the second year from the Grant Date (Second Tranche).</p> <p>One third of the Options granted to a Director to vest in the third year from the Grant Date (Third Tranche).</p>
Exercise Price	<p>First Tranche: 125% of the volume weighted average price of the Company's shares traded on ASX over the 5 business days immediately preceding the Grant Date.</p> <p>Second Tranche: 145% of the volume weighted average price of the Company's shares traded on ASX over the 5 business days immediately preceding the Grant Date.</p> <p>Third Tranche: 165% of the volume weighted average price of the Company's shares traded on ASX over the 5 business days immediately preceding the Grant Date.</p>

7.2 Regulatory Requirements

ASX Listing Rules

Listing Rule 10.14 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive plan to a related party, including directors of the entity.

Accordingly, Shareholder approval is being sought under Listing Rule 10.14 for the issue of Options to Messrs Taylor, Buchhorn, Readhead and Dennis.

Corporations Act

Section 208 of Chapter 2E of the Corporations Act provides that for a public company to give a financial benefit to a related party of the public company, the public company must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within fifteen (15) months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

It is the view of Messrs Taylor, Buchhorn, Readhead and Dennis (other than the Director the subject of the relevant resolution) that the proposed issue of Options pursuant to Resolutions 6, 7, 8 and 9 fall within the "reasonable remuneration" exception under Section 211 of the Corporations Act given the circumstances of the Company and the position held by Messrs Taylor, Buchhorn, Readhead and Dennis.

Accordingly, Messrs Taylor, Buchhorn, Readhead and Dennis (other than the Director the subject of the relevant resolution) have determined not to seek Shareholder approval for the purposes of Section 208 of the Corporations Act for the issue of the Options to Messrs Taylor, Buchhorn, Readhead and Dennis.

As each Director of the Company may receive Options under Resolutions 6, 7, 8 and 9, the Company has nevertheless determined to include the information below for the benefit of Shareholders, even though the Company is not seeking Shareholder approval for the purposes of Section 208 of Chapter 2E of the Corporations Act.

- (a) **Identity of the related parties to whom Resolutions 6, 7, 8 and 9 permit financial benefits to be given**

The Options are proposed to be issued to Messrs Taylor, Buchhorn, Readhead and Dennis, respectively, Directors of the Company and who are, as such, related parties of the Company.

- (b) **Nature of the financial benefit of the Options**

Resolutions 6, 7, 8 and 9 seek approval from Shareholders to allow the Company to issue an aggregate of 9,000,000 Options under the ESOP to the related parties for nil consideration.

Item 2 of Schedule 2 of this Notice of Meeting sets out the key terms of the Options.

The Shares to be issued upon vesting of the Options will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares. The Company will apply for official quotation of the Shares on ASX.

- (c) **Valuation of financial benefit**

The Black Scholes model has been applied in providing valuation information in respect of the Options to be issued to Messrs Taylor, Buchhorn, Readhead and Dennis.

Assumptions

Valuation Date:	6 October 2014
Market Price of Shares (at Valuation Date):	A\$0.155
Exercise Price:	A\$0.19
Expiry Date:	24 November 2019
Risk Free Interest Rate:	2.5%
Volatility:	75%
Dividend yield:	0
Indicative value per Option:	A\$.09

(d) **Dilution**

If the Options vest and are exercised, the effect will be to dilute the holdings of the Shares of other Shareholders. The issue of Options will in aggregate be equal to approximately 2.3% of the Company's fully-diluted share capital, assuming implementation of all the Resolutions and exercise of all the Options, granted pursuant to the Resolutions (based on the number of Shares and Options on issue as at the date of this Notice), resulting in a total of 386,302,613 Shares on issue.

(e) **Interests of Messrs Taylor, Buchhorn, Readhead and Dennis in the Company**

The direct and indirect interests of Messrs Taylor, Buchhorn, Readhead and Dennis in securities of the Company as at the date of this Notice are:

Name	Security
Wayne Taylor	795,913 Shares 1,716,738 Options
Ian Buchhorn	46,590,959 Shares 7,000,000 Options
Craig Readhead	1,712,723 Shares
Stephen Dennis	550,000 Shares

(f) **Remuneration**

Details of the remuneration of Messrs Taylor, Buchhorn, Readhead and Dennis, for the year ended 30 June 2014, is set out below.

The Company expects the total remuneration for Messrs Taylor, Buchhorn, Readhead and Dennis for the year ended 30 June 2014 to be similar to that set out below in respect of the previous financial year.

Name	Remuneration
Wayne Taylor ¹	\$456,703
Ian Buchhorn	\$631,292
Craig Readhead	\$100,000
Stephen Dennis	\$79,753

(1) Mr Taylor became a Director of the Company on 5 August 2014, and as such the remuneration specified above is in respect of remuneration paid to Mr Taylor whilst he was a director of TriAusMin Limited.

(g) **Other information**

The Directors consider that the issue of Options to Messrs Taylor, Buchhorn, Readhead and Dennis is a cost effective and efficient means for the Company to provide incentive to its personnel as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. The Company considers that, to enable the Company to secure and retain employees and directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The issue of the Options is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

The Company reviewed the practices of other companies of a similar size and stage of development to determine the number of Options required to be issued to attract and retain senior directors. Based on that review, the Board determined that the proposed grant of the number of Options in Resolutions 6, 7, 8 and 9 is appropriate.

Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated in Resolutions 6, 7, 8 and 9.

7.3 Listing Rule 10.14

Listing Rule 10.14 provides that a company must not permit any of the following persons to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of the acquisition:

- (a) a director of the company;
- (b) an associate of a director; or
- (c) a person whose relationship with the company or a person referred to in (a) or (b) above is, in ASX's opinion, such that approval should be obtained.

If Resolutions 6, 7, 8 and 9 are passed, Options will be issued under the ESOP to Messrs Taylor, Buchhorn, Readhead and Dennis, who are directors of the Company.

Approval under Listing Rule 7.1 is not required in order to issue the Options, as approval is being obtained under Listing Rule 10.14. Accordingly, the issue of Options to Messrs Taylor, Buchhorn, Readhead and Dennis will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

7.4 Information Required by Listing Rule 10.15

A notice of meeting to obtain approval under Listing Rule 10.14 must comply with either Listing Rule 10.15 or 10.15A. The information required by Listing Rule 10.15 is set out below:

- (a) The maximum number of securities to be issued to Messrs Taylor, Buchhorn, Readhead and Dennis under Resolutions 6, 7, 8 and 9 is set out in the table below:

Resolution/Director	Options
Resolution 6 – Mr Wayne Taylor (Managing Director)	4,000,000
Resolution 7 – Mr Ian Buchhorn (Executive Director)	3,000,000
Resolution 8 – Craig Readhead (Non-Executive Director, Chairman)	1,000,000
Resolution 9 – Mr Stephen Dennis (Non-Executive Director)	1,000,000

- (b) The Options will be issued for no cash consideration, in return for Messrs Taylor, Buchhorn, Readhead and Dennis' future services to the Company, and to secure the ongoing commitment of Messrs Taylor, Buchhorn, Readhead and Dennis to the continued growth of the Company. In determining the number of Options to be issued to Messrs Taylor, Buchhorn, Readhead and Dennis, consideration was given to their respective high levels of experience, their roles as Directors, their overall remuneration packages, the current market price of the Shares, and the terms of option packages granted to directors of other similar-sized companies. When granting Options, the Company must specify the exercise price of the Options, being not less than the weighted average market closing price of the Shares traded on the ASX over a five (5) trading day period ending on the last trading day immediately prior to the issue date.
- (c) No Directors have previously received securities under the ESOP as it is a new incentive plan of the Company.
- (d) All full time or part time employees (which may include Directors), qualifying contractors (or a Group Company) are eligible to participate in the ESOP.
- (e) A voting exclusion statement is set out in the Notice of Meeting accompanying this Explanatory Statement.
- (f) No financial assistance will be provided by the Company to Messrs Taylor, Buchhorn, Readhead and Dennis for the purpose of acquiring the Options, as they are to be issued for no cash consideration.
- (g) The Options will be issued to Messrs Taylor, Buchhorn, Readhead and Dennis under the ESOP within twelve (12) months after the date of the AGM (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that the Options will be issued on one date.

7.5 Board recommendation

As each of the Directors has an interest in the outcome of Resolutions 6 to 9, they accordingly do not make a voting recommendation to Shareholders.

8. RESOLUTIONS 10 AND 11 - APPROVAL OF ISSUE OF SHARES UNDER NON-EXECUTIVE DIRECTORS SHARE PLAN

8.1 Background

The Company has agreed, subject to obtaining Shareholder approval, to issue Shares to Messrs Craig Readhead and Stephen Dennis (who are each Non-Executive Directors of the Company), under the NEDSP.

The Board considers that the issue of Shares to Non-Executive Directors in lieu of cash payments for fees under the NEDSP is reasonable in the circumstances as it will allow the Company to maintain its cash reserves. The NEDSP will also help to align the interests of

Non-Executive Directors with those of Shareholders by encouraging Non-Executive Director Share ownership in the Company.

Under the NEDSP, the relevant Non-Executive Director will receive a portion of their salary in Shares. As such, the Shares will be issued for nil cash consideration and no funds will be raised as a result.

Shareholder approval for the issue of Shares under the NEDSP is sought for the purposes of Listing Rule 10.14. As approval of Shareholders is being sought for the Company to adopt the NEDSP under Resolution 5, and issue of Shares pursuant to the NEDSP under Resolutions 10 and 11, Shareholder approval under Listing Rule 7.1 is not required, in accordance with Exception 9(b) of Listing Rule 7.2.

The following information is provided to assist Shareholders in assessing Resolutions 10 and 11.

8.2 Waiver of Listing Rules

The Company is in the process of seeking the following waivers from ASX in relation to the approval sought under Resolutions 10 and 11:

- (a) a waiver of Listing Rule 10.15A.2 to permit this Notice of Meeting to omit the maximum number of Shares that may be acquired by Non-Executive Directors under the NEDSP (given that such details cannot be accurately determined at this time); and
- (b) a waiver of Listing Rule 10.15A.8 to permit this Notice of Meeting to state that the NEDSP applies to the Non-Executive Directors in office from time to time and who become entitled to participate in the NEDSP (rather than having to set out the names of all such people who may be or become eligible to participate in the NEDSP).

Resolutions 10 and 11 will be withdrawn if the waiver sought under 8.2(a) above is not obtained from ASX prior to the Meeting.

8.3 Listing Rule 7.1

Broadly, Listing Rule 7.1 provides that a company may not issue equity securities if those securities will, in themselves or when aggregated with the equity securities issued by the company during the previous 12 months, exceed 15% of the number of equity securities on issue at the commencement of that 12 month period unless the issue falls within one of the nominated exceptions or approval of the company's shareholders in general meeting is obtained.

Exception 9(b) of Listing Rule 7.2 provides for an exception to Listing Rule 7.1 where the issue of securities are made under an employee incentive scheme that has been approved by shareholders within three years before the date securities are issued under the scheme.

8.4 Listing Rule 10.14 and 10.15A

In addition to Listing Rule 7.1, Listing Rule 10.14 restricts the issue of securities under an employee incentive scheme to Directors without the prior approval of shareholders.

In order to comply with Listing Rule 10.14, the notice convening the meeting at which approval will be sought must comply with either Listing Rule 10.15 or 10.15A. Where shares may be issued later than 12 months following a meeting, the notice must comply with the requirements of Listing Rule 10.15A. Accordingly, in order for Non-Executive Directors to participate in the NEDSP and be issued Shares later than 12 months following the Meeting, Shareholder approval is being sought for the purposes of Listing Rule 10.14 and the information required by Listing Rule 10.15A is set out below.

8.5 Information required under Listing Rule 10.15A

- (a) Under the NEDSP, the Company agrees to issue Shares to Non-Executive Directors in lieu of the amount of remuneration that each Non-Executive Director has agreed to sacrifice.

To participate in the NEDSP, Non-Executive Directors are required to salary sacrifice a minimum of 10% of their annual base salary into Shares. There is no maximum percentage or value cap that each Non-Executive Director can sacrifice.

The issue price for Shares under the NEDSP will be determined by dividing the amount which the Non-Executive Director wishes to salary sacrifice divided by, the greater of:

- (i) if the Shares are purchased on ASX, the average price paid for the Shares on ASX under the NEDSP (inclusive of costs associated with their acquisition); or
- (ii) if the Shares are issued by the Company, the volume weighted average price for sales of Shares on ASX for the five trading days immediately before the issue of the Shares.

As such, the Company cannot determine the exact number of Shares to be issued to the Non-Executive Directors in lieu of remuneration as at the date of this Notice of Meeting.

Set out below are some examples of the number of Shares that may be issued to the Non-Executive Directors under the NEDSP, based on an assumed price for Shares of \$0.155 per Share (being the closing market price on 6 October 2014). These are examples only and Shareholders should be aware that the actual number of Shares to be issued to Non-Executive Directors may vary, based on the prevailing Share price at the time the number of Shares to be issued is calculated, and the percentage of fees (or executive remuneration) each Non-Executive Director elects to sacrifice.

The total amount of annual directors' fees and executive remuneration currently being paid to the Non-Executive Directors is \$179,753.

Based, for example, on each current Non-Executive Director sacrificing 30% of their current fees for the 12 month period ending 30 June 2014 and a Share price of \$0.155 per Share, each Director will be issued approximately the number of Shares detailed below:

Director	Annual Directors' fees	Amount sacrificed (30%)	Number of Shares to be issued
Craig Readhead	\$100,000	\$30,000	193,548
Stephen Dennis	\$79,753	\$23,926	154,361

This would dilute current shareholders by the percentages set out below based on the Company's current share capital:

Number of Shares currently on issue	Number of Shares to be issued	Dilution
360,877,723	347,909	0.0009%

Set out below is a further table showing the maximum dilution assuming the fees paid to each of the current Non-Executive Directors are increased to the maximum

currently permitted under Listing Rule 10.17 (being \$500,000), there is currently however no proposal to increase the fees currently paid to Non-Executive Directors. Again, based on a Share price of \$0.155 per Share, the total number of Shares that could be issued to Directors if they sacrificed the full 100% of their salary and increased their fees to the maximum permitted under the Listing Rules is set out below:

Director	Annual Directors' fees maximum	Amount sacrificed (100%)	Number of Shares to be issued
Craig Readhead	\$250,000	\$250,000	1,612,903
Stephen Dennis	\$250,000	\$250,000	1,612,903

This would dilute current shareholders by the percentages set out below based on the Company's current share capital:

Number of Shares currently on issue	Number of Shares to be issued	Dilution
360,877,723	3,225,806	0.008%

The trading history of the closing price of Shares on the ASX in the 12 months preceding the preparation of this Notice is set out below.

	Date	Price
Highest	5 September 2014	A\$0.205
Lowest	30 June 2013	A\$0.105
Last	6 October 2014	A\$0.155

- (b) The Shares will be issued for no cash consideration and will be issued in lieu of remuneration on this basis of the formula noted above at section 8.5(a).
- (c) No Directors have previously received securities under the NEDSP as it is a new incentive plan of the Company.
- (d) All Non-Executive Directors of the Company are eligible to participate in the NEDSP.
- (e) A voting exclusion statement is set out in the Notice of Meeting accompanying this Explanatory Statement.
- (f) No financial assistance will be provided by the Company to Messrs Readhead and Dennis for the purpose of acquiring the Shares.
- (g) Details of any securities issued under the NEDSP will be published in each annual report of the entity relating to a period in which Shares have been issued, and that approval for the issue of Shares was obtained under Listing Rule 10.14.

Any additional persons who become entitled to participate in the NEDSP after Resolutions 5, 10 and 11 are approved and who were not named in the notice of meeting will not participate until approval is obtained under Listing Rule 10.14 (unless permitted by any ASX waiver or modification of the Listing Rules as noted above at section 8.2(b) of this Explanatory Statement).

- (h) The Shares will be issued to Non-Executive Directors under the NEDSP within three (3) years after the date of the AGM (or such later date as permitted by any ASX waiver or modification of the Listing Rules). Shares are to be issued to Non-Executive Directors in respect of a financial year, at or as soon as practicable after the end of each quarter, or such other period as the Board determines.

8.6 Board recommendation

The Directors, other than Messrs Readhead and Dennis, recommend that Shareholders vote in favour of Resolutions 10 and 11.

9. RESOLUTION 12 - APPROVAL FOR 10% PLACEMENT FACILITY

9.1 Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities comprising up to 10% of its issued share capital through placements over a twelve (12) month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity as at the date of this Notice and expects to be so at the date of the Annual General Meeting. The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 9.2(c) below).

The Company may use the 10% Placement Facility for project development, exploration activities encompassing drilling and feasibility studies on the Company's projects, for the acquisition of a new asset or for working capital purposes.

With the development of the Woodlawn Project, the Board believes that the 10% Placement Facility will be beneficial for the Company as it will provide flexibility to issue further Equity Securities representing up to 10% of the Company's share capital during the next twelve (12) months. Accordingly, the Directors believe that Resolution 12 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

9.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, being Shares and unlisted Options.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the twelve (12) month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of fully paid ordinary shares on issue twelve (12) months before the date of issue or agreement:

- (i) plus the number of fully paid ordinary shares issued in the twelve (12) months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid ordinary shares that became fully paid in the twelve (12) months;
- (iii) plus the number of fully paid ordinary shares issued in the twelve (12) months with approval of holders of shares under Listing Rule 7.1 and 7.4;
- (iv) less the number of fully paid ordinary shares cancelled in the twelve (12) months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the twelve (12) months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 360,877,723 Shares and has a capacity to issue approximately:

- (i) 54,131,658 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being obtained under Resolution 12, 36,087,772 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 9.2(c) above).

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the fifteen (15) trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within five (5) trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) **10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is twelve (12) months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(defined as the “**10% Placement Period**”)

9.3 Listing Rule 7.1A

The effect of Resolution 12 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 12 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

9.4 Specific Information required by Listing Rule 7.3A

In accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price not less than the minimum issue price calculated in accordance with section 9.2(c) above.
- (b) If Resolution 12 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are exercised) to the extent Shareholders do not receive any Shares under the issue. There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (iii) two examples where variable “A” has increased, by 50% and 100%. Variable “A” is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and
- (iv) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0725 50% decrease in Issue Price	\$0.155 Issue Price	\$0.31 100% increase in Issue Price

Current Variable A 360,877,723 Shares	10% Voting Dilution	36,087,772 Shares	36,087,772 Shares	36,087,772 Shares
	Funds raised	\$2,616,363	\$5,593,605	\$11,187,209
50% increase in current Variable A 541,316,584 Shares	10% Voting Dilution	54,131,658 Shares	54,131,658 Shares	54,131,658 Shares
	Funds raised	\$3,924,545	\$8,390,407	\$16,780,814
100% increase in current Variable A 721,755,446 Shares	10% Voting Dilution	72,175,545 Shares	72,175,545 Shares	72,175,545 Shares
	Funds raised	\$5,232,727	\$11,187,209	\$22,374,419

The table has been prepared on the following assumptions:

1. The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
2. No Options (including any Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
3. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
4. The table does not show an example of dilution that may be experienced by a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
5. The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
6. The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
7. Shares have been rounded down to the nearest whole Share.
8. The issue price is \$0.155 being the closing price of the Shares on ASX on 6 October 2014.

- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 12 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) Non-cash consideration for the acquisition of the new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) Cash consideration. In such circumstances, the Company intends to use the funds raised towards project development, an acquisition of new assets or investments (including expenses associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital, consistent with the Company's publicly stated strategy.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue under the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and new Shareholders.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

- (e) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A and accordingly has not issued any Equity Securities under Listing Rule 7.1A in the twelve (12) months preceding the date of the Annual General Meeting.
- (f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

9.5 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 12.

10. RESOLUTION 13 - CONTINGENT RESOLUTION - HOLDING A SPILL MEETING

This resolution will only be considered and put to a vote if at least 25% of the votes cast on the resolution to adopt the Remuneration Report (Resolution 2) are cast against the adoption of the report. Such an against vote will constitute a second strike for the Company.

If the resolution to adopt the Remuneration Report does not receive an against vote of 25% or more at the Annual General Meeting, Resolution 13 will not be put to the Meeting.

If put to the Meeting, the Spill Resolution will be considered as an ordinary resolution and will be passed if more than 50% of the eligible votes cast on the Spill Resolution are cast in favour of the Resolution. Shareholders not attending the Annual General Meeting who want to cast votes on Resolution 13 will need to vote on Resolution 13 in the attached Proxy Form, prior to the consideration of Resolution 2 at the Annual General Meeting, notwithstanding that Resolution 13 will not be put to Shareholders if Resolution 2 receives an against vote of less than 25% at the Annual General Meeting.

If Resolution 13 is put to Shareholders and passed it will be necessary for the Company to hold the Spill Meeting within ninety (90) days of the Annual General Meeting in order to consider the composition of the Board. If a Spill Meeting is held, immediately before the end of the Spill Meeting, each of the following Directors ("**Relevant Directors**") will cease to hold office:

- Mr Craig Readhead;

- Mr Ian Buchhorn (assuming Mr Buchhorn is re-elected at this year's Annual General Meeting); and
- Mr Stephen Dennis.

The Managing Director of the Company, Mr Wayne Taylor, would not lose office at any Spill Meeting, as the managing director is exempt from this requirement.

Each of the Relevant Directors is eligible to seek re-election as a director of the Company at the Spill Meeting. Under the Corporations Act, the Company is required to have a minimum of three Directors. The Corporations Act contains a mechanism to ensure that the Company will have at least three Directors after the Spill Meeting. If, at the Spill Meeting, a minimum of two Directors are not appointed by ordinary resolution, the persons taken to be appointed will be those with the highest percentage of votes favouring their appointment cast at the Spill Meeting on the resolution for their appointment (even if less than half the votes cast on the resolution were in favour of their appointment).

The provisions of the Corporations Act, ASX Listing Rules and the Company's Constitution relating to meetings of the Company will apply to the Spill Meeting, including the requirement for the Company to provide a notice of meeting setting out the business to be considered at the Spill Meeting.

Shareholders should be aware that the total cost to the Company of holding a Spill Meeting is significant (including printing, mail-out and share registry costs) and that holding a Spill Meeting would cause significant disruption to the running of the Company and may impact on its share price.

Shareholders should also note that 49,651,581 Shares ("**Key Management Shares**"), or 13.7% of the Company's total issued Share capital, are held by the Key Management Personnel of the Company (or their Closely Related Parties). These Key Management Shares are not able to be voted on either Resolution 2 (the Remuneration Report resolution) or Resolution 13 (the resolution to convene a Spill Meeting). However, the Key Management Shares may be cast on resolutions put to Shareholders at a Spill Meeting for the election and re-election of Directors. The Company has been informed that, in the event Resolution 13 is passed, all of the holders of Key Management Shares presently intend to vote their Shares in favour of the re-election of all of the Relevant Directors.

The Directors unanimously recommend that Shareholders vote **against** Resolution 13.

The Chairman of the Meeting intends to vote all undirected proxies **against** this item of business.

GLOSSARY

In this Notice of Annual General Meeting and accompanying Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

"10% Placement Facility"	has the meaning given to that term in Section of 9.2(f) of the Explanatory Statement.
"ASIC"	means the Australian Securities and Investments Commission.
"ASX"	means ASX Limited (ABN 98 008 624 691).
"ASX Listing Rules"	means the listing rules of ASX.
"Board"	means the board of Directors.
"Chairman"	means the chairman of the Annual General Meeting.
"Closely Related Party"	has the meaning given to it in Section 9 of the Corporations Act
"Company" or "Heron"	means Heron Resources Limited (ABN 30 068 263 098).
"Constitution"	means the constitution of the Company.
"Corporations Act"	means the <i>Corporations Act 2001</i> (Cth).
"Director"	means a director of the Company and "Directors" has a corresponding meaning.
"Directors' Report"	means the Directors' Report set out in the 2012 Annual Report.
"Employee Share Option Plan" or "ESOP"	means the Employee Share Option Plan of the Company.
"Equity Securities"	has the meaning given to that term in the Listing Rules.
"Explanatory Statement"	means the explanatory statement that accompanies the Notice of Annual General Meeting.
"Group Company"	means the Company and or its subsidiaries (as that term is defined in the Corporations Act).
"Key Management Personnel"	has the meaning given to it in Section 9 of the Corporations Act.
"Listing Rules"	means the listing rules of the ASX.
"Meeting" or "Annual General Meeting"	means the annual general meeting of Shareholders convened by this Notice of Annual General Meeting.
"Non-Executive Directors Share Plan" or "NEDSP"	means the Non-Executive Directors Share Plan of the Company.
"Notice of Annual General Meeting" or "Notice of Meeting"	means this notice of Annual General Meeting.
"Option"	means an option to subscribe for a Share.
"Proxy Form"	means the proxy form enclosed with this Notice of Meeting.
"Remuneration Report"	means the Company's annual remuneration report.
"Resolution"	means a resolution contained in this Notice of Meeting.
"Share"	means a fully paid ordinary share in the capital of the Company.
"Shareholder" or "Member"	means a person who holds Shares.

“TSX”

means Toronto Stock Exchange

“WST”

means Western Standard Time.

SCHEDULE 1 – SUMMARY OF TERMS OF OPTIONS TO BE ISSUED UNDER RESOLUTION 3 TO MR WAYNE TAYLOR

1. EXPIRY DATE

20 November 2018 (**Expiry Date**).

2. EXERCISE PRICE

The Options will be exercisable at A\$0.09 (**Exercise Price**).

3. EXERCISE OF OPTIONS

An Option is exercisable by the registered Option holder lodging the notice of exercise of Option, the exercise price for each Share to be issued on exercise and the relevant Option certificate, at the office of the Company. The exercise of some Options only does not affect the registered Option holder's right to exercise other Options at a later time

4. LAPSE OF OPTIONS

If the Option holder ceases to be a Director of the Company for any reason, any Options must be exercised within 60 days after the date of cessation. If the Options are not exercised or if the Directors do not extend the period of time in which the Options may be exercised, then the Options will lapse immediately upon the expiry of the 60 day period.

Options not exercised by 5:00 pm on the Expiry Date will lapse.

5. TRANSFER

The Options are not transferable.

6. QUOTATION

Quotation of the Options on the ASX will not be sought by the Company. The Company must apply to the ASX for official quotation of the Shares issued on any exercise of an option.

7. DIVIDENDS

Shares issued on any exercise of an option will rank equally in all respects with all existing ordinary shares in the capital of the Company from the date of issue and will be entitled to each dividend for which the books closing date for determining entitlements falls after the date of each issue.

8. BONUS ISSUE

If the Company makes a bonus issue of shares or other securities pro rata to holders of ordinary shares at a time when either:

- (a) an Option had not been exercised in full; or
- (b) an Option had been exercised, but shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the bonus issue,

then, the number of Shares over which the option is exercisable or has been exercised (as

the case may be) will be increased by the number of securities which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue and the exercise price will be adjusted accordingly.

9. RIGHTS ISSUE

If the Company makes an offer of ordinary shares pro rata to all holders of ordinary shares where (S+D) (as defined below) exceeds P (as defined below) at a time when:

- (a) an Option has not been exercised in full; or
- (b) the Option has been exercised, but shares the subject of the exercise, have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the rights issue.

then the Exercise Price per share will be reduced according to the following formula:

$$O^1 = \frac{O - E * [P - (S + D)]}{N + 1}$$

Where:

- O¹** = the new Exercise Price of the Option.
- O** = the old Exercise Price of the Option.
- E** = the number of underlying securities into which one Option is exercisable.
- P** = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days before the ex rights date or ex entitlements date.
- S** = the subscription price for a security under the pro rata issue.
- D** = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue)
- N** = number of securities with rights or entitlements that must be held to receive a right to one new security.

The number of securities which the Option holder is entitled to subscribe for on exercise of the Option shall remain unchanged.

10. RECONSTRUCTION

The rights of an Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

SCHEDULE 2 – SUMMARY OF TERMS OF ESOP

1. ELIGIBILITY

The Board may, in its absolute discretion, invite an eligible person to participate in the ESOP. An eligible person includes a permanent or part time employee of a Group Company (which may include a Director) and subject to obtaining relief from ASIC, a contractor of a Group Company who has worked for a Group Company for not less than twelve (12) months and received 80% or more of their income in the preceding year from a Group Company.

2. TERMS OF OPTIONS

- (a) Each Option will entitle its holder to subscribe for and be issued, one fully paid ordinary share in the capital of the Company, which will rank equally with all other issued Shares (upon vesting and exercise of that Option).
- (b) The Options may be issued by the Company as tranches, with the same exercise conditions, vesting dates and exercise price applicable to Options issued in the same tranche.
- (c) When granting Options, the Company must specify the exercise price of the Options, being not less than the weighted average market closing price of the Shares traded on the ASX over a five (5) trading day period ending on the last trading day immediately prior to the issue date.
- (d) Options will not be listed for quotation on the ASX, however, the Company will apply for official quotation of the Shares issued upon the exercise of any vested Options.
- (e) The Options are not transferable.
- (f) Following the issue of Shares following exercise of vested Options, holders will be entitled to exercise all rights of a Shareholder attaching to the Shares.

3. VESTING

Unless otherwise determined by the Directors, the Options will vest on the earlier of:

- (a) in relation to the first tranche, one (1) year after the issue date;
- (b) in relation to the second tranche, two (2) years after the issue date;
- (c) in relation to the third tranche, three (3) years after the issue date;
- (d) the date on which the holder retires, takes early retirement, is permanently disabled, is made redundant, is dismissed from office other than for cause within six (6) months after a change of control has occurred ("**Excluded Event**") or dies; or
- (e) on such other date as determined by the Board in its discretion.

4. LAST EXERCISE DATE

Unless otherwise determined by the Directors, the Options will expire on the earlier of, five (5) years from the date of issue, and the date that is six (6) months after the day on which the holder retires, takes early retirement, is permanently disabled, is made redundant, ceases to be an eligible person by virtue of an excluded event or dies ("**Last Exercise Date**").

5. LAPSE

An Option will immediately lapse upon the first to occur of:

- (a) the Last Exercise Date;

- (b) the day which is sixty (60) days after the day on which the holder ceases to be an eligible person, otherwise than by death, early retirement, an Excluded Event, permanent disablement, redundancy or retirement;
- (c) the day on which the holder ceases to be an eligible person by reason of dismissal for misconduct; and
- (d) the day on which a holder defaults under the terms of the ESOP.

6. NEW ISSUES

Holders will not be entitled to participate in new issues of securities offered to Shareholders of the Company during the currency of the Options, without exercising their Options. The Company must give notice to the holder of any new issue before the record date for determining entitlements.

7. RIGHTS ISSUES

Subject to the ASX and TSX listing rules, the exercise price of the Options will be adjusted if the Company makes a pro rata issue to all or substantially all holders of ordinary shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) where (S+D) (as defined below) does not exceed P (as defined below) at a time when:

- (a) an Option has not been exercised in full; or
- (b) the Option has been exercised, but Option shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the rights issue;

then, the exercise price per share will be reduced, subject to the ASX and TSX listing rules, according to the following formula:

$$A = O - \frac{E \cdot [P - (S+D)]}{N + 1}$$

Where

- "A" is the new exercise price of the Option
- "O" is the old exercise price of the Option
- "E" is the number of Shares into which one Option is exercisable
- "P" is the average weighted market price of the Shares during the five (5) trading days on the ASX ending on the day before the ex-rights date
- "S" is the subscription price for a Share under the rights issue
- "D" is the dividend due but unpaid on the existing Shares
- "N" is the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

8. BONUS ISSUES

The number of Shares which would be issued upon exercise of an Option must be increased if at any time during the currency of the Options, the Company issues any bonus shares, to the number of Shares which the holder would have been entitled to receive had they exercised their Options immediately prior to the entitlement date for the bonus issue.

9. RECONSTRUCTION

If the share capital of the Company is reconstructed in any way during the currency of the Option, the number of Options or the exercise price or both will be reconstructed (as appropriate) to the extent necessary to comply with the ASX and TSX listing rules and in a

manner which will not result in any benefits being conferred on holders of Options which are not conferred on the holders of Shares.

10. CHANGE OF CONTROL

If a takeover bid for the Company is made or the Directors believe a change of control of the Company is likely to occur during the currency of the Options, the Directors in their absolute discretion may give written notice of such an event to the holders, upon which the holders become entitled to exercise their Options whether or not any exercise conditions have been satisfied.

11. ISSUE LIMITATIONS

The maximum number of Options which may be granted under the ESOP is subject to a 10% limit of the total number of issued shares in that share class of the Company at the time the Option is granted.

The maximum number of Options which may be issued to Directors or officers of the Company, a director or officer of a person or company that is itself an Insider or subsidiary of the Company, or a person or company that has beneficial control or direction (or combination of beneficial control or direction) directly or indirectly over more than 10% of the voting rights attached to the Company's outstanding voting securities, or a reporting issuer that has purchased, redeemed or otherwise acquired a security of its own issue, for so long as it continues to hold that security, or any associates or affiliates of such persons ("**Insiders**"), when combined with the number of Shares issuable pursuant to any other security based compensation arrangement of the Company, must not exceed 10% of the outstanding issue of such Shares; and the maximum number of Shares issued to any one Insider within a one (1) year period must not exceed 10% of the outstanding issue of such Shares.

12. OVERRIDING RESTRICTIONS

No issue of Options will be made to the extent that it would contravene the ASX or TSX listing rules, the Corporations Act or any other applicable law.

13. AMENDMENT

Subject to the ASX or TSX listing rules and receipt of any required shareholder approval, the Board may amend or vary the terms of the ESOP in any respect which does not materially affect the accrued rights of a holder.

SCHEDULE 3 – SUMMARY OF TERMS OF NON-EXECUTIVE DIRECTORS SHARE PLAN

1. ELIGIBILITY

Each Non-Executive Director is eligible to participate in the NEDSP unless such participation would result in a contravention of law or would require a prospectus or other disclosure document to be lodged or issued and the Board determines it would be onerous to do so.

2. PARTICIPATION

Each Non-Executive Director participating in the NEDSP (**Participant**) must notify the Company before the commencement of the financial year, of the percentage of his/her fees for that year that he/she wishes to forego (**Specified Percentage**). The Company will not be liable to pay this amount to the relevant Director (**Sacrificed Amount**) except as provided for in the NEDSP.

The Sacrificed Amount will be taken to have been sacrificed in respect of the last part of the financial year that is equivalent to the Specified Percentage. The Company will not be liable to pay any other amount to the Non-Executive Director for that period except as provided for in the NEDSP.

The Specified Percentage must be at least 10% and not more than 100% of the Non-Executive Directors fees for the financial year.

3. ACQUISITION OF SHARES

Each Participant will be provided with a number of Shares (rounded down to the nearest whole number) as is determined by the following formula:

$$A/B$$

Where A is the Sacrificed Amount and B is the greater of:

- (a) if the Shares are purchased on ASX, the average price paid for the Shares on ASX under the NEDSP (inclusive of costs associated with their acquisition); or
- (b) if the Shares are issued by the Company, the volume weighted average price for sales of Shares on ASX for the five trading days immediately before the issue of the Shares.

The Shares must be acquired during the 5 trading days commencing on:

- (a) the fifth trading day after the Company announces its results to ASX for the preceding financial year;
- (b) the fifth trading day after the Company announces its financial results for the preceding half financial year;
- (c) the first trading day of May; or
- (d) the first trading day of November; or
- (e) such other period as the Board determines.

The value of Shares provided to each Participant in a financial year will be equal to the Participant's aggregate Sacrificed Amounts for that year.

The maximum number of Shares issued under the NEDSP must not exceed 5% of the issued and outstanding Shares from time to time.

4. ISSUE OF SHARES

Shares are to be issued to Non-Executive Directors in respect of a financial year, at or as soon as practicable after the end of each quarter, or such other period as the Board determines.

5. TERMS OF SHARES

All Shares provided under the NEDSP must be fully-paid ordinary shares in the Company and will rank equally with all other fully paid ordinary shares of the Company then on issue.

Shares issued under the NEDSP will be entered into the Company's subregister of members' holdings or held by a trustee appointed by the Company until the Shares cease to be subject to any applicable restrictions.

The Company must apply for official quotation on ASX of any shares issued under the NEDSP which are not already quoted on ASX within the time prescribed by the Listing Rules or as soon as practicable after the Shares cease to be subject to any applicable restrictions.

6. SHARES NOT TO BE ACQUIRED IN CERTAIN CIRCUMSTANCES

If in the opinion of the Board or the Participant, the provision of Shares under the NEDSP may be contrary to law, the Board or the Participant must notify the Company Secretary in writing and the Shares will not be provided. In these circumstances, the Company must pay to the affected Participant an amount equal to the Sacrificed Amount for that financial year.

The maximum number of Shares which may be issued to Directors or officers of the Company, a director or officer of a person or company that is itself an Insider or subsidiary of the Company, or a person or company that has beneficial control or direction (or combination of beneficial control or direction) directly or indirectly over more than 10% of the voting rights attached to the Company's outstanding voting securities, or a reporting issuer that has purchased, redeemed or otherwise acquired a security of its own issue, for so long as it continues to hold that security, or any associates or affiliates of such persons ("**Insiders**"), when combined with the number of Shares issuable pursuant to any other security based compensation arrangement of the Company, must not exceed 10% of the outstanding issue of such Shares; and the maximum number of Shares issued to any one Insider within a one (1) year period must not exceed 10% of the outstanding issue of such Shares.

If a Participant ceases to be a Director during a financial year no Shares will be provided to the Participant for that year and the Company must pay the Participant the portion of the Sacrificed Amount referable to the period prior to the Participant ceasing to be a Director. If the Participant ceases to be a Director after the end of a financial year but before Shares have been provided under the NEDSP for the previous financial year, no Shares are to be provided to that Participant and the Company must pay the Participant the Sacrificed Amount for the previous financial year and the portion of the Sacrificed Amount referable to the period of the financial year preceding the date on which the Participant ceased to be a Director.

