



Heron Resources Limited

2014 Annual Report



Heron Resources Limited

Corporate Directory

ABN 30 068 263 098

DIRECTORS

Chairman (Non-Executive)

Craig Readhead BJuris LL.B. FAICD

Managing Director (Executive)

Wayne Taylor BE (Min.), MBA, MAusIMM

Director (Executive)

Ian Buchhorn BSc (Hons), DiplGeosci (Min Econ), MAusIMM

Director (Non-Executive)

Stephen Dennis BCom, LL.B., GDipAppFin (Finsia), CFTP

JOINT COMPANY SECRETARIES

Bryan Horan FCCA

Simon Smith CA

REGISTERED AND PERTH MANAGEMENT OFFICE

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Woodlawn Site Office

Collector Road, Tarago 2580 New South Wales

Email: heron@heronresources.com.au

Website: www.heronresources.com.au

AUDITOR

Butler Settineri (Audit) Pty Ltd

Unit 16, 1st Floor, 100 Railway Road

Subiaco 6008 Western Australia

BANKERS

Westpac Bank

230-236 Hannan Street

Kalgoorlie 6430 Western Australia

SHARE REGISTRY

Security Transfer Registrars Pty Ltd

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Facsimile: +61 8 9315 2233

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TMX Equity Transfer Services Inc.

200 University Avenue, Suite 400

Toronto, Ontario M5H 4H1

Tel: (416) 361-0152

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SOLICITORS TO THE COMPANY

Allion Legal Pty Ltd

50 Kings Park Road

West Perth 6005 Western Australia

Resources Legal Pty Ltd

1A Rosemead Rd

Hornsby 2077 New South Wales

Peterson & Company, LLP

390 Bay Street, Suite 806

Toronto, Ontario M5H 2Y2

STOCK EXCHANGE

Australian Securities Exchange Limited

2 The Esplanade

Perth 6000 Western Australia

ASX CODE HRR

Toronto Stock Exchange

TMX Group Ltd

The Exchange Tower

130 King Street West

Toronto, Ontario M5X 1J2

TSX CODE HER

SEAT ABBREVIATION

Heron

HOME BRANCH

Perth

INDUSTRY CLASSIFICATION

GICS classification code is 15104020

Diversified Metals and Mining

ISIN AU000 000 HRR6

In 2013 the Company's three principal spheres of operation were: Business Development, Exploration and Projects. During the 2014 year Heron maintained a core focus on Business Development resulting in Heron merging with TriAusMin in August 2014. This has enhanced Heron's business with the addition of the advanced Woodlawn Zinc-Copper Project and a shift in focus to the Projects and Exploration spheres.



Highlights

1. Heron-TriAusMin Merger

The Heron-TriAusMin **A\$15.6 million all-scrip merger** was completed on 5 August 2014 and all integration programs completed in respect of ASX and TSX listing requirements.

Woodlawn Zinc-Copper Project

- **Robust Funding – \$32.9M cash and \$3.4M in investments as at 30 June 2014**

All current drilling and feasibility programs at Woodlawn are fully funded from 2014 Heron cash reserves. Targeted completion of a Preliminary Economic Assessment (PEA) on the underground project by the end of the March 2015 Quarter.

- **Statutory**

SML20 mining lease has been transferred to a Heron subsidiary and is undergoing renewal for 21 years.

The purchase of free-hold land covering operational areas has been negotiated.

- **Woodlawn Underground Project (WUP)**

2014 drilling program commenced following up the 2013 WLTD015 intercept in the Kate Lens of 9.0 metres at 16.1% zinc and 2.0% copper, initial three holes:

- WNDD01, 14.4 metres of Complex Ore (assays awaited)
- WNDD02, 8.8 metres of Complex Ore (assays awaited)
- WNDD03, 6.3 metres of Semi Massive Breccia Ore (assays awaited)

Geotechnical studies, mine design and management plans have commenced to re-establish access to the WUP via a boxcut and short decline to intersect the former underground development infrastructure.

- **Woodlawn Tailings Retreatment Project (WRP)**

Simulus Engineers commenced a WRP optimisation study, with flotation test-work and capital cost review under way.