MANAGEMENT INFORMATION CIRCULAR

The Company is a reporting issuer in Canada. Accordingly, pursuant to the requirements of National Instrument 51-102 - *Continuous Disclosure Obligations* (“**NI 51-102**”) of the Canadian Securities Administrators, the following disclosure is required to be included with this Explanatory Memorandum. The Company is also utilizing the notice-and-access mechanism (the “**Notice-and-Access Provisions**”) that came into effect on February 11, 2013 under National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer (“**NI 54-101**”) and NI 51-102 for distribution of this Circular to both registered and non-registered (or beneficial) shareholders of the Company (collectively, the “**Shareholders**”). Further information on notice-and-access is contained below under the heading *Notice-and-Access* and Shareholders are encouraged to read this information for an explanation of their rights. In this management information circular (“**Circular**”), unless otherwise indicated, all references to “CDN\$” refer to Canadian dollars and all references to “A\$” refer to Australian dollars.

PURPOSE OF SOLICITATION

This Circular is furnished in connection with the solicitation of proxies by the management of the Company for use at the Meeting.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by Directors, officers and employees of the Company who will not be additionally compensated therefore. Brokers, nominees or other persons holding Shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such shares. The costs of soliciting proxies will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

Enclosed with the Notice is a form of proxy for use at the Meeting. **A Shareholder has the right to appoint up to two persons (who need not be Shareholders) to attend and act for the Shareholder and on the Shareholder’s behalf at the Meeting other than the person designated in the form of proxy and may exercise such right by inserting the full name of the desired person(s) in the blank space provide in the form of proxy.**

A proxy will not be valid unless it is signed by the Shareholder or by the Shareholder’s attorney duly authorized in writing. If the Shareholder appoints a body corporate as the Shareholder’s proxy to attend and vote for the Shareholder at the Meeting, then the representative of the body corporate must produce the Certificate of Appointment of Representative prior to admission. A person executing a proxy, or acting, on behalf of a corporation or another individual must provide documentation evidencing his or her authority to sign the proxy or act on behalf of the Shareholder at the Meeting, as the case may be.

If the Shareholder is entitled to cast two or more votes at the Meeting, then the Shareholder may appoint not more than two proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder’s votes.

The proxy to be acted upon must be delivered:

- (a) in respect of Shareholders registered on the Company’s Australian share register, prior to 2.00 pm (West Perth time) on 19 November 2014 by:

- ONLINE visit www.securitytransfer.com.au and follow the instructions on your proxy form
- BY MAIL Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross 6153 Western Australia
- BY FAX +61 8 9315 2233
- IN PERSON Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross 6153 Western Australia

and

- (b) for Shareholders registered on the Company’s Canadian share register, in addition to the above mail, fax and email options, proxies must be received no later than 48 hours prior to the Meeting (and for clarity) by 2.00 am Toronto time, 19 November 2014 by:

- Post to:
TMX Equity Transfer Services Inc.
200 University Avenue, Suite 300,
Toronto, Ontario, Canada M5H 4H1; or
- Facsimile at +416 361 0470

REVOCATION OF PROXIES

A proxy given pursuant to this solicitation may be revoked by instrument in writing executed by the Shareholder or by his/her attorney authorized in writing, and delivered either to the registered office of the Company or the above mentioned address of TMX Equity Transfer Services Inc. at any time up to and including close of business on the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

VOTING OF PROXIES

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy will be voted for each of the matters referred to in the Notice, as described in this Circular, or withheld from voting or voted against if so indicated on the form of proxy. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice, or other matters, which may properly come before the Meeting. At the time of printing of the Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Most Shareholders are “non-registered” or “beneficial” Shareholders (“**Non-Registered Shareholders**”) because the Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (“**Intermediary**”) that the Non-Registered Shareholder deals with in respect of the Shares; or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. (“**CDS**”)) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies, via mail or electronically, of the Notice, this Circular, the form of proxy and a request card for interim and annual materials (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (i) be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a “**voting instruction form**”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“Broadridge”) in Canada and the United States. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Non-Registered Shareholders and asks Non-Registered Shareholders to return the forms to Broadridge or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of the shares to be represented at the Meeting. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for this form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the

Intermediary or its service company. A Non-Registered Shareholder who receives a voting instruction form cannot use that form to vote his or her Shares at the Meeting; or

- (ii) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with TMX Equity Transfer Services Inc. at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1, Fax Number: 416.595.9593.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting, or any adjournment(s) or postponement(s) thereof, (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the voting instruction form and insert the Non-Registered Shareholder or such other person's name in the blank space provided. **In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the voting instruction form is to be delivered.**

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote which has been given to an Intermediary at any time by written notice to the Intermediary provided that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote, which is not received by the Intermediary at least seven (7) days prior to the Meeting.

Non-Registered Shareholders fall into two categories: those who object to their identity being made known to the issuers of securities which they own ("**Objecting Beneficial Owners**" or "**OBOs**") and those who do not object to their identity being made known to the issuers of the securities they own ("**Non-Objecting Beneficial Owners**" or "**NOBOs**"). Subject to the provisions of NI 54-101, issuers may request and obtain a list of their NOBOs from intermediaries. Pursuant to NI 54-101, issuers may obtain and use the NOBO list in connection with any matter relating to the affairs of the issuer, including the distribution of proxy-related materials directly to NOBOs. The Company is not sending Meeting Materials directly to the NOBOs. The Company will use and pay intermediaries and agents to send the Meeting Materials and also intends to pay for intermediaries to deliver the Meeting Materials to the OBOs. **As more particularly outlined below under the heading "Notice-and-Access", Meeting Materials will be sent to Non-Registered Shareholders using the Notice-and-Access Provisions.**

NOTICE AND ACCESS

As noted above, the Company is utilizing the Notice-and-Access Provisions that came into effect on February 11, 2013 under NI 54-101 and NI 51-102 for distribution of this Circular to all registered Shareholders and Non-Registered Shareholders.

The Notice-and-Access Provisions are a new set of rules that allows reporting issuers to post electronic versions of proxy-related materials (such as proxy circulars and annual financial statements) on-line, via the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and one other website, rather than mailing paper copies of such materials to Shareholders. Electronic copies of the Circular, financial statements of the Company for the year ended June 30, 2014 ("**Financial Statements**") may be found on the Company's SEDAR profile at www.sedar.com and also on the Company's website at http://www.heronresources.com.au/downloads/reports/annual/hrr_ar_2014.php. The Company will not use procedures known as "stratification" in relation to the use of Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of this Circular to some Shareholders with the notice package. In relation to the Meeting, all Shareholders will receive the required documentation under the Notice-and-Access Provisions, which will not include a paper copy of this Circular. **Shareholders are reminded to review this Circular before voting.**

Although this Circular and the Financial Statements will be posted electronically on-line as noted above, Shareholders will receive paper copies of a "notice package" via prepaid mail containing the Notice with information prescribed by NI 54-101 and NI 51-102, a form of proxy or voting instruction form, and

supplemental mail list return card for Shareholders to request they be included in the Company's supplementary mailing list for receipt of the Company's interim financial statements for the 2015 fiscal year.

The Company anticipates that notice-and-access will directly benefit the Company through a substantial reduction in both postage and material costs, and also promote environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials.

Shareholders with questions about notice-and-access can call the Company's transfer agent TMX Equity Transfer Services Inc. toll-free at 1.866-393.4891. Shareholders may also obtain paper copies of this Circular and the Financial Statements A free of charge by contacting TMX Equity Transfer Services Inc. at the same toll-free number or upon request to the Corporate Secretary of the Company.

A request for paper copies which are required in advance of the Meeting should be sent so that they are received by the Company or TMX Equity Transfer Services Inc., as applicable, by 11 November 2014 in order to allow sufficient time for Shareholders to receive their paper copies and to return a) their form of proxy to the Company or TMX Equity Transfer Services Inc., or b) their voting instruction form to their Intermediaries by its due date.

DELIVERY OF SECURITY HOLDER MATERIAL

These security holder materials are being sent, in Canada, to both registered and non-registered owners of the securities using the Notice-and-Access Provisions. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send these materials to you directly, the Company (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No person who has been a Director or executive officer of the Company at any time since the beginning of its last completed financial year or any associate of any such Director or executive officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of the Company consists of an unlimited number of Shares. As of the date of the Circular, the Company has 360,877,723 Shares issued and outstanding.

The Company shall make a list of all persons who are registered holders of Shares as at the close of business at 5pm (Toronto time) on October 10, 2014 (the "**Record Date**") and the number of Shares registered in the name of each person on that date. Each Shareholder is entitled to one vote for each Share in that Shareholder's name as it appears on the list.

To the knowledge of the directors and executive officers of the Company, as of the date hereof, no person or company beneficially owns, controls or directs, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to all outstanding Shares, other than as set out below:

Name of Shareholder	Number of Common Shares⁽¹⁾⁽²⁾	Percentage of Common Shares⁽¹⁾⁽²⁾
Ian Buchhorn	46,590,959 ⁽³⁾	12.9%

Notes:

- (1) The information as to Shares beneficially owned, controlled or directed, not being within the knowledge of the Company, has been obtained by the Company from publicly disclosed information and/or furnished by the Shareholder listed above.
- (2) On a non-diluted basis.
- (3) Of the 46,590,959 Shares noted above, 2,518,241 are held directly by Mr. Buchhorn, 2,137,690 Shares are held directly by his spouse, while the remainder are held by the following companies controlled by Mr. Buchhorn: Hazum Pty Ltd (23,532,480 Shares), Kurana Pty Ltd (16,576,556 Shares) and Manarina Mining Pty Ltd (1,825,992 Shares).

MATTERS TO BE ACTED UPON AT THE MEETING

This Circular has been prepared for the information of members of the Company in connection with the business to be transacted at the Annual General Meeting of members of the Company to be held at 2.00 pm (Perth Time)

on 21 November 2014 at The Celtic Club, 48 Ord Street, West Perth, Western Australia. Please see pages 1-6 of the Explanatory Memorandum attached to this Circular for full details of the matters to be acted upon at the Meeting.

Appointment of Auditors

Butler Settinieri (Audit) Pty Ltd (“**Butler Settinieri**”) are the independent registered certified auditors of the Company. Butler Settinieri was first appointed as auditors of the Company on 25 June 1996.

Nominees for Election to the Board

The Company is an Australian incorporated entity and pursuant its Constitution and corporate law requirements in Australia, directors are elected on a staggered basis – based on a three (3) year rotation rule – with only a subset of the Company’s board elected each year. In accordance with TSX Staff Notice 2013-0002, the Company applied and successfully received relief from the requirements for the election of all directors at the Meeting. Ian Buchhorn is the person proposed to be nominated for election at the Meeting.

The following table, among other things, sets forth the name of all current directors, including Mr Buchhorn who is nominated for election as director, their place of residence, position held, and periods of service with, the Company, or any of its affiliates, their principal occupations and the approximate number of Shares beneficially owned, controlled or directed, directly or indirectly, by them.

Shareholders have the option to (i) vote for or withhold their vote for Mr Buchhorn. **Unless the Shareholder has specifically instructed in the form of proxy that the Shares represented by such proxy are to be withheld or voted otherwise, the persons named in the proxy will vote FOR the election of Mr Buchhorn as a director of the Company.**

Name, Province or State and Country of Residence	Director Since	Present Principal Occupation	Number of Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised⁽¹⁾
Craig Readhead ^{(3),(4)} <i>Australia</i>	3/9/2001	Managing Partner of specialist mining and corporate law firm Allion Legal	1,712,723
Wayne Taylor <i>Australia</i>	11/08/2014	Managing Director of the Company	795,913
Ian Buchhorn ⁽²⁾ <i>Australia</i>	17/2/1995	Executive Director of the Company	46,590,959
Stephen Dennis ^{(2),(3),(4)} <i>Australia</i>	6/12/2006	CEO and Managing Director of CBH Resources Limited, a Sydney, Australia based resources company	550,000

Notes:

- (1) The information with respect to the Common Shares beneficially owned, controlled or directed is not within the direct knowledge of the Company and has been furnished by the respective individuals.
- (2) Member of the Audit Committee. Stephen Dennis is the Chair.
- (3) Member of the Remuneration Committee. Craig Readhead is the Chair.
- (4) Member of the Corporate Governance and Nominating Committee. Craig Readhead is the Chair

As a group, the directors beneficially own, control or direct, directly or indirectly, 49,649,595 Shares, representing approximately 13.8% of the issued and outstanding Common Shares as of the date hereof.

Majority Voting

In respect of the election of Directors, the Company has not adopted a majority voting policy due to the fact that the Company has adopted a majority voting system that aligns with Australian corporate practice. Shareholders of the Company can vote “for”, “against” or “abstain” with respect to the election of a director. If a Director receives a majority of votes against their election, they will not be elected and their position on the Board will cease immediately. Votes cast as an abstention are not counted in favour or against a resolution.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the Directors eligible for re-election, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while such individual was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after such individual ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while such proposed director was acting in the capacity as director, chief executive officer or chief financial officer.

None of the Directors eligible for re-election (or any personal holding company of any such individual) is, as of the date of this Circular, or has been within ten (10) years before the date of this Circular, a director or executive officer of any company (including the Company) that, while such individual was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the Directors eligible for re-election (or any personal holding company of any such individual) has, within the ten (10) years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such individual.

None of the Directors eligible for re-election (or any personal holding company of any such individual) has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's executive compensation philosophy and objectives. Also to discuss compensation decisions relating to the Company's Chief Executive Officer, Chief Financial Officer, and, if applicable, its three most highly compensated individuals who act as, or in a like capacity as, executive officers of the Company whose total compensation for the recently completed financial year was individually equal to more than CDN\$150,000 (the "NEOs" or "Named Executive Officers"). The Company's most recently completed financial year, is the financial year ended June 30, 2014 (the "**Last Financial Year**"). The only NEOs of the Company during the Last Financial Year were Ian Buchhorn, David Von Perger, Charlie Kempson and Bryan Horan.

The current members of the remuneration committee of the Company (the "**Remuneration Committee**") are Craig Readhead (Chair) and Stephen Dennis. Following the resignation of Dr James Gill on 19 August 2014, the Remuneration Committee currently has two members. The third position on the Remuneration Committee will be filled once a new independent Director is elected. A summary of the compensation received by the NEOs for the financial year ended June 30, 2014 is provided in this Circular under the heading: "Summary Compensation Table". A summary of the compensation received by the Directors for the financial year ended June 30, 2014 is provided in this Circular under the heading: "Director Compensation Table".

The Remuneration Committee has responsibility for approving the compensation program for the Company's executive officers. The Remuneration Committee acts pursuant to a formal charter that has been approved by the Board. Pursuant to the charter, the purpose of the Remuneration Committee is to assist the Board in relation to the formulation and administration of Company's remuneration policies, procedures and practices. As such, its specific responsibilities include: (i) review and make recommendations to the Board at least annually regarding the Company's remuneration and compensation policies, including short and long-term incentive compensation plans and equity-based plans, bonus plans, pension plans (if any), executive stock option plans and grants and benefit plans; (ii) have sole authority to retain and terminate any compensation consultant to assist in the evaluation of Director compensation, including sole authority to approve fees and other terms of the retention; (iii) review and approve at least annually all compensation arrangements with the senior executives of the Company; (iv) review and approve at least annually all compensation arrangements with the Directors; and (v) review the executive compensation sections disclosed in the management information circular distributed to the shareholders, including the report on executive compensation, the statement of officers compensation, employment agreements, stock option plans, and options granted during the most recently completed financial year.

Objectives of the Compensation Program

The Company aims to remunerate Directors, officers and employees in accordance with prevailing market conditions with the major objective being, to attract and retain high quality people who are motivated to contribute positively to the performance of the Company, without incurring excessive costs to the Company.

The Company believes that individuals should be rewarded for their individual contributions to the success of the Company (both financially and non-financially), measured primarily by the creation of value for Shareholders. Incentives are therefore constructed with the goal of aligning the interests of employees and Shareholders and encouraging performance in an atmosphere of strong corporate governance.

Compensation Program Design and Analysis of Compensation Decisions

Standard compensation arrangements for the Company's senior officers are composed of the following elements, which are linked to the Company's compensation and corporate objectives as follows:

Compensation Element	Link to Compensation Objectives	Link to Corporate Objectives
Base Salary and/or Consulting Fees	Attract and Retain	Competitive pay ensures access to skilled employees necessary to achieve corporate objectives.
Stock Options	Motivate and Reward Align interests with shareholders	Long-term incentives motivate and reward senior officers to increase shareholder value by the achievement of long-term corporate strategies and objectives.

Elements of Compensation

Remuneration is based on fees, salaries, cash bonus payments and incentive options. Other than periodic issuing of options and making payments to all Directors and employees of monetary benefits prescribed by the Superannuation Guarantee Charge scheme, the Company does not operate any scheme for the provision of retirement benefits to Non-executive Directors. Details of the structure of remuneration packages, including details of options that were issued during the reporting period, are as follows:

Fixed Remuneration:

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the employment market and within the Company and, where appropriate, external independent advice on policies and practices is obtained by the Committee. NEOs' base compensation depends on the scope of their experience, responsibilities, leadership skills, performance, length of service, generally industry trends and practices competitiveness, and the Company's existing financial resources

Variable Remuneration:

(i) Short-term incentives

Executives are set short-term incentive (STI) targets depending on the accountabilities of their role and the impact of their performance on the organisation or business unit performance. Each year the Remuneration Committee considers the appropriate targets and key performance indicators to link the STI plan and the level of payment if targets are met. This includes setting a maximum payment under the STI plan and minimum levels of performance to trigger payment of the STI.

Currently, the STI targets and performance indicators are linked to the operational performance of the Company, the financial performance of the Company and movements in Shareholders' wealth as determined by the Company's share price on the basis that, subject to prevailing market conditions, strong operational performance should lead to improvements in the share price.

(ii) Long-term incentives

The Company provides long-term incentives to executives in a manner that directly aligns this element of remuneration with the creation of Shareholder wealth. The Company has established an employee share option plan which provides for executives and other employees and contractors to be issued, at no cost to the recipient, options to acquire Shares. The number and the terms of the options issued are determined by the Remuneration Committee after consideration of the employee's performance and their ability to contribute to the achievement of the Company's objectives.

Determination of Compensation

The Remuneration Committee is, among other things, responsible for determining all forms of compensation to be granted to the Chief Executive Officer of the Company and the executive officers and for evaluating the Chief Executive Officer's and other executive officers performance in light of the corporate goals and objectives set for them.

The task of evaluating management's performance occurs on both an informal and formal basis. Informally, management's performance is assessed continuously by reviewing operating results and the achievement or otherwise of the Company's objectives and providing direct feedback to executives on their performance. The formal task of reviewing individual executive's performance is the responsibility of the Remuneration Committee who is charged with assessing each senior executive's performance against pre-agreed targets as part of the annual remuneration review process.

Compensation Risk Considerations

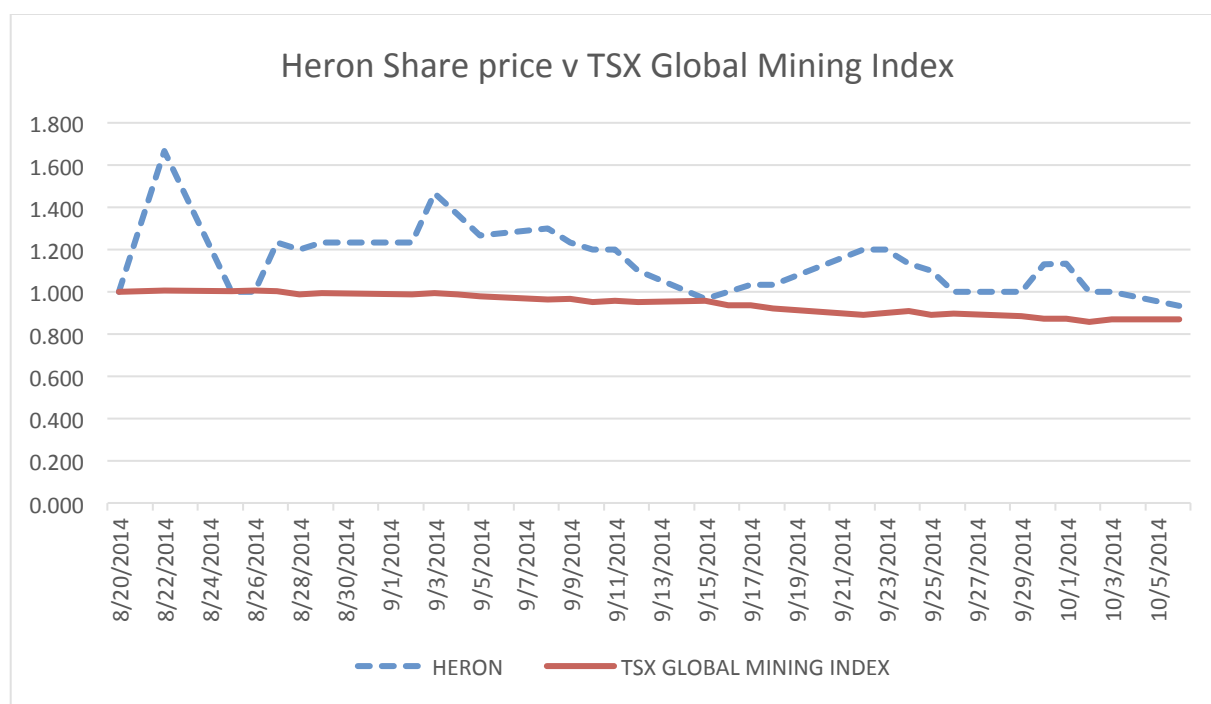
The Remuneration Committee is responsible for considering, establishing and reviewing executive compensation programs, and whether the programs encourage unnecessary or excessive risk taking. The Company believes the programs are balanced and do not motivate unnecessary or excessive risk taking. The Company does not currently have a policy that restricts directors or NEOs from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity. However, to the knowledge of the Company, as of the date of hereof, no director or NEO of the Company has participated in the purchase of such financial instruments.

Base salaries are fixed in amount thus do not encourage risk taking. While annual incentive awards focus on the achievement of short term or annual goals and short term goals may encourage the taking of short-term risks at the expense of long term results, the Company's annual incentive award program represents a small percentage of employee's compensation opportunities. Annual incentive awards are based on various personal and company-wide achievements. Such performance goals are subjective and include achieving individual and/or corporate targets and objectives, as well as general performance in day-to-day corporate activities which would trigger the award of a bonus payment to the NEO. The determination as to whether a target has been met is ultimately made by the Board (after receiving recommendations of the Remuneration Committee) and the Board reserves the right to make positive or negative adjustments to any bonus payment if they consider them to be appropriate. Funding of the annual incentive awards is capped at the company level and the distribution of funds to the executive officers is at the discretion of the Remuneration Committee.

Stock option awards are important to further align employees' interests with those of the Shareholders. The ultimate value of the awards is tied to the Company's stock price and since awards are staggered and subject to long-term vesting schedules, they help ensure that NEOs have significant value tied in long-term stock price performance.

Share Price Performance Graph

The following graph compares the percentage change in the cumulative total Shareholder return of CDN\$100 invested in Shares against the cumulative shareholder return of the S&P/TSX Composite Index since the Company became listed on the Toronto Stock Exchange ("TSX") on 20 August 2014.



Heron Resources Limited
TSX Global Mining Index

20 August 2014
CDN\$100
CDN\$100

7 October 2014
CDN\$93.3
CDN\$87.1

Given that the Company only became listed on the TSX on 20 August 2014, management makes no comment with respect to the Company's share price vs a peer index other than to say that they are closely related to global macro-economic events such as the price of commodities.

Summary Compensation Table

The following tables provides information for the Last Financial Year and the years ended June 30, 2013 and June 30, 2012 regarding compensation earned by each of the following NEOs:

Name and principal position	Year Ended June 30	Salary (A\$)	Share-based awards (A\$)	Option-based awards (A\$) ⁽¹⁾	Non-equity incentive plan compensation (A\$)		Pension value (A\$)	All other compensation (A\$)	Total compensation (A\$)
					Annual incentive plans	Long-term incentive plans			
Ian Buchhorn Managing Director	2014	321,101	N/A	276,404	N/A	N/A	29,702	4,085	631,292
	2013	321,101	N/A	593,566	N/A	N/A	28,899	3,904	947,470
	2012	315,826	N/A	956,566	N/A	N/A	28,424	Nil	1,300,816

Name and principal position	Year Ended June 30	Salary (A\$)	Share-based awards (A\$)	Option-based awards (A\$) ⁽¹⁾	Non-equity incentive plan compensation (A\$)		Pension value (A\$)	All other compensation (A\$)	Total compensation (A\$)
					Annual incentive plans	Long-term incentive plans			
Bryan Horan Company Secretary & Financial Controller	2014	201,285	N/A	15,407	N/A	N/A	18,670	Nil	235,912
	2013	201,285	N/A	38,637	N/A	N/A	18,165	Nil	258,637
	2012	198,039	N/A	59,455	N/A	N/A	16,999	Nil	274,493
David Von Perger Exploration Manager	2014	261,468	N/A	30,815	N/A	N/A	24,186	10,041	326,510
	2013	261,468	N/A	77,274	N/A	N/A	23,532	10,041	372,315
	2012	256,101	N/A	118,911	N/A	N/A	23,049	15,061	413,122
Charlie Kempson General Manager, Strategy and Business Development	2014	261,468	N/A	111,160	N/A	N/A	24,186	Nil	396,814
	2013	74,057	N/A	32,341	N/A	N/A	6,665	Nil	113,063
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note:

(1) Deemed fair value of options granted during the fiscal year, based on the Black-Scholes valuation model.

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each NEO outstanding as of 30 June 2014:

Outstanding Share Awards and Option Awards

Name	Option-based Awards				Share-based Awards	
	Number of Common Shares underlying unexercised options (#)	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Ian Buchhorn	1,000,000	0.27	23 June 2015	Nil	N/A	N/A
	1,000,000	0.31	23 June 2016	Nil		
Bryan Horan	500,000	0.27	23 June 2015	Nil	N/A	N/A
	500,000	0.31	23 June 2016	Nil		
David Von Perger	1,000,000	0.27	23 June 2015	Nil	N/A	N/A
	1,000,000	0.31	23 June 2016	Nil		
Charlie Kempson	1,000,000	0.22	5 March 2016	Nil	N/A	N/A
	1,000,000	0.27	5 March 2017	Nil		
	1,000,000	0.31	5 March 2018	Nil		

Note:

- (1) Aggregate dollar amount of in-the-money unexercised options held as at 30 June 2014. This figure is computed based on the difference between the market value of the Shares on the Australian Securities Exchange as at 30 June 2014 and the exercise price of the option. The closing price of the Shares on the Australian Securities Exchange on 30 June 2014 was A\$0.10. The Shares were listed and posted for trading on the Toronto Stock Exchange effective 20 August 2014.

The following table provides information regarding the value vested or earned on incentive plan awards for each NEO during the year ended June 30, 2014:

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year⁽¹⁾ (A\$)	Share-based awards – Value vested (A\$)	Non-equity incentive plan compensation – Value earned during the year (A\$)
Ian Buchhorn	Nil	N/A	N/A
Bryan Horan	Nil	N/A	N/A
David Von Perger	Nil	N/A	N/A
Charlie Kempson	Nil	N/A	N/A

Note:

- (1) Calculated based on the closing price of the Shares on the Australian Securities Exchange at the vesting date less the exercise price of the vested options multiplied by the number of vested options

Pension Plan / Superannuation Benefits

As required under Commonwealth of Australian legislation governing superannuation (*Superannuation Guarantee (Administration) Act 1992*) the Company makes compulsory superannuation contributions amounting to 9.25% of each Australian domiciled employee's base annual salary to a complying superannuation fund nominated by the employee. No NEO receives superannuation benefits in excess of the 9.25% compulsory superannuation contributions.

Termination and Change of Control Benefits

There are no agreements, compensation plans, contracts or arrangements whereby a NEO is entitled to receive payments from the Company in the event of a change of control of the Company.

NEO's are entitled to receive termination payments in the event that they are terminated by the Company as further described in the table below:

Name	Payment as a result of a Change of Control	Termination Notice Period	Payment upon Termination
Ian Buchhorn	\$Nil	6 months	7 years base salary (as defined in the Corporations Act) plus accrued Annual Leave and Long Service Leave
Bryan Horan	\$Nil	3 months	3 weeks for each year of service plus accrued Annual Leave and Long Service Leave
David Von Perger	\$Nil	3 months	3 weeks for each year of service plus accrued Annual Leave and Long Service Leave
Charlie Kempson	\$Nil	3 months	6 months base salary plus 3 weeks' salary for each year of service plus accrued Annual Leave and Long Service Leave

DIRECTOR COMPENSATION

The Board determines the level of compensation for directors based on recommendations from the Remuneration Committee. The Board reviews directors' compensation as needed, taking into account time commitment, risks and responsibilities to ensure that the amount of compensation adequately reflects the responsibilities and risks of being a director and makes adjustments as deemed necessary.

The Non-Executive Chairman receives Directors Fees of \$100,000 per annum. All other Non-executive Directors are paid Directors' fees of A\$73,000 per annum with respect to general director's duties, meeting attendance, or for additional service on Board committees plus 9.25% superannuation. Directors are also reimbursed for all reasonable out-of-pocket expenses incurred in attending Board, committee or shareholder meetings and otherwise incurred in carrying out their duties as directors of the Company.

Directors may receive option grants as determined by the Board pursuant to the Company's employee share option plan. The exercise price of such options is determined by the Board, but shall in no event be less than the market price of the Shares at the time of the grant of the options.

Director Compensation Table

The following table provides information regarding compensation paid to the Company's directors, other than the NEOs, during the financial year ended 30 June, 2014:

Name⁽¹⁾	Fees earned (A\$)	Share-based awards (A\$)	Option-based awards (A\$)	Non-equity incentive plan compensation (A\$)	Pension value (A\$)	All other compensation (A\$)	Total (A\$)
Craig Readhead	100,000	Nil	Nil	Nil	Nil	Nil	100,000
Stephen Dennis	73,000	Nil	Nil	Nil	6,753	Nil	79,753

Note:

- (1) Mr. Buchhorn was a director and Named Executive Officer during the year ended 30 June 2014. Any compensation received by him in his capacity as a director of the Company is reflected in the Summary Compensation Table for the Named Executive Officers in this Circular.

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each director outstanding as of 30 June 2014:

Outstanding Share Awards and Options Awards

Name⁽¹⁾	Option-based Awards				Share-based Awards	
	Number of Securities underlying unexercised options (#)	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$)⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Craig Readhead	Nil	N/A	N/A	N/A	N/A	N/A
Stephen Dennis	Nil	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Mr. Buchhorn was a director and Named Executive Officer during the year ended 30 June 2014. Any compensation received by him in his capacity as a director of the Company is reflected in the Summary Compensation Table for the Named Executive Officers in this Circular.
- (2) Aggregate dollar amount of in-the-money unexercised options held as at 30 June 2014. This figure is computed based on the difference between the market value of the Shares on the Australian Securities Exchange as at 30 June 2014 and the exercise price of the option. The closing price of the Shares on the Australian Securities Exchange on 30 June 2014 was A\$0.10. The Shares were listed and posted for trading on the Toronto Stock Exchange effective 20 August 2014.

The following table provides information regarding the value vested or earned on incentive plan awards for each

director during the year ended 30 June 2014:

Incentive Plan Awards – Value Vested or Earned During the Year

Name⁽¹⁾	Option awards – Value vested during the year (A\$)	Share awards – Value vested during the year (A\$)	Non-equity incentive plan compensation – Value earned during the year (A\$)
Craig Readhead	Nil	N/A	Nil
Stephen Dennis	Nil	N/A	Nil

Notes:

- (1) Mr. Buchhorn was a director and Named Executive Officer during the year ended March 31, 2014. Any compensation received by him in his capacity as a director of the Company is reflected in the Summary Compensation Table for the Named Executive Officers in this Circular.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Employee Share Option Plan

The Company adopted its latest incentive share option plan dated 19 August 2014, and amended as at 26 September 2014 (the “**Plan**”, which is subject to Shareholder approval at the Meeting), and the Plan, along with the NED Plan (as defined below) are the Company’s only equity compensation plans currently in place. The Plan is a rolling stock option plan, under which 10% of the outstanding Shares at any given time are available for issuance thereunder. The purpose of the Plan is to promote the profitability and growth of the Company by facilitating the efforts of the Company and its subsidiaries to attract and retain directors, senior officers, employees and consultants. The Plan provides an incentive for and encourages ownership of the Shares by such persons to induce them to make a maximum contribution to the Company’s success and to benefit from increases in the value of the Shares. The full text of the Plan is attached hereto as Appendix “B” to this Circular.

The following information is intended to be a brief description and summary of the material features of the Plan:

Eligibility

The Company’s officers, directors, key employees and consultants are eligible to receive stock options under the Plan (each an “**Eligible Person**”).

Administration

The Plan will be administered by the Board or an underlying committee as so appointed by the Board. The Board or an underlying committee determines from time to time those of the Company’s officers, directors, key employees and consultants to whom stock grants or plan options are to be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted, the dates such options become exercisable, the number of Shares subject to each option, the purchase price of such Shares and the form of payment of such purchase price. All other questions relating to the administration of the Plan, and the interpretation of the provisions thereof and of the related option agreements, are resolved by the Board or an underlying committee. Currently, the entire Board administers the Plan.

Shares Subject to Awards

The Company has currently reserved 10% of the authorized but unissued Shares for issuance under the Plan. The aggregate maximum number of Shares available for issuance under the Plan at any given time is 10% of the Company’s issued and outstanding Shares as at the date of grant of an option under the Plan. The aggregate number of Shares issued pursuant to options:

- (i) issued to the Company’s reporting insiders within any one year period; and
- (ii) issuable to the Company’s reporting insiders at any time,

under the Plan, or when combined with all other security based compensation arrangements, shall not exceed 10% of the total number of Shares then outstanding, respectively. The aggregate number of Shares issued pursuant to options:

- (i) issued to any one individual or entity within any one year period, and
- (ii) issuable to any one individual or entity at any time,

under the Plan, or when combined with all other security based compensation arrangements, shall not exceed 10% of the total number of Shares then outstanding, respectively. Shares used for the grants of options under the Plan may be authorized and unissued shares or shares reacquired by the Company. Shares covered by Plan options which terminate unexercised or shares subject to stock awards which are forfeited or cancelled will again become available for grant as additional options or stock awards, without decreasing the maximum number of shares issuable under the Plan.

Terms of Exercise

The Plan provides that the options granted thereunder shall be exercisable from time to time in whole or in part, unless otherwise specified by the Board or an underlying committee, and provided that no option shall have a term exceeding five (5) years.

Vesting

The Board may determine when any option will become exercisable and may determine that the option will be exercisable in installments or pursuant to a vesting schedule. Notwithstanding the foregoing, unless the Board determines otherwise, and subject to the other provisions of the Plan, options issued pursuant to the Plan are subject to a vesting schedule as follows:

- (i) one-third ($\frac{1}{3}$) upon the first anniversary of the date of grant;
- (ii) one-third ($\frac{1}{3}$) upon the second anniversary of the date of grant; and
- (iii) one-third ($\frac{1}{3}$) upon the third anniversary of the date of grant

Exercise Price

The purchase price for the Shares subject to options is determined by the Board or an underlying committee at the time the option is granted. Such price shall not be less than the volume weighted average trading price (calculated in accordance with the rules and policies of the TSX and the ASX) of the Shares on the TSX, ASX or another stock exchange where the majority of the trading volume and value of the Shares occurs, for the five (5) trading days immediately preceding the day the option is granted. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Board in its sole discretion, subject to approval by the Shareholders and to acceptance by the TSX or ASX respectively, if applicable.

Termination, Retirement or Death

Except as otherwise expressly provided in the option agreement, all Plan options are non-assignable and non-transferable, except by will or by the laws of descent and distribution, and during the lifetime of the optionee, may be exercised only by such optionee. If an optionee dies while employed by the Company, all Plan options may be exercised by the legal representative(s) of the estate of the deceased optionee at any time during the first six (6) months following the death of the optionee (but prior to the expiry of the option in accordance with the terms thereof) but only to the extent that the optionee was entitled to exercise such option at the date of death. Options granted to an Eligible Person expire within 60 days after termination of employment with the Company, such options may be exercised, to the extent that the optionee shall have been entitled to do so on the date of termination of employment.

Amendments

Subject to the prior approval of any applicable regulatory authorities and/or stock exchange (including the TSX and ASX) and the consent of the holder of the option affected thereby, the Board may amend or modify any outstanding option in any manner to the extent that the Board would have had the authority to initially grant the option as so modified or amended, including without limitation, to change the date or dates as of which, or the price at which, an option becomes exercisable, provided however, that the consent of the holder of the option shall not be required where the rights of the holder of the option are not adversely affected.

The Board will have the power to approve amendments relating to the Plan or to options, but only with the approval of the Shareholders, to the extent that such amendments relate to any of the following: (i) any

amendment to the number of securities issuable under the Plan, including an increase to a fixed maximum number of securities or a change from a fixed maximum number of securities to a fixed maximum percentage. A change to a fixed maximum percentage which was previously approved by Shareholders will not require additional shareholder approval; (ii) any change to the definition of Eligible Person which would have the potential of broadening or increasing insider participation; (iii) the addition of any form of financial assistance; (iv) any amendment to a financial assistance provision which is more favourable to participants; (v) any addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Plan reserve; (vi) the addition of a deferred or restricted share unit or any other provision which results in participants receiving securities while no cash consideration is received by the Company; (vii) a discontinuance of the Plan; (viii) a reduction in the exercise price of an option under the Plan benefiting an insider of the Company; (ix) an extension of a term of an option under Plan benefiting an insider of the company; (x) any amendment to remove or to exceed the insider participation limit; (xi) amendments to the amending provision under of the Plan; and (xii) any other amendments that may lead to significant or unreasonable dilution in the Company's outstanding securities or may provide additional benefits to eligible participants, especially Insiders of the Company, at the expense of the Company and its existing shareholders.