- **Woodlawn Exploration Project (WEP)**

As a Volcanogenic Massive Sulphide (VMS) centre, Woodlawn can be expected to generate a profusion of mineralised positions. High priority “brownfields” EM and drill targets have been defined in and around SML20 in the Northwest Corridor immediately NW of Kate Lens, at Murphy’s immediately NE of the proposed boxcut, Cowley Hills a further 2.5km NE, Willows SE and Area A immediately south of the mine. In many instances, drill targets are based on 1970s mapping of gossan/alteration occurrences that remain un-tested.

2. Development Project

- **Kalgoorlie Nickel Project (KNP)**

- **Simulus Engineers**, completed metallurgical testwork using sulphuric acid leaching with reagent recycling on various KNP ore-types, to produce a 20Ktpa nickel production Scoping Study with A\$660 million capex and C1 nickel cost US\$4.27 per pound.
- Heron subscribed for initial equity in **Carbon Friendly Nickel Production** (Intellectual Property holder - reagent recycling).
- **KPMG Corporate Finance** is assisting Heron in a partner search.

3. Exploration Projects

- **New South Wales – Copper-Gold Exploration**

Lachlan Transverse Zone

- **Lewis Ponds Gold-Copper Project**, numerous highly prospective geochemical and VTEM targets require follow-up exploration, highly regarded for its base and precious metal potential. Recent exploration targeted shear-hosted gold-copper at Mt Nicholas, shallow 2014 drill-hole MNDD04 returned 1.47 metres at 1.7% copper from an EM plate that remains open at depth, follow-up planned.

Gilmore Suture

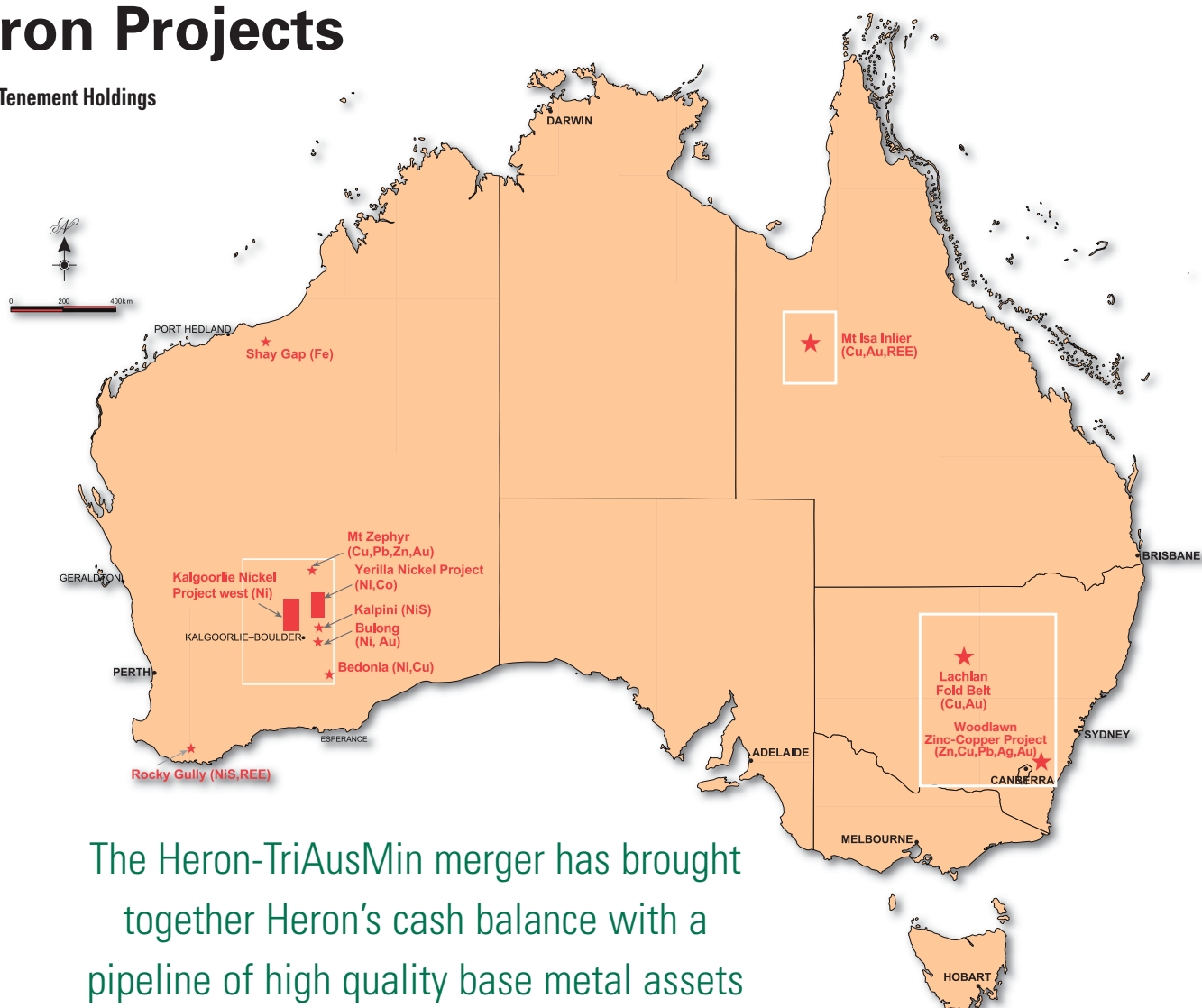
- **Overflow Gold-Base Metal Project**, shear-hosted target 50km NW along strike from the Mineral Hill mining centre, shallow 2014 drill-hole OFTD01A returned 8.6 metres at 1.4% zinc and 0.3g/t gold, confirms a southerly plunge to the lode, follow-up planned.