The Board may, without the approval of Shareholders and subject to receipt of requisite regulatory approval, where required, in its sole discretion make amendments to the Plan or options that are not of the type contemplated above including, without limitation: i) amendments of a "housekeeping" or clerical nature; (ii) a change to the vesting provisions of a security or the Plan; (iii) a change to the termination provisions of a security or the Plan which does not entail an extension beyond the original expiry date; and (iv) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve.

As at the date of this Circular, the Company has 16,424,890 options issued and outstanding, representing approximately 4.6% of the issued and outstanding Shares. Furthermore, as at the date hereof, no options issued pursuant to the Plan have been exercised into Shares.

Non-Executive Directors Share Plan

The Company has adopted a share incentive plan for its non-executive directors dated 7 October 2014 (the "**NED Plan**", which is subject to approval by Shareholders at the Meeting) for eligible non-executive directors of the Company ("**NEDs**"). The purpose of the NED Plan is to provide non-executive directors of the Company with the ability to sacrifice their director's fees to acquire Shares. In the current economic climate, the salary sacrifice serves as an effective cash preservation mechanism, whilst aligning the interests of directors of the Company with those of the Shareholders. The full text of the Plan is attached hereto as Appendix "C" to this Circular.

Eligibility

Each non-executive director of the Company is eligible to participate in the NED Plan, unless participation would (in the opinion of the Board) result in the Company contravening applicable law or becoming obliged to prepare, lodge or issue a prospectus or other disclosure document in Australia or elsewhere and the Board determines it would be onerous for the Company to do so.

Participation

Each NED participating under the NED Plan in respect of a year must give a notice to the Company specifying the percentage of their standard fees which are not to be paid to him or her. By giving such a notice, the NED agrees that the Company will not be liable to pay or provide the specified percentage of the standard fees that would otherwise be payable to him or her.

Acquisition of Shares

Subject to the rules of the NED Plan, each NED will be provided the number of Shares in respect of each year as is determined in accordance with the following formula:

A/B, where "A" is the sacrificed amount; and "B" is: (i) if the Shares are purchased on the ASX, the average price paid for the Shares on ASX under the NED Plan (inclusive of costs associated with their acquisition); or (ii) if the Shares are issued by the Company, the volume weighted average price for sales on ASX for the five (5) trading days immediately prior to the issuance of the Shares.

Maximum Number of Shares

Notwithstanding any other provision under the NED Plan, the maximum number of Shares that may be issued or issuable pursuant to the NED Plan may not exceed 5% of the issued and outstanding Shares from time to time. As at the date hereof, no Shares have been issued pursuant to the NED Plan

Restrictions on Issuance to Insiders

The maximum number of Shares issuable at any time or within anyone one-year period to a NED under the NED Plan, together with any other share compensation arrangement of the Company, cannot exceed 10% of the issued and outstanding Shares.

Cessation of Directorship

If a NED ceases (for whatever reason) to be a director of the company (a) during a given year, or (b) after the end of a year but before the Shares have been provided to the NED in accordance with the NED Plan in respect of that year, no Shares will be provided to the NED in relation to the year and, if paragraph (b) applies, no Shares will be provided to the NED in relation to the period between the end of the year and the date on which the NED ceased to be a director of the Company. The Company must pay to the NED in lieu of providing those Shares an amount equal to: (i) where paragraph (a) applies, the portion of the sacrificed amount for that year that is referable to the period prior to the NED ceasing to be a NED; or (ii) where paragraph (b) applies, the sum of: (x) the sacrificed amount for that year; and (y) the portion of the sacrificed amount of the year during which the NED ceased to be a Director that is referable to the period prior to the NED ceasing to be a NED.

Amendments to Plan

Subject to any corporate law, stock exchange requirements, or the rules of the NED Plan, the Board may from time to time by resolution: (a) amend or revise the terms of the NED Plan; or (b) discontinue the NED Plan at any time.

The following amendments to the NED Plan may be made by the Board without the approval of the Shareholders: (a) any amendments necessary to ensure that the NED Plan is in compliance with the rules of the ASX, TSX or any applicable governmental body; (b) amendments that are of an administrative or general housekeeping nature; (c) amendments to the definition of “Eligible Person” under the NED Plan unless such changes would expand the class of Eligible Persons; (d) amendments to the manner in which the Plan is administered; and (e) amendments to the vesting provisions and the termination provisions in the NED Plan.

The following amendments to the NED Plan will require Shareholder approval: (a) amendments to the maximum number of Shares that may be issued to any NEDs pursuant to the NED Plan; (b) amendments to the provisions with respect to the assignment of Shares, or a right to Shares pursuant to the NED Plan; (c) amendments which would expand the definition of “Eligible Persons” entitled to participate in the NED Plan; (d) amendments to the amending provisions of the NED Plan; (e) amendments to reduce the price at which Shares are issued under the NED Plan; (f) amendments to the insider participation limits of the NED Plan that would result in disinterested Shareholders being required to approve the NED Plan; and (g) an increase to the maximum number of securities issuable, either as a fixed number or a fixed percentage of the Company’s outstanding capital represented by such securities.

Assignability of Rights

The right to acquire Shares pursuant to the NED Plan are not assignable.

Termination of NED Plan

The NED Plan may at any time be suspended or terminated by resolution of the Board. However, any rules affecting the rights of participants pursuant to the NED Plan will continue to operate with respect to any Shares provided under the NED Plan prior to such a suspension or termination.

Equity Compensation Plan Information

The following table provides details of the equity securities of the Company authorized for issuance as of the financial year ended 30 June 2014 pursuant to the Company's equity compensation plan currently in place:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))⁽¹⁾
Equity compensation plans approved by securityholders	N/A	N/A	N/A
Equity compensation plans not approved by securityholders	14,000,000	A\$0.42	3,649,289
Total	14,000,000 ⁽²⁾		3,649,289

Notes:

- (1) Based on a total of 9,000,000 stock options issuable pursuant to the Plan, representing approximately 3.6% of the issued and outstanding Shares as at 30 June 2014. 5,000,000 options issued to a director of the Company were issued outside of the Plan.
- (2) Representing approximately 5.5% of the issued and outstanding Shares as at 30 June, 2014.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

During the year ended 30 June 2014, no director, executive officer or associate of any director or executive officer of the Company was indebted to the Company, nor were any of these individuals indebted to any other entity which indebtedness was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company, including under any securities purchase or other program.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since the commencement of the Company's most recently completed financial year, no informed person of the Company, or any associate or affiliate of any informed person or nominee, has or had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or will materially affect the Company or any of its subsidiaries.

STATEMENT OF CORPORATE GOVERNANCE

The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company. The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of the Shareholders, but that it also promotes effective decision making at the Board level. The Board has adopted a written code of business conduct and ethics to encourage and promote a culture of ethical business conduct amongst the directors, officers, employees and consultants of the Company.

Board of Directors

NI 58-101 defines an "independent director" as a director who has no direct or indirect "material relationship" with the issuer. A "material relationship" is as a relationship which could, in the view of the board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.

The Board believes that it functions independently of management, and reviews its procedures on an ongoing basis to ensure that it is functioning independently of management. The Board meets without management present, as circumstances require. When conflicts arise, interested parties are precluded from voting on matters in which they may have an interest. In light of the suggestions contained in National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201"), the Board convenes meetings, as deemed necessary, of the independent directors, at which non-independent directors and members of management are not in attendance.

The Board is currently comprised of four (4) directors being Mr Craig Readhead, Mr Ian Buchhorn, Mr Wayne Taylor and Mr Stephen Dennis. Mr Stephen Dennis is independent within the meaning of NI 58-101. Messrs.

Buchhorn and Taylor are not independent as they are both officers of the Company, and Mr Readhead is not independent since he has a “material relationship” with the Company.

Other Public Company Directorships

The following members of the Board currently hold directorships in other reporting issuers as set forth below:

Name of Director	Name of Reporting Issuer	Market
Craig Readhead	Beadell Resources Limited	ASX
	General Mining Corporation	ASX
	Redbank Copper Limited	ASX
	Swan Gold Mining Limited	ASX
	Western Areas Limited	ASX
Stephen Dennis	CBH Resources Limited	N/A
	Cott Oil and Gas Limited	ASX

Meetings of the Board

The Board held 14 meetings during the year ended 30 June 2014. The members of the Board and their attendance are set forth in the table below:

Board of Directors		
Name of Director	Independent⁽¹⁾	Meeting Attendance
Craig Readhead	No	14/14
Ian Buchhorn	No	14/14
Stephen Dennis	Yes	14/14

Note:

To be considered independent, a member of the Board must not have any direct or indirect or “material relationship” with the Company. A material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member’s independent judgment

Board Mandate

The Board has adopted a written Board mandate pursuant to which the Board assumes responsibility for the stewardship of the Company. The Board’s primary responsibility is to develop and adopt the strategic direction of the Company and to, at least annually, review and approve a strategic plan as developed and proposed by management, which takes into account the business opportunities and risks of the Company. The Board is responsible for reviewing and approving the Company’s financial objectives, plans and actions, including significant capital allocations and expenditures. The Board is also responsible for, among other things: (i) monitoring corporate performance; (ii) identifying principal business risks and implementing appropriate systems to manage such risks; (iii) monitoring and ensuring internal control and procedures; (iv) ensuring appropriate standards of corporate conduct; (v) reviewing and approving financial statements and management’s discussion and analysis; (vi) reviewing compensation of the members of the Board; (vii) reviewing and approving material transactions and annual budgets; (viii) developing the Company’s approach to corporate governance; and (ix) assessing its own effectiveness in fulfilling its mandate.

The Board’s mandate sets forth procedures relating to the Board’s operations such as the size of Board and selection process, director qualifications, director orientation and continuing education, meetings and committees, evaluations, compensation and access to independent advisors. Pursuant to the Board’s mandate, the Board is required to hold at minimum four scheduled meetings per year.

Position Descriptions

Chairman of the Board

The Chairman of the Board is currently Craig Readhead. The Board has developed and adopted a written position description for the Chairman of the Board. Pursuant to the written description, the Chairman is responsible for, among other things: (i) chairing all meetings of the Board in a manner that promotes meaningful discussion; (ii) providing leadership to enhance the Board's effectiveness; (iii) managing the Board (including delegation and succession planning); (iv) acting as a liaison between the Board and management; and (v) at the request of the Board, representing the Company to external groups, including Shareholders, community groups and governments. The Chairman is also responsible for working with the Corporate Governance and Nominating Committee ("CGN") to ensure that the effectiveness of the Board and its committees as well as the contribution of individual directors is assessed at least annually.

Lead Independent Director

The lead independent director of the Board ("**Lead Director**") is currently Stephen Dennis. The Lead Director is responsible for, among other things: (i) providing leadership to ensure that the Board functions independently of management of the Company; (ii) chairing meetings of independent directors or non-management directors held following Board meetings; (iii) in the absence of the Chairman, acting as chair of meetings of the Board; (iv) recommending, where necessary, the holding of special meetings of the Board; (v) reviewing with the Chairman and the CEO items of importance for consideration by Board; (vi) consulting and meeting with any or all of the Company's independent directors, at the discretion of either party and with or without the attendance of the Chairman, and represent such directors in discussions with management of the Company concerning corporate governance issues and other matters; (vii) together with the Chairman, ensuring that all business required to come before the Board is brought before the Board, such that the Board is able to carry out all of its duties to supervise the management of the business and affairs of the Company, and together with the Chairman and the CEO, formulate an agenda for each Board meeting; (viii) ensuring that the Board, committees of the Board, individual directors and senior management of the Company understand and discharge their duties and obligations under the approach to corporate governance adopted by the Board from time to time; (ix) mentoring and counseling new members of the Board to assist them in becoming active and effective directors; (x) facilitating the process of conducting director evaluations; (xi) promoting best practices and high standards of corporate governance; and (xii) performing such other duties and responsibilities as may be delegated to the Lead Director by the Board from time to time.

Chief Executive Officer

The Board has also developed and adopted a role statement for the Chief Executive Officer whose primary role is to take overall supervisory and managerial responsibility for the day to day operations of the Company's business and manage the Company in order to achieve the goals and objectives determined by the Board in the context of the Company's strategic plan. The Chief Executive Officer's responsibilities include, but are not limited to: (i) maintaining, developing and implementing the Company's strategic plans; (ii) developing new strategic alliances to enhance shareholder value; (iii) providing quality leadership to staff and other officers of the Company; (iv) ensuring communications between the Company and major Shareholders; (v) providing timely strategic, operational and reporting information to the Board; (vi) coordinating the preparation of an annual business plan; and (vii) taking responsibility for the administration of all of the Company's sub-areas and administrative practices.

Chairmen of the Audit and Compensation, Corporate Governance (including Nominating) Committees

Although the Board has not developed and adopted a written position description for the Chairman of each of the Audit and Remuneration and CGN Committees, the Board delineates the role and responsibility of each Chairman by having adopted a charter for the three committees which outlines specific tasks, duties and responsibilities of the respective Chairman and the Committee in accordance with the recommendations set forth in NP 58-201.

Orientation and Continuing Education

New directors receive an orientation on the role of the Board, its committees, and the nature and operation of the Company's business, which consists of the following:

- an orientation session with senior officers to receive an overview the Company's business and affairs;
- an orientation session with the Chairperson of each standing committee; and
- an orientation session with legal counsel and the representatives of the Company's auditors.

Continuing education is provided to directors through provision of literature regarding current developments and annual seminars on corporate governance developments. The Chief Executive Officer of the Company takes primary responsibility for the orientation and continuing education of directors and officers.

Ethical Business Conduct

The Board has adopted a written code of business conduct and ethics to encourage and promote a culture of ethical business conduct amongst the directors, officers, employees and consultants of the Company. Copies of the Code of Conduct are available upon written request from the CEO or CFO of the Company. The CGN Committee is responsible for ensuring compliance with the Company's code of conduct. There were no departures from the Company's Code of Conduct since its adoption.

In addition to those matters which, by law, must be approved by the Board, the approval of the Board is required for:

- the Company's annual business plan and budget;
- major acquisitions or dispositions by the Company; and
- transactions which are outside of the Company's existing business.

To ensure the directors exercise independent judgment in considering transactions and agreements in which a director or officer has a material interest, all such matters are considered and approved by the independent directors. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

The Company believes that it has adopted corporate governance procedures and policies which encourage ethical behaviour by the Company's directors, officers and employees.

Nomination of Directors

The CGN Committee of the Board holds the responsibility for the appointment and assessment of directors.

The CGN Committee seeks to achieve a balance of knowledge, experience and capability among the members of the Board. When considering candidates for director, the CGN Committee takes into account a number of factors including, but not limited to, the following (although candidates need not possess all of the following characteristics and not all factors are weighted equally):

- personal qualities and characteristics, accomplishments and reputation in the business community;
- current knowledge and contacts in the countries and/or communities in which the Company does business and in the Company industry sectors or other industries relevant to the Company's business; and
- the ability and willingness to commit adequate time to Board and committee matters, and be responsive to the needs of the Company.

The Board will periodically assess the appropriate number of directors on the Board and whether any vacancies on the Board are expected due to retirement or otherwise. If vacancies are anticipated, or otherwise arise, or the size of the Board is expanded, the CGN Committee will consider various potential candidates for director. Candidates may come to the attention of the CGN Committee through current directors or management, stockholders or other persons. These candidates will be evaluated at regular or special meeting of the CGN Committee, and may be considered at any point during the year.

The CGN Committee considers candidates for directors by annual review of the credentials of nominees for re-election to be named in the Management's proxy's materials. The annual review considers an evaluation of the effectiveness of the Board and the performance of each director, the continuing validity of the credentials underlying the appointment of each director and the continuing compliance with the eligibility rules under applicable conflict of interest guidelines.

The CGN Committee, whenever considered appropriate, may direct the Chairman to advise each nominee director, prior to appointment to the Board, of the credentials underlying the recommendation of such nominee director's candidacy. The CGN Committee may recommend to the Board at the annual meeting of the Board, the allocation of Board members to each of the Board committees, and where a vacancy occurs at any time in the membership of any Board committee, the CGN Committee may recommend to the Board a member to fill such vacancy. The CGN Committee has the sole authority to retain and terminate any search firm to be used to identify nominee director candidates, including the sole authority to approve fees and other terms of such retention. The CGN Committee monitors on a continuing basis and, whenever considered appropriate, makes recommendations to the Board concerning the corporate governance of the Company.

Compensation

The Remuneration Committee of the Board reviews the compensation of the directors and senior officers. The Remuneration Committee reviews and makes recommendations to the Board regarding the granting of stock options to directors and senior officers, compensation for senior officers, and compensation for senior officers' and directors' fees, if any, from time to time. Senior officers and directors may be compensated in cash and/or equity for their expert advice and contribution towards the success of the Company. The form and amount of cash compensation will be evaluated by the Remuneration Committee, which will be guided by the following goals:

- compensation should be commensurate with the time spent by senior officers and directors in meeting their obligations and reflective of the compensation paid by companies similar to the Company in size, business and stage of development; and
- The structure of the compensation should be simple, transparent and easy for Shareholders to understand. Shareholders will be given the opportunity to vote on all new or substantially revised equity compensation plans for directors as required by regulatory policies.

Other Board Committees

The Board has no standing committees other than the Audit, Remuneration and CGN Committees.

Assessments

The Board does conduct a formal annual assessment of the effectiveness of the Board, its committees and their peers. The Chairman of the Board meets annually with each director individually, which facilitates a discussion of his contribution and that of the other directors. When needed, time is set aside at a meeting of the Board for a discussion regarding the effectiveness of the Board and its committees. If appropriate, the Board then considers procedural or substantive changes to increase the effectiveness of the Board and its committees. On an informal basis, the Chairman of the Board is also responsible for reporting to the Board on areas where improvements can be made. Any agreed upon improvements required to be made are implemented and overseen by the CGN Committee.

AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

The directors of the Company have adopted a Charter for the Audit Committee, which sets out the Audit Committee's mandate, organization, powers and responsibilities. The full text of the Audit Committee Charter is attached hereto as Appendix "A" to this Circular.

Composition of the Audit Committee

The members of the Audit Committee are Stephen Dennis (Chairman) Craig Readhead and Ian Buchhorn. Mr Dennis is independent (as defined in National Instrument 52-110 – *Audit Committees* (“NI 52-110”) adopted by the Canadian Securities Administrators), Messrs. Readhead and Buchhorn are not independent as they are either officers or have a material relationship with the Company, and all members are financially literate (as defined in NI 52-110). On 20 August 2014 the Company became a reporting issuer in Canada by virtue of listing its Shares on the TSX. Pursuant to NI 52-110 the Company’s all members of the audit committee must be independent. The CGN Committee is currently undergoing a search for at least two independent Directors, and once appointed to the Audit Committee, the Company will comply with the requirements set forth in NI 52-110.

Name of Member	Independent⁽¹⁾	Financially Literate⁽²⁾
Stephen Dennis (Chair)	Yes	Yes
Craig Readhead	No	Yes
Ian Buchhorn	No	Yes

Notes:

- (1) To be considered independent, a member of the Audit Committee must not have any direct or indirect “material relationship” with the Company. A “material relationship” is a relationship which could, in the view of the board of directors of the Company, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- (2) To be considered financially literate, a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

Relevant Education and Experience

Mr Dennis has been actively involved in the mining industry for over 25 years. He spent 14 years in senior management roles at MIM Holdings Limited, was Group General Manager and Chief Financial Officer of Minara Resources Limited until late 2005 and was Regional Director of the minerals transportation and logistics business of Brambles Australia Limited in Western Australia until late 2006. Mr Dennis is currently the CEO and Managing Director of CBH Resources Limited, a Sydney based resource company.

Mr Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resource sector, including the implementation of large scale mining projects both in Australia and overseas. Mr Readhead is a former president of the Australian Mining and Petroleum Law Association and is the Managing Partner of specialist mining and corporate law firm Allion Legal.

Mr Buchhorn is a mineral economist and geologist with over 30 years’ experience. Prior to the Company’s ASX listing in 1996 as founding Managing Director, Mr Buchhorn worked with Anglo American Corporation in southern Africa, and Comalco, Shell/Billiton and Elders Resources in Australia, as well as setting up and managing Australia’s first specialist mining grade control consultancy. Mr Buchhorn has worked on feasibility studies, bauxite and industrial mineral mining and exploration, gold and base metal project generation, and in corporate evaluations. For the last 20 years Mr Buchhorn has acquired and developed mining projects throughout the Eastern Goldfields of Western Australia and operated as a Registered Mine Manager.

Audit Committee Oversight

At no time during the Last Financial Year have any recommendations by the Audit Committee respecting the appointment and/or compensation of the external auditors of the Company not been adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in its Charter.

External Auditor Services Fees (By Category)

The following table discloses the fees billed to the Company by its external auditor during the last two completed financial years:

Financial Year Ending	Audit Fees ⁽¹⁾	Audit Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
30 June 2014	A\$38,000	Nil	Nil	Nil
30 June 2013	A\$45,000	Nil	Nil	Nil

Notes:

- (1) The aggregate fees billed for professional services rendered by the auditor for the audit of the Company's annual financial statements.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the "Audit Fees" column.
- (3) The aggregate fees billed for tax compliance, tax advice, and tax planning services.
- (4) No other fees were billed by the auditor of the Company other than those listed in the other columns.

ADDITIONAL INFORMATION

The Company will provide to any person, upon request to the Company Secretary, one copy of the Company's 2014 Annual Report which includes the Financial Statements. Copies of the above documents will be provided free of charge to Shareholders. The Company may require the payment of a reasonable charge by any person or company who is not a Shareholder, and who requests a copy of such document. Additional information relating to the Company may be found on SEDAR at www.sedar.com or at www.asx.com.au, or on the Company's website at www.heronresources.com.au.

APPROVAL OF THIS EXPLANATORY MEMORANDUM AND MANAGEMENT INFORMATION CIRCULAR

The contents and sending of this Explanatory Memorandum and Circular have been approved by the Directors.

DATED as of the 17th day of October, 2014.



Bryan Horan
Joint Company Secretary

APPENDIX A

AUDIT COMMITTEE CHARTER

CHARTER

The Audit Committee (“Committee”) is a committee of the board of Directors of the Company (“the Board”). Its primary function shall be to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and disclosure requirements, the overall maintenance of the systems of internal controls that management have established and the overall responsibility for the Company’s external and internal audit processes.

The Committee shall have the power to conduct or authorise investigations into any matter within the scope of this Charter. It may request any officer or employee of the Company, its external legal counsel or external auditor to attend a meeting of the Committee or to meet with any member(s) of the Committee. The Committee shall be accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Committee shall maintain an open communication between the Company’s outside auditor and the Board. The responsibilities of a member of the Committee shall be in addition to such member’s duties as a member of the Board.

The Committee has the duty to determine whether the Company’s financial disclosures are complete, accurate, are in accordance with international financial reporting standards and fairly present the financial position and risks of the organization. The Committee should, where it deems appropriate, resolve disagreements, if any, between management and the external auditor, and review compliance with laws and regulations and the Company’s own policies.

The Committee will provide the Board with such recommendations and reports with respect to the financial disclosures of the Company as it deems advisable.

MEMBERSHIP AND COMPOSITION

The Committee shall consist of at least three Directors who shall serve on behalf of the Board of which all Directors are independent. The members shall be appointed annually by the Board and shall meet the independence, financial literacy and experience requirements of the TSX and ASX.

A majority of Members will constitute a quorum for a meeting of the Committee.

The Board will appoint one Member to act as the Chair of the Committee. In his absence, the Committee may appoint another person provided a quorum is present. The Chair will appoint a secretary of the meeting, who need not be a member of the Committee and who will maintain the minutes of the meeting.

MEETINGS

At the request of the external auditor, the Chief Executive Officer or the Chief Financial Officer of the Company or any member of the Committee, the Chair will convene a meeting of the Committee. In advance of every meeting of the Committee, the Chair, with the assistance of the Chief Financial Officer, will ensure that the agenda and meeting materials are distributed in a timely manner and no less than five (5) business days before the meeting.

The Committee shall meet no less than four (4) times per year or more frequently if circumstances or the obligations require.

The duties and responsibilities of the Committee shall be as follows:

- A. Financial Reporting and Disclosure
 - i. Review and discuss with management and the external auditor at the completion of the annual examination:
 - a. the Company’s audited financial statements and related notes;
 - b. the external auditor’s audit of the financial statements and their report thereon;

- c. any significant changes required in the external auditor's audit plan;
 - d. any serious difficulties or disputes with management encountered during the course of the audit; and
 - e. other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
- ii. Review and discuss with management and the external auditor at the completion of any review engagement or other examination, the Company's quarterly financial statements.
 - iii. Review, discuss with management the annual reports, the quarterly reports, the Management Discussion and Analysis, Annual Information Form, prospectus and other disclosures and, if thought advisable, recommend the acceptance of such documents to the Board for approval.
 - iv. Review and discuss with management any guidance being provided to shareholders on the expected future results and financial performance of the Company and provide their recommendations on such documents to the Board.
 - v. Inquire of the auditors the quality and acceptability of the Company's accounting principles, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates.
 - vi. Meet independently with the external auditor and management in separate executive sessions, as necessary or appropriate.
 - vii. Ensure that management has the proper systems in place so that the Company's financial statements, financial reports and other financial information satisfy legal and regulatory requirements. Based upon discussions with the external auditor and the financial statement review, if it deems appropriate, recommend to the Board the filing of the audited annual and unaudited quarterly financial statements.
 - viii. Oversee and enforce Company's public disclosure practices.

EXTERNAL AUDITOR

- i. Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.
- ii. Recommend to the Board the external auditor to be nominated and review the performance of the auditor, including the lead partner of the external auditor.
- iii. Confirm with the external auditor and receive written confirmation at least once per year as to disclosure of any investigations or government enquiries, reviews or investigations of the outside auditor.
- iv. Take reasonable steps to confirm the independence of the external auditor, which shall include:
 - a. ensuring receipt from the external auditor of a formal written statement delineating all relationships between the external auditor and the Company, consistent with generally accepting auditing practices,
 - b. considering and discussing with the external auditor any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the external auditor, and
 - c. approve in advance any non-audit related services provided by the auditor to the Company with a view to ensuring independence of the auditor, and in accordance with any applicable regulatory requirements, including the requirements of the TSX Venture Exchange with respect to approval of non-audit related serviced performed by the auditor.

INTERNAL CONTROLS AND AUDIT

- i. Review and assess the adequacy and effectiveness of the Company's systems of internal and management information systems through discussion with management and the external auditor to ensure that the Company maintains appropriate systems, is able to assess the pertinent risks of the Company and that the risk of a material misstatement in the financial disclosures can be detected.
- ii. Assess the requirement for the appointment of an internal auditor for the Company.
- iii. Inquire of management and the external auditor about the systems of internal controls that management and the Board have established and the effectiveness of those systems. In addition, inquire of management and the external auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Company.

CHARTER REVIEW

The Committee will annually review and reassess the adequacy of this policy and submit any recommended changes to the Board for approval.

ADOPTION

This Charter was adopted by the Board in August, 2014.

APPENDIX B

EMPLOYEE SHARE OPTION PLAN

HERON RESOURCES LIMITED
ACN 068 263 098

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1. Purpose
- The Employee Share Option Plan (ESOP) of Heron Resources Limited has been established to provide a mechanism through which the wealth of the Employees and Contractors of Group Companies can be directly linked to the share price performance of the Company, thereby creating an additional incentive for Employees to strive to increase shareholder value for the benefit of all shareholders.
-
2. Definitions and interpretation
- In this document the following terms have the following meanings:
- \$ means Australian dollars.
- Acceptance Form means the acceptance form in such form as the Directors may approve from time to time.
- ASIC means the Australian Securities and Investment Commission.
- Associate has the meaning given to it by the Corporations Act.
- ASX means the ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.
- Board means the Board of Directors of the Company.
- Bonus Shares means Shares to which a holder of Shares is entitled to have allotted to the holder in any pro rata issue by the Company to holders of Shares, for which no consideration is payable by the holder.
- Certificate means the option certificate to be issued under clause 7 in such form as the Directors approve from time to time.
- Change of Control means that event which occurs when an entity who did not have a relevant interest in more than 20% of the Shares acquires a relevant interest in more than 20% of the Shares within the mean of Sections 608 and 609 of the Corporations Act.
- Class Order means a class order published by the ASIC.
- Company means Heron Resources Limited (ACN 068 263 098).
- Contractor means a person or an organisation that enters a contract with the Company for the provision of goods or services.
- Corporations Act means the *Corporations Act 2001* (Cth) and includes the *Corporations Regulations 2001* (Cth), as applicable.
- Directors means the Directors of the Company.
- Early Retirement means the termination of employment of a person with a Group Company by reason of that person being over the age of fifty-five years and having previously been employed by a Group Company for a total of over ten years, and having been determined by the Board to have agreed to take early retirement.
- Eligible Person means a permanent or part time Employee of a Group Company or subject to obtaining relief from ASIC, a Contractor in the permanent or part time employment of a Group Company provided that the Contractor has worked for a Group Company for not less than twelve (12) months and received eighty percent 80% or more of their income in the preceding year from a Group Company, whom the Directors determine to be an eligible person for the purposes of participation in the Employee Share Option Plan.
- Employees means a person, by whatever name and whether or not a Director, who is employed by, concerned with, or takes part in, the business of the Group Companies.
- Employee Share Option Plan or Plan means the Heron Employee Share Option Plan established by this document.
- Excluded Event means an event by which an Eligible Person ceases to be an Eligible Person by reason of being dismissed from office other than for cause (whether or not on terms acceptable to the Eligible Person) within six (6) months after a Change of Control has occurred.
- Exercise Period means the period commencing on the Vesting Date and ending on the Last Exercise Date.

Exercise Price means subject to clause 17, the amount to be paid to the Company upon the exercise of an Option, being not less than the weighted average market closing price of the Shares traded on the ASX over a five (5) Trading Day period ending on the last Trading Day immediately prior to the Issue Date.

Group Company means the Company and or its Subsidiaries and associates.

Holder means the holder specified on the face of the Certificate or that person's legal personal representative, except when an Eligible Person dies, the Options may, subject to clause 18, be transferred to their heirs, successors, legal personal representatives or administrator as the case may be and they will become the holder for the purposes of exercising the Options prior to the Last Exercise Date.

Initial Number means the number of Shares specified on the face of the Certificate.

Insider means:

- (a) a director or officer of the Company,
- (b) a director or officer of a person or company that is itself an Insider or subsidiary of the Company,
- (c) a person or company that has:
 - (i) beneficial ownership of, or control or direction over, directly or indirectly, securities of the Company carrying more than 10 per cent of the voting rights attached to all the Company's outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the person or company as underwriter in the course of a distribution; or
 - (ii) a combination of beneficial ownership of, and control or direction over, directly or indirectly, securities of the Company reporting issuer carrying more than 10 per cent of the voting rights attached to all the Company's outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the person or company as underwriter in the course of a distribution;
- (d) a reporting issuer that has purchased, redeemed or otherwise acquired a security of its own issue, for so long as it continues to hold that security,

or any associates or affiliates of the Insider.

Issue Date means the date of grant of the Options as specified on the face of the Certificate.

Last Exercise Date means subject to clause 17, the earlier of:

- (a) the day five (5) years after the Issue Date; and
- (b) the date six (6) months after the day on which the Holder Retires, takes Early Retirement, is Permanently Disabled, is made Redundant, ceases to be an Eligible Person by virtue of an Excluded Event or, while an Eligible Person, dies.

Listing Rules means the Listing Rules of the ASX or the TSX as the case may be as they apply to the Group Companies.

Marketable Parcel has the meaning given to it by the Listing Rules.

Notice of Exercise means a duly completed notice of exercise of Options signed by the Holder, in a form approved by the Directors from time to time.

Offer means the written offer of Options made by the Company.

Option means a right to subscribe for a Share granted to the Holder, evidenced by the Certificate.

Option Period means the period commencing on the Vesting Date and ending when the Options are exercised or lapse.

Option Shares means the number of Shares the subject of Options adjusted in accordance with these terms.

Other Securities means securities or other interests or rights in them, other than Shares.

Permanent Disablement means the disablement of a person the effect of which is, in the opinion of the Directors, likely to be permanent and will stop that person from continuing employment with the Company.

Redundancy means the termination of employment by a person with the Company by reason of a restructure within the Company whereby the position previously being occupied by that person no longer exists within the Company and the Board in its absolute discretion determining that such event qualifies as a redundancy for the purposes of the Employee Share Option Plan, and "Redundant" has the corresponding meaning.

Related Body Corporate has the meaning given to it by the Corporations Act.

Retire means termination of a person's employment with the Company at the normal retirement age, or at any other time with the Company's consent, but excluding dismissal or resignation, and "Retirement" has the corresponding meaning.

Rights Issue means an offer or invitation made by the Company to holders of issued Shares to subscribe for new Shares pro rata according to their respective holdings of Shares.

Rights Issue Shares means Shares for which Holders of issued Shares are entitled to subscribe under a Rights Issue.

Shares means fully paid ordinary shares in the capital of the Company.

Shareholders mean holders of Shares.

Subsidiary has the meaning given to it by the Corporations Act.

Takeover Bid has the meaning given to that term in section 9 of the Corporations Act.

Total Exercise Price means the number of Options to be exercised in a particular case multiplied by the Exercise Price.

Trading Day means a day on which the ASX or the TSX, as the context requires, is open for trading.

Tranche means Options, issued to a Holder, with the same Exercise Condition, Vesting Date and Exercise Price.

TSX means the Toronto Stock Exchange.

Vesting Date means subject to clause 17, the earlier of:

- (a) in relation to the First Tranche, 1 year after the Issue Date;
- (b) in relation to the Second Tranche, 2 years after the Issue Date;
- (c) in relation to the Third Tranche, 3 years after the Issue Date;
- (d) the date on which the Holder Retires, takes Early Retirement, is Permanently Disabled, is made Redundant, is dismissed as a result of an Excluded Event or, while an Eligible Person, dies; and
- (e) such earlier date determined by the Board in its absolute discretion in accordance with this Employee Share Option Plan.

3. Interpretation

In this document:

- (a) the masculine gender includes the feminine;
- (b) the singular includes the plural and vice versa; and
- (c) a reference to any legislation or to the provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.

4. Eligibility

The Directors may at their absolute discretion determine who is an Eligible Person and, subject to obtaining any approval of shareholders when required, the extent of that person's participation in the Employee Share Option Plan from time to time.

5.	Offer
5.1	<p>Offers of Options</p> <p>The Company may offer to each Eligible Person by notice in writing Options in the Employee Share Option Plan whereby the written notice of Offer must:</p> <p>(a) specify:</p> <ul style="list-style-type: none"> (i) the maximum number of Options being offered to each Eligible Person; (ii) the estimated Exercise Price based on recent trading of the Shares; (iii) the duration of the Options; (iv) the date of the Offer; (v) the time period for acceptance of the Offer; (vi) the name and address of the Eligible Person to whom the offer was made; (vii) a copy or a summary of the rules of the Employee Share Option Plan (and if a summary is provided, a statement that a copy will be provided free of charge on request) and include an undertaking and an explanation of the way in which the Company will, during the Option Period, make available to the Eligible Person information concerning the current market price of the Company's Shares; and (viii) any other material terms and conditions applicable to the offer including the Exercise Conditions (if any) applicable to each Tranche of Options; and <p>(b) be issued with an Acceptance Form and such explanatory material in respect of the Employee Share Option Plan as the Directors consider appropriate, or as required by law.</p> <p>(c) be lodged with ASIC within seven (7) days of it being provided to the Eligible Person.</p>
5.2	<p>Overriding restrictions on grant and exercise</p> <p>Notwithstanding anything else in this Plan or in the terms of any Option, an Option may not be offered, granted or exercised if to do so:</p> <ul style="list-style-type: none"> (a) would contravene the Corporations Act or the Listing Rules; or (b) would contravene the local laws of, or the rules or requirements of any regulatory or statutory body in, a Holder's country of residence or in the opinion of the Board compliance with those local laws, rules or requirements would be impractical or result in any unnecessary or unreasonable expense in the circumstances.
6.	Acceptance of offer
6.1	<p>Acceptance procedure</p> <p>An Eligible Person may only accept the offer to take up Options by delivering to the Company the duly completed Acceptance Form within the time period specified in the written notice of offer. The acceptance takes effect on the Issue Date.</p>
6.2	<p>Acceptance of Options in whole or in part</p> <p>An Eligible Person may accept the offer to take up the Options in whole or in part but, if the offer is accepted in part, then the Eligible Person may only do so in a number which is a multiple of either one hundred (100) or such greater number as constitutes a Marketable Parcel, and may not subsequently accept the offer in respect of the remaining Options unless those Options are re-offered by the Company.</p>
7.	<p>Option Certificate</p> <p>The Company must issue a Certificate for the Options granted to an Eligible Person when the Company has received a duly completed Acceptance Form from the Eligible Person.</p>

8.	Exercise price for Options
	The Total Exercise Price is payable by a Holder on the exercise of Options.
9.	Lapse of Options
9.1	Time of lapse
(a)	Options lapse, to the extent they have not been exercised, on the earliest of:
(i)	the Last Exercise Date;
(ii)	except as provided in paragraph (iii), the day which is sixty (60) days after the day on which the Holder ceases to be an Eligible Person, otherwise than by death, Early Retirement, an Excluded Event, Permanent Disablement, Redundancy or Retirement;
(iii)	the day on which the Holder ceases to be an Eligible Person by reason of dismissal for misconduct; and
(iv)	the day on which a Holder defaults under these terms.
9.2	Rights following lapse
	Upon the lapse of an Option, all rights of the Holder under the Option cease.
9.3	Black-Out Period
	Notwithstanding clauses 9.1 and 9.2, if the Option Period of an Option expires during a period when the Board or a policy adopted by the Board has determined that Insiders of the Company shall not trade in securities of the Company (a Black-Out Period), or within five business days of the end of a Black-Out Period, the Option Period shall be deemed to end at 5.00pm. (Perth, Australia time) on the sixth (6th) business day after the end of the Black-Out Period.
10.	Exercise of Options
10.1	Exercise procedure
	The Holder may, during the Exercise Period and in the manner provided by these terms (but not at any time after the Options have lapsed, subject to clause 9.3), exercise the Options, in respect of some or all of the Option Shares, by lodging a Notice of Exercise and a cheque payable to the Company for the Total Exercise Price, or such other means of payment as may be approved by the Board, at the head office of the Company for the time being or other place nominated by the Board for this purpose.
10.2	Use of moneys
	The Company must apply the moneys received from a Holder upon the exercise of the Options in satisfaction of the payment by the Holder of the price referred to in clause 8 in respect of the Options to the extent of the Exercise Price.
10.3	Exercise of Options in whole or in part
	If a Holder elects to exercise only some of the Options, the election must be in a number which is a multiple of either one hundred (100) or such greater number as comprises a Marketable Parcel.
10.4	Cancellation or replacement of Option Certificate
	Within five (5) days of receipt of a Notice of Exercise pursuant to clause 10.1, the Company will cancel the Option Certificate if Options are being exercised in respect of all of the Option Shares or replace the Option Certificate if Options are being exercised in respect of only some of the Option Shares as contemplated by clause 10.3.
11.	Share allotment and Official Quotation
11.1	Allotment and application for Official Quotation
	Subject to clauses 11.2 and 11.3, the Company must within five days after receipt of the Notice of Exercise and the Total Exercise Price allot to the Holder the number of Shares specified in such Notice, enter the Holder's name in the share register of the Company and apply for official quotation of the Option Shares by the ASX.

11.2 Allotment after record date

Where a Holder submits a Notice of Exercise to the Company which is received after an announcement by the Directors of their intention to pay or to recommend the payment of a dividend to shareholders, the Company will not allot Shares specified in such Notice until the day after the record date for the determination of entitlements to that dividend.

11.3 Exception

Clause 11.2 does not apply where a Holder receives a notice from the Directors under clause 16 of these terms and exercises any of the Holder's Options during:

- (a) the period that the Takeover Bid referred to in that notice remains open for acceptance; and
- (b) if the offeror under the Takeover Bid has the right to acquire compulsorily any outstanding Shares and exercises that right, the period during which such compulsory acquisition may occur.

12. No interest in Shares or Other Securities

12.1 No interest

The Option does not confer on the Holder the right to participate in new issues of Shares or Other Securities without exercising the Option. The Company must give notice to the Holder of any new issue of Shares or Other Securities before the record date for determining entitlements to the issue in accordance with the Listing Rules or any waiver from the Listing Rules provided to the Company by ASX.

12.2 Cancellation in case of dismissal for cause

If the Holder ceases to be an Eligible Person by reason of dismissal for cause, the Directors may in their absolute discretion cancel the Holder's Options, whether before or after any purported exercise of them, without any liability arising out of that cancellation.

13. Rights issues

13.1 Exercise Price adjustment

Subject to the Listing Rules, if the Company from time to time during the Option Period offers Rights Issue Shares or Other Securities, *pro rata* to all or substantially all holders of ordinary shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) where (S+D) (as defined below) does not exceed P (as defined below) at a time when:

- (a) an Option has not been exercised in full; or
- (b) the Option has been exercised, but Option Shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the Rights Issue;

then, the Exercise Price per share will be reduced, subject to the Listing Rules, according to the following formula:

$$A = O - \frac{E * [P - (S + D)]}{N + 1}$$

Where

A is the new Exercise Price of the Option

O is the old Exercise Price of the Option

E is the number of Shares into which one Option is exercisable

P is the average weighted market price of the Shares during the five (5) trading days on the ASX ending on the day before the ex rights date

S is the subscription price for a Share under the rights issue

D is the dividend due but unpaid on the existing Shares

N is the number of Shares with rights or entitlements that must be held to receive a right to one new Share

13.2 Notice of Exercise Price adjustment

The Company will give each Holder notice of any adjustment to the Exercise Price of that Holder's Options as soon as practicable.

14. Bonus issues

If the Company from time to time during the Option Period issues any Bonus Shares, then the number of Option Shares to be allotted to a Holder upon exercise of an Option (exercised option) must be increased to that number which is the aggregate of the number of Shares which would have been allotted, subject to the Listing Rules, on the exercise of the exercised options but for this term and such number of Bonus Shares as the Holder would have been entitled to receive if, immediately prior to the entitlement date for the Bonus Shares, the Holder:

- (a) had exercised the Options in respect of all of the Option Shares; and
- (b) became the registered holder on the entitlement date of the Shares which would have been issued.

15. Reconstruction of capital

Notwithstanding any other term of the Employee Share Option Plan:

- (a) if the issued share capital of the Company is reconstructed in any way (including, without limitation, by consolidation, division, reduction or return), the number of Options or the Exercise Price or both will be reconstructed (as appropriate), to the extent necessary to comply with the Listing Rules applying to a reconstruction of capital at the time, and in a manner which will not result in any benefits being conferred on Holders which are not conferred on the holders of Shares; and
- (b) (subject to provisions with respect to adjusting the number of Option Shares to which a Holder will be entitled as sanctioned by a meeting of members of the Company approving the reconstruction of the issued share capital of the Company) in all other respects the terms for the exercise of the Options will remain unchanged.

16. Change of control

If a Takeover Bid is made to acquire the whole or any part of the issued share capital of the Company or the Directors believe a Change of Control of the Company is otherwise reasonably likely to occur at any time up to the Last Exercise Date of the Options, the Directors may in their absolute discretion give written notice of the Takeover Bid or the prospective Change in Control to the Holders. Immediately upon the giving of such notice by the Directors, each Holder becomes and remains entitled to exercise the Holder's Options regardless of whether or not the Exercise Conditions have been satisfied, at any time up to the Last Exercise Date of the Options.

17. Determination of number of Option Shares, Exercise Price and Exercise Period

The Directors may, subject to the Listing Rules, determine the amount or extent of any adjustment to be made, in accordance with the definition of "Option Shares", "Exercise Price", "Last Exercise Date" and "Vesting Date" and to the number of the Option Shares having regard to the provisions of those definitions and to these terms, and each determination is conclusive and binding on the Company and the Holder.

18. Options not transferable

Options may not be transferred or assigned except that an heir, successor, administrator or legal personal representative of a Holder who has died or whose estate is liable to be dealt with under laws relating to mental health or bankruptcy will be entitled to be registered as the holder of those Options after the production to the Board of such documents or other evidence as the Board may reasonably require to establish that entitlement.

19.	Ranking and listing
(a)	Shares allotted as a consequence of the exercise of Options will, from the date of allotment, rank equally with all other issued Shares.
(b)	The Company will apply for official quotation of those Shares on the stock exchange on which the Shares are to be quoted (as directed by the Holder) in accordance with the Listing Rules.
(c)	The Options will not be listed for quotation on any stock exchange.
20.	Set-off rights
	Where, pursuant to these terms, the Holder is obliged to make a payment to the Company and the Company is obliged to make a payment to the Holder, the Company may, in its absolute discretion, set off to the extent permitted by law any amount owing by the Holder to the Company against any amount the Company is obliged to pay the Holder. The liability of the Holder to the Company will be reduced by the amount set off.
21.	Issue limitations
21.1	10% limit
	Subject to clause 21.2, an Option may not be granted if, immediately following its grant, the Shares to be received on exercise of the Option when aggregated with:
(a)	the number of shares in the same share class which would be issued if each Option granted under this Plan (provided that such Option has not lapsed) or any other employee incentive scheme of the Company were to be exercised; and
(b)	the number of shares in the same class issued during the previous five years under the Plan or any other employee incentive scheme of the Company,
	exceeds 10% of the total number of issued shares in that share class of the Company at the time the Option is granted, provided that the Board may, in its absolute discretion, increase this percentage, subject to any applicable Corporations Act, Listing Rule or Class Order requirements.
	The maximum number of Shares available for issuance to Insiders of the Company, at any time, under all security based compensation arrangements, cannot exceed 10% of the number of issued and outstanding Shares of the Company. The maximum number of Shares issued to Insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the number of issued and outstanding Shares of the Company over any one year period of time.
21.2	Exceptions
	When aggregating the number of shares for the purposes of clause 21.1, the Company may disregard any offer made, option acquired or share issued by way of or as a result of:
(a)	an offer to a person situated at the time of receipt of the offer outside of Australia;
(b)	an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
(c)	an offer made under a disclosure document in accordance with Chapter 6D of the Corporations Act.
22.	Commencement, on-going approval and termination
22.1	Commencement
	The Company's Employee Share Option Plan was established by way of a resolution of the Board on 19 August 2014 prior to the listing of the Company's Shares on the TSX.
22.2	Ongoing approval of Employee Share Option Plan
	Every three (3) years following the institution of the Employee Share Option Plan the terms of the Employee Share Option Plan, whether or not amended or varied by the Board, must be approved by:
(a)	the Board; and
(b)	the Shareholders.

Materials to be provided to Shareholders when seeking Shareholder approval of the Employee Share Option Plan, must where required, be pre-approved by any securities exchange on which the Shares are listed and must include disclosure as at the date of the materials, in respect of:

- (a) the Eligible Persons;
- (b) each of the following:
 - the total number of Options issued and the total number of Options issuable as a percentage of the number of the Issued Shares, and
 - the total number of Option Shares and this total as a percentage of the number of Issued Shares;
- (c) the maximum percentage, if any, of Options available to Insiders under the Employee Share Option Plan;
- (d) the maximum number of Options, if any, any one Eligible Person is entitled to receive under Employee Share Option Plan and the percentage of the Issued Shares represented by these Options;
- (e) subject to the Exercise Price of any Option not being lower than the market price of Shares on the Issue Date, the method of determining the Exercise Price;
- (f) the ability for the listed issuer to transform an Option into a stock appreciation right involving an issuance of securities from treasury;
- (g) the vesting of Options;
- (h) the Exercise Period of Options;
- (i) the causes of cessation of entitlement to Options under the Employee Share Option Plan, including the effect of an Employee's termination for or without cause;
- (j) the assignability of Employee Share Option Plan benefits and the conditions for such assignability;
 - the procedure for amending the Employee Share Option Plan, including specific disclosure as to whether Shareholder approval is required for amendments;
 - any financial assistance provided by the Company to Eligible Persons under the Employee Share Option Plan to facilitate the exercise of Options, including the terms of such assistance;
 - Options issued under the Employee Share Option Plan that are subject to ratification by Shareholders; and
 - such other material information as may be reasonably required by a Shareholder to approve the Employee Share Option Plan.

22.3 Termination

This Employee Share Option Plan may be terminated at any time by a resolution of the Board. A resolution for termination may take effect not fewer than 30 days after notification to Holders of that termination. For the avoidance of doubt, any termination of the Employee Share Option Plan pursuant to this clause will not affect any Options which are outstanding and the Board will continue to administer the plan in accordance with these rules until all Options have been exercised or lapsed.

23. General

23.1 Holder's entitlement

The entitlement of the Holder and these terms are subject to the Company's Constitution.

23.2 Fractions

If upon the making of any adjustment contemplated by these terms, a person becomes entitled to a fraction of a Share, that fraction will be disregarded.

23.3 Employee Share Option Plan not part of employment contracts

The Employee Share Option Plan does not form part of any contract of employment between any of the Group Companies and any employee or officer, and does not confer directly or indirectly on any employee or officer

any legal or equitable rights whatever against the Group Companies except as a participant under the Employee Share Option Plan or the holder of Shares allotted under it.

23.4 Amendment or variation

Subject to the Listing Rules, the Board may amend or vary the terms of this Employee Share Option Plan in any respect which does not materially affect the accrued rights of a Holder.

Subject to the requisite shareholder and regulatory approvals set forth under subparagraphs 23.4(a) and (b) below, the Board may from time to time amend or revise the terms of the Employee Share Option Plan or may discontinue the Employee Share Option Plan at any time provided however that no such amendment or revision may, without the consent of the Holder, in any manner adversely affect his rights under any Option already granted under the Employee Share Option Plan.

- (a) The Board may, subject to receipt of requisite shareholder and regulatory approval, make the following amendments to the Employee Share Option Plan:

any amendment to the number of securities issuable under the Employee Share Option Plan, including an increase to a fixed maximum number of securities or a change from a fixed maximum number of securities to a fixed maximum percentage. A change to a fixed maximum percentage which was previously approved by shareholders will not require additional shareholder approval;

any change to the definition of Eligible Person which would have the potential of broadening or increasing Insider participation;

the addition of any form of financial assistance;

any amendment to a financial assistance provision which is more favourable to participants;

any addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Employee Share Option Plan reserve;

the addition of a deferred or restricted share unit or any other provision which results in participants receiving securities while no cash consideration is received by the Company;

a discontinuance of the Employee Share Option Plan;

a reduction in the Exercise Price under this Employee Share Option Plan benefiting an Insider of the Company;

an extension of a term of an Option under this Employee Share Option Plan benefiting an Insider of the Company;

any amendment to remove or to exceed the Insider participation limit;

amendments to the amending provision under this Employee Share Option Plan; and

any other amendments that may lead to significant or unreasonable dilution in the Company's outstanding securities or may provide additional benefits to eligible participants, especially Insiders of the Company, at the expense of the Company and its existing shareholders.

- (b) The Board may, subject to receipt of requisite regulatory approval, where required, in its sole discretion make all other amendments to the Employee Share Option Plan that are not of the type contemplated in subparagraph 23.4(a) above including, without limitation:

(i) amendments of a "housekeeping" nature;

(ii) a change to the vesting provisions of a security or the Employee Share Option Plan;

(iii) a change to the termination provisions of a security or the Employee Share Option Plan which does not entail an extension beyond the original expiry date; and

(iv) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Employee Share Option Plan reserve.

23.5 Listing Rules

To the extent this Plan is inconsistent with the Listing Rules, the Listing Rules will prevail.

23.6 Governing Law

This Employee Share Option Plan and the rights of Holders under its terms are governed by the laws in force in Western Australia, Australia.

APPENDIX C

Non-Executive Directors Share Plan

Heron Resources Limited ACN 068 263 098

Dated:

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1. ELIGIBILITY

2. PARTICIPATION

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- 4.1 Shares
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DELETED

6. SHARES NOT TO BE ACQUIRED IN CERTAIN CIRCUMSTANCES

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HERON RESOURCES LIMITED ACN 068 263 098

NON-EXECUTIVE DIRECTOR SHARE PLAN

1. ELIGIBILITY

Each Non-Executive Director is eligible to participate in this Plan, unless participation of the Non-Executive Director in this Plan would (in the opinion of the Board) result in the Company contravening applicable law or becoming obliged to prepare, lodge or issue a prospectus or other disclosure document in Australia or elsewhere and the Board determines it would be onerous for the Company to do so (Eligible Person).

2. PARTICIPATION

2.1 Fee sacrifice

Subject to these Rules, each Non-Executive Director participating in this Plan in respect of a Year must give a notice to the Company specifying the percentage of the Standard Fees which are not to be paid to him or her (Specified Percentage). By giving such a notice, the Non-Executive Director agrees that the Company will not be liable to pay or provide the Specified Percentage of the Standard Fees that would otherwise be payable to him or her.

2.2 Timing of fee sacrifice

The Sacrificed Amount that would (but for the operation of this Plan) have been paid to a Non-Executive Director, will be taken to have been sacrificed in respect of the last part of a Year that is equivalent to the Specified Percentage, and the Company will not be liable to pay or provide any other amount to the Non-Executive Director for that period, except as provided for in this Plan.

2.3 Standing Notice

A notice given under Rule 2.1 may specify that it continues to operate in respect of all subsequent Years, until changed or (subject to these Rules) revoked by the Non-Executive Director who gave the notice.

2.4 Timing of election

An election for a Year must be made before the commencement of that Year or, at such other times as the Board permits.

2.5 Specified Percentage

The Specified Percentage must be at least 10% (unless otherwise determined by the Board) and not more than 100%. Otherwise, the Specified Percentage may be determined in the discretion of the relevant Non-Executive Director.

3. ACQUISITION OF SHARES

3.1 Number of Shares

Subject to Rule 6, each Non-Executive Director will be provided a number of Shares in respect of each Year as is determined in accordance with the following formula:

A/B

A is the Sacrificed Amount; and B is:

- (a) if the Shares are purchased on ASX, the average price paid for the Shares on ASX under the Plan (inclusive of costs associated with their acquisition); or
- (b) if the Shares are issued by the Company, the volume weighted average price for sales on ASX for the five trading days immediately before the issue of the Shares.

3.2 Rounding

Where the number of Shares determined under Rule 3.1 and Rule 3.3(a) is not a whole number, the number will be rounded down to the nearest whole number.

3.3 Timing and manner of acquisition

(a) Subject to Rule 6, the number of Shares determined in accordance with this Rule 3 in relation to a Year must be acquired during the Acquisition Periods determined by the Board. Shares acquired during the Acquisition Periods must be provided to the Non-Executive Director at or as soon as practicable after the end of the applicable Acquisition Period.

(b) Subject to applicable law, Shares to be provided to a Non-Executive Director under this Plan may be:

- (i) issued to or for the benefit of the Non-Executive Director; or
- (ii) purchased on ASX and transferred to or for the benefit of the Non-Executive Director with funds provided by the Company, as determined by the Board in its discretion from time to time.

(c) No amount is required to be paid to the Company by the Non-Executive Director for Shares provided under this Plan.

3.4 Remuneration of Directors

The value of the Shares provided to the Non-Executive Directors under the Plan in relation to a Year is the aggregate of the Sacrificed Amounts relating to those Non-Executive Directors for that Year.

3.5 Maximum Number of Shares

Notwithstanding any other provision of this Plan and subject to the limitations set out in section 6.2, the maximum number of Shares that may be issued or issuable pursuant to the Plan may not exceed 5% of the issued and outstanding Shares from time to time. The right to acquire Shares pursuant to this Plan shall not be assignable.

4. RANKING OF SHARES

4.1 Shares

- (a) All Shares provided to a Non-Executive Director must be fully-paid ordinary shares in the Company.
- (b) All Shares issued to a Non-Executive Director will rank equally in all respects from their date of issue with all other fully paid Shares then on issue.

4.2 Legal ownership of Shares

Shares provided to a Non-Executive Director under this Plan are to be:

- (a) entered in and maintained on the Issuer Sponsored Subregister; or
- (b) held by a trustee appointed for the purpose of the Plan by the Company, as the Board decides, until the Shares cease to be Restricted Shares.

4.3 Holding statements

Where Rule 4.2(a) applies in relation to Shares, the Company must issue or procure the issue of a holding statement to the Non-Executive Director for the Shares provided to the Non-Executive Director as soon as practicable thereafter and in any event within the time required by applicable law or the Listing Rules.

4.4 Listing

The Company must at its expense apply for official quotation on ASX of any Shares provided to a Non-Executive Director under this Plan which are not already quoted on ASX, within the time required by the Listing Rules. If no time is prescribed, the Company must do so as soon as practicable after the Shares have ceased to be Restricted Shares.

4.5 Purchase and transfer of Shares

If Shares to be provided to a Non-Executive Director under this Plan are not to be held by a trustee appointed for the purpose of this Plan, the Non-Executive Director:

- (a) must accept a transfer of Shares that the Company causes to be purchased on ASX for the Non-Executive Director under this Plan; and
- (b) if requested by the Board, must execute an instrument of transfer (as transferee) in respect of such Shares.

6. SHARES NOT TO BE ACQUIRED IN CERTAIN CIRCUMSTANCES

6.1 Legal constraints

Notwithstanding any other provision of these Rules, if (but for this Rule) the provision of the Shares under Rule 3 to a Non-Executive Director would or, in the opinion of the Board or the Non-Executive Director, might involve a contravention of any applicable law by the Company or the Non-Executive Director to whom the Shares would be provided in respect of a Year:

- (a) the Board or the Non-Executive Director (as the case may be) must give the Company Secretary a written statement to that effect; and
- (b) the Shares will not be provided to the Non-Executive Director concerned.

6.2 Restrictions on issues to Insiders

The maximum number of Shares:

- (a) issuable at any time; or
- (b) issued within anyone year period,

to an Insider under the Plan, or any other Share Compensation Arrangement, cannot exceed 10% of the issued and outstanding Shares.

6.3 Cash in lieu

If Rule 6.1 prohibits the provision of Shares to a Non-Executive Director in accordance with Rule 3 in respect of a Year, the Company must pay to the Non-Executive Director an amount equal to the Sacrificed Amount for that Year at the time that it would have provided the Shares but for Rule 6.1.

6.4 Cessation of directorship

Notwithstanding any other provision of these Rules, if a Non-Executive Director ceases (for whatever reason) to be a Director:

- (a) during a Year; or

(b) after the end of a Year but before Shares have been provided under Rule 3 to that Non-Executive Director in respect of the Year,

no Shares will be provided to the Non-Executive Director in relation to the Year and, if paragraph (b) applies, no Shares will be provided to the Non-Executive Director in relation to the period between the end of the Year and the date on which the Non-Executive Director ceased to be a Director. The Company must pay to the Non-Executive Director in lieu of providing those Shares an amount equal to:

(c) where paragraph (a) applies, the portion of the Sacrificed Amount for that Year that is referable to the period prior to the Non-Executive Director ceasing to be a Non-Executive Director; or

(d) where paragraph (b) applies, the sum of:

(i) the Sacrificed Amount for that Year; and

(ii) the portion of the Sacrificed Amount of the Year during which the Non-Executive Director ceased to be a Director that is referable to the period prior to the Non-Executive Director ceasing to be a Non-Executive Director.

The payment under this Rule 6.4 must be made on or as soon as practicable after the date on which the Non-Executive Director ceased to be a Director.

6.5 Satisfaction of obligations

A payment made under Rule 6.3 or 6.4 is in full satisfaction of the obligation of the Company to provide any Shares to a Non-Executive Director under the Plan.

7. TAX AND COSTS

7.1 Deductions or withholding

If any applicable law requires the Company to deduct or withhold an amount in respect of tax from a payment required to be made to a Non-Executive Director under this Plan, the Company is authorised to deduct or withhold such amount, and the amount to be paid to the Director will be reduced accordingly.

7.2 Transaction costs

A Non-Executive Director must bear all brokerage, commission, stamp duty or other transaction costs payable in relation to the acquisition of Shares for the Non-Executive Director under this Plan.

8. AMENDMENT TO PLAN

8.1 General power of amendment

Subject to the Legal Requirements and rules 8.2, 8.3, and 8.4, the Board may from time to time by resolution:

(a) Amend or revise the terms of the Plan;

(b) Revise the terms of the Plan; or

(c) Discontinue the Plan at any time, An amendment may be retrospective in effect.

8.2 Board authority to amend

Subject to section 8.3 and 8.4 the following amendments to the Plan may be made by the Board without the approval of the shareholders:

(a) Any amendments necessary to ensure that the Plan is in compliance with the rules of the ASX, TSX or any applicable governmental body;

(b) Amendments that are of an administrative or general housekeeping nature;

- (c) Amendments to the definition of Eligible Person under the Plan unless such changes would expand the class of Eligible Persons;
- (d) Amendments to the manner in which the Plan is administered; and
- (e) Amendments to the vesting provisions and the termination provisions described in Sections 7, 8 and 9 of the Plan.

8.3 Amendments requiring shareholder approval

The following amendments to the Plan will require shareholder approval:

- (a) Amendments to the maximum number of Shares that may be issued to Insiders or to anyone Participant pursuant to the Plan;
- (b) Amendments to the provisions with respect to the assignment of Shares, or a right to Shares pursuant to the Plan;
- (c) Amendments which would expand the definition of Eligible Persons entitles to participate in the Plan;
- (d) Amendments to the amending provisions of the Plan;
- (e) Amendments to reduce the price at which Shares are issued under the Plan; and
- (f) Amendments to the Insider participation limits at section 6.2 that would result in disinterested shareholders being required to approve the Plan; and
- (g) An increase to the maximum number of securities issuable under the Plan, either as a fixed number or a fixed percentage of the Company's outstanding capital represented by such securities.

8.4 Amendments affecting previously granted share rights

No amendment of these rules is to reduce the rights of any Eligible Person in respect of rights granted under the Plan before the date of the amendment introduced primarily:

- (a) for the purpose of complying with or conforming to present or future Legal Requirements governing or regulating the maintenance or operation of this Plan or like plans;
- (b) to correct any manifest error or mistake;
- (c) to enable contributions or other amounts paid by any body corporate in the Group in respect of the Plan to qualify as income tax deductions for that body corporate the company or any other body corporate within the Group; or
- (d) to enable any member of the Group to comply with Legal Requirements or instruments of relief issued by the Australian Securities and Investments Commission or other relevant government agency from time to time relating to employee share schemes.

9. ADMINISTRATION

9.1 Administration

This Plan will be administered by the Board who will have power to:

- (a) determine appropriate procedures for the administration of this Plan consistent with these Rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with this Plan; and
- (c) delegate the exercise of any of their powers or discretions arising under this Plan to anyone or more persons (including, but not limited to, a committee of the Board) for such period and on such conditions as they may determine -such a delegation may include the power to sub-delegate.

9.2 Trust

The Board may establish a trust and appoint a trustee to acquire and hold Shares provided to a Non-Executive Director under the Plan. The Board may require that such trustee hold the Shares until the restriction referred to ceases to apply (or such earlier time as the Board may decide).

9.3 Terminating or suspending the Plan

The Plan may at any time be suspended or terminated by resolution of the Board. However, these Rules (including in particular Rule 5) will continue to operate with respect to any Shares provided under the Plan prior to such a suspension or termination.

9.4 Waiver

The Board may waive strict compliance with any of these Rules either generally or in any particular case.

9.5 Governing law

The Rules are governed by the law in force in the State of Perth, Australia.

9.6 Plan subject to applicable law

This Plan and the Rules are subject to the Constitution, and applicable law.

10. INTERPRETATION

10.1 Definitions

The following definitions apply in this document:

Acquisition Period means, in respect of a Year, the period of 5 trading days commencing on each of the following dates:

- (a) the fifth trading day after the Company announces its results to ASX for the preceding Year; and
- (b) the fifth trading day after the Company announces its results to ASX for the preceding half Year; and
- (c) the first trading day of May; and
- (d) the first trading day of November, or such other period as the Board determines. **acquire and provide**, in relation to Shares, has the meaning given to them in section 139G of the *Income Tax Assessment Act 1936* (Cth).

ASX means ASX Limited ACN 008 624 691 or the stock market conducted by ASX Limited (as the context requires). **Board** means the board of directors of the Company.

Constitution means the constitution of the Company as amended from time to time.

Company means Heron Resources Limited ACN 068 263 098.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company, but does not include any alternate director.

Director's Fees, in relation to a Non-Executive Director, means fees for services provided to the Company by the Non-Executive Director as a Director (and not otherwise) (exclusive of any superannuation) and includes, for the avoidance of doubt, board committee fees.

Executive Director means a director of the Company who is employed by the Company (including, without limitation, any managing director) or who is in the full time employment of a subsidiary of the Company.

Group means the Company and its associated companies.

Holding Lock has the meaning given to the term "holding lock" in chapter 19 of the Listing Rules.

Insider means:

- (a) an insider, as defined by Section 1 (1) of the *Securities Act* (Ontario), other than a person who falls within that definition solely by virtue of being a Director or Executive Officer of a subsidiary, and

(b) an associate, as defined by Section 1 (1) of the *Securities Act* (Ontario), of any person who is an Insider by virtue of this definition.

Issuer Sponsored Subregister means that part of the Company's register of members that records holdings of Shares in accordance with Listing Rule 9.2.

Legal Requirements means the Constitution, the *Corporations Act 2001* (Cth), the ASX Listing Rules, the rules of any other stock exchange on which the Shares (or other securities of the Company) are listed for quotation and any other regulatory requirements as they apply from time to time to the Company.

Listing Rules means the listing rules of the ASX (as they apply to the Company from time to time).

Non-Executive Director means a Director who is not an Executive Director.

Plan means this Non-Executive Directors Share Acquisition Plan, being the plan constituted by these Rules.

Restricted Share means a Share subject to the restrictions.

Sacrificed Amount, in relation to a Non-Executive Director, in respect of a Year, means the amount (in dollars) equal to the Specified Percentage of the Standard Fees, but for the operation of the Plan, payable to the Non-Executive Director in respect of that Year.

Share means a fully paid ordinary share in the Company.

Share Compensation Arrangement means any share option, share option plan, employee share purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares, including a share purchase from treasury which is financially assisted by the Company by way of loan, guarantee or otherwise.

Specified Percentage is defined in Rule 2.1.

Standard Fees in relation to a Non-Executive Director in relation to a Year means the amount which the Directors determined would (but for the operation of this Plan) be payable out of the Company's funds as Director's Fees to the Non-Executive Director during the Year.

TSX means the Toronto Stock Exchange

Year means a year that corresponds to the financial year of the Company.

10.2 Interpretation

Headings are for convenience only, and do not affect interpretation of these Rules. The following rules also apply in interpreting these Rules, except where the context makes it clear that a rule is not intended to apply:

- (a) A singular word includes the plural, and vice versa.
- (b) If a word is defined, another part of speech has a corresponding meaning.
- (c) A reference to applicable law includes applicable laws of jurisdictions within or outside Australia and the Listing Rules.
- (d) A reference to a "Rule" or "these Rules" is to the Rule or these Rules (as the case may be) as amended supplemented or replaced from time to time.
- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The word **subsidiary** has the same meaning as in the Corporations Act.
- (g) A reference to legislation or to the Listing Rules includes a modification or re-enactment of them and, in the case of legislation, a regulation or statutory instrument issued under it.



HERON RESOURCES LTD

ABN: 30 068 263 098

REGISTERED OFFICE:

LEVEL 1
37 ORD STREET
WEST PERTH WA 6005



« REF No. »

«HOLDER_NAME»
«ADDRESS_LINE_1»
«ADDRESS_LINE_2»
«ADDRESS_LINE_3»
«ADDRESS_LINE_4»
«ADDRESS_LINE_5»

SHARE REGISTRY:

Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535, APPLECROSS WA 6953
AUSTRALIA
770 Canning Highway, APPLECROSS WA 6153
AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code:

HRR

Holder Number:

«HOLDER_No.»

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

VOTE ONLINE

Lodge your proxy vote securely at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

Online Proxy ID:

«ONLINE PRX ID»

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐

The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual general Meeting of the Company to be held at 2.00pm on Friday 21 November 2014 at The Celtic Club, 48 Ord Street, West Perth WA 6008 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTIONS

FOR AGAINST ABSTAIN*

1. Re-election of Mr Ian Buchhorn as a Director

☐☐☐

2. Adoption of Remuneration Report

☐☐☐

3. Approval to Issue Options to Mr Wayne Taylor

☐☐☐

4. Approval of Employee Share Option Plan

☐☐☐

5. Approval of Non-Executive Director Share Plan

☐☐☐

6. Issue of Options to Mr Wayne Taylor, Managing Director

☐☐☐

RESOLUTIONS

FOR AGAINST ABSTAIN*

7. Issue of Options to Ian Buchhorn, Executive Director

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8. Issue of Options to Craig Readhead, Non-Executive Director

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9. Issue of Options to Stephen Dennis, Non-Executive Director

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10. Issue of Shares in lieu of Directors Fees to Craig Redhead, Non-Executive Director

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11. Issue of Shares in lieu of Directors Fees to Stephen Dennis, Non-Executive Director

☐☐☐

12. Approval of 10% Placement Facility

☐☐☐

13. Contingent Resolution – Board Spill Meeting Resolution

☐☐☐

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Sole Director & Sole Company Secretary

Security Holder 2

Director Secretary

Security Holder 3

Director/Company Secretary

Proxies must be received by Security Transfer Registrars Pty Ltd no later than 2.00pm (WST) on Wednesday 19 November 2014.



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Name:

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This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

Email registrar@securitytransfer.com.au

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 5:00 PM
(EASTERN STANDARD TIME) ON TUESDAY, NOVEMBER 18, 2014.

TO VOTE ONLINE



STEP 1 : VISIT www.voteproxyonline.com
STEP 2: Enter your Control Number



Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

Control Number:

Please note it is important you keep this confidential

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

STEP 3 Sign the Form

The form must be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all securityholders must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 5:00 PM (Eastern Standard Time) on Tuesday, November 18, 2014. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged using the reply envelope or:

BY MAIL - TMX Equity Transfer Services, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1

BY FAX - 416-595-9593

IN PERSON - TMX Equity Transfer Services, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1

**Vote online at: www.voteproxyonline.com
or turn over to complete the Form ➔**

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Notice-and-Access

The Canadian securities regulators have adopted new rules, effective for meetings held on or after March 1, 2013, which permit the use of notice-and-access for proxy solicitation instead of the traditional physical delivery of material. This new process provides the option to post meeting related materials including management information circulars as well as annual financial statements and management's discussion and analysis, on a website in addition to SEDAR. Under notice-and-access, meeting related materials will be available for viewing for up to 1 year from the date of posting and a paper copy of the material can be requested at any time during this period.

Disclosure regarding each matter or group of matters to be voted on is in the Information Circular in the Section with the same title as each Resolution overleaf. You should review the Information Circular before voting.

HERON RESOURCES LIMITED has elected to utilize notice-and-access and provide you with the following information: **Meeting materials are available electronically at www.sedar.com and also at www.heronresources.com.au/downloads/reports/annual/hrr_ar_2014.php**

If you wish a paper copy of the Meeting materials or have questions about notice-and-access, please call 1-866-393-4891. In order to receive a paper copy in time to vote before the meeting, your request should be received by November 11, 2014.

STEP 1 - Appointment of Proxy

I/We being a member/s of **Heron Resources Limited** and entitled to attend and vote hereby appoint

<input type="checkbox"/> the Chairman of the Meeting (mark with an 'X')	OR	
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If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of Heron Resources Limited to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Friday 21st of November 2014 at 2:00 pm Western Standard Time** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

STEP 2 - Voting directions to your Proxy – please mark ☒ to indicate your directions

Ordinary Business		For	Against	Abstain*
Resolution 1	Re-election of Mr Ian Buchhorn as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval to issue options to Mr Wayne Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Non-Executive Director Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Options to Mr Wayne Taylor, Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Options to Mr Ian Buchhorn, Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Options to Mr Craig Readhead, Non-Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Issue of Options to Mr Stephen Dennis, Non-Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Issue of Shares to Mr Craig Readhead, Non-Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Issue of Shares to Mr Stephen Dennis, Non-Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Contingent Resolution – Board Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intentions advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

For Canadian shareholders, if you would like to “withhold” your vote regarding the re-election of a Director, please mark the “Abstain” box.

STEP 3 - PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone Date / / 2014

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 5:00 PM
(EASTERN STANDARD TIME) ON TUESDAY, NOVEMBER 18, 2014.

TO VOTE ONLINE

Control Number:

Please note it is important you keep this
confidential



STEP 1 : VISIT www.voteproxyonline.com

STEP 2: Enter your Control Number

TO VOTE BY COMPLETING THE VOTING INSTRUCTION FORM ("VIF")

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

STEP 3 Sign the Form

The form must be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all securityholders must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 Lodgement of a VIF

This VIF (and any Power of Attorney under which it is signed) must be received at an address given below not later than 5:00 PM (Eastern Standard Time) on Tuesday, November 18, 2014. Any VIF received after that time will not be valid for the scheduled meeting.

VIFs may be lodged using the reply envelope or:

BY MAIL - TMX Equity Transfer Services, 200 University Avenue, Suite 300,
Toronto, Ontario M5H 4H1

BY FAX - 416-595-9593

IN PERSON - TMX Equity Transfer Services, 200 University Avenue, Suite 300,
Toronto, Ontario M5H 4H1

**Vote online at: www.voteproxyonline.com
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Notice-and-Access

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If you wish a paper copy of the Meeting materials or have questions about notice-and-access, please call 1-866-393-4891. In order to receive a paper copy in time to vote before the meeting, your request should be received by November 11, 2014.

STEP 1 - Appointment of Proxy

I/We being a member/s of **Heron Resources Limited** and entitled to attend and vote hereby appoint

<input type="checkbox"/> the Chairman of the Meeting (mark with an 'X')	OR	
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If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of Heron Resources Limited to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Friday 21st of November 2014 at 2:00 pm Western Standard Time** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

STEP 2 - Voting directions to your Proxy – please mark ☒ to indicate your directions

Ordinary Business		For	Against	Abstain*
Resolution 1	Re-election of Mr Ian Buchhorn as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval to issue options to Mr Wayne Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Non-Executive Director Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Options to Mr Wayne Taylor, Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Options to Mr Ian Buchhorn, Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Options to Mr Craig Readhead, Non-Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Issue of Options to Mr Stephen Dennis, Non-Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 11	Issue of Shares to Mr Stephen Dennis, Non-Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Contingent Resolution – Board Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intentions advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

For Canadian shareholders, if you would like to “withhold” your vote regarding the re-election of a Director, please mark the “Abstain” box.

STEP 3 - PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone Date / / 2014