- **West Australia – Nickel Sulphide Exploration**

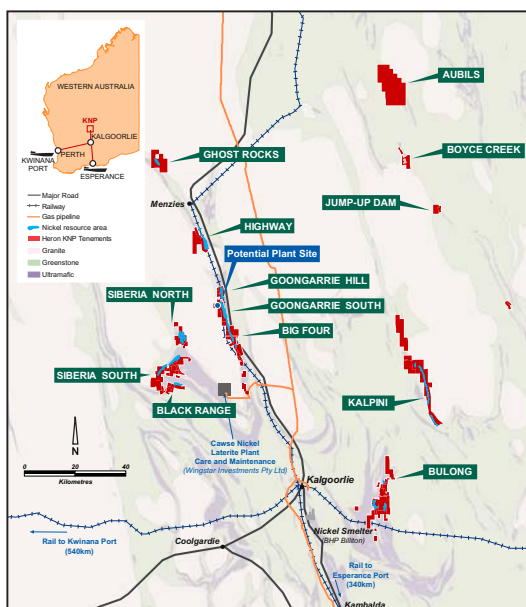
- **Bedonia Nickel-Copper Project**, “Nova-style” magnetic anomalies, 3,280 ppm nickel-435ppb PGM soil auger target.
- **Mt Zephyr Nickel Project**, Mt Windarra nickel sulphide host sequence, 1,020ppm nickel soil auger target.

Heron Projects

Figure 1: Tenement Holdings



The Heron-TriAusMin merger has brought together Heron's cash balance with a pipeline of high quality base metal assets featuring the Woodlawn Zinc-Copper Project in southern NSW.



Below: Key Project Locations, Lachlan Fold Belt, NSW
Left: Enlargement of Kalgoorlie Nickel Project



Chairman's Letter

Dear Shareholders,

2014 has been a "step-change" year for Heron Resources Limited with the completion of its merger with TriAusMin Limited on 5 August 2014. The merger transaction brought together Heron's **cash balance of \$32.9 million** as at 30 June 2014, with TriAusMin's pipeline of high quality base metal assets featuring the **Woodlawn Zinc-Copper Project** in southern New South Wales. This is an excellent outcome for both sets of shareholders.

The **Woodlawn Underground Project** (WUP) has a published underground mineral resource of **10.1 million tonnes at 10.2% zinc and 1.8% copper** and the complementary **Woodlawn Tailings Retreatment Project** (WRP) has a mineral reserve of **11.2 million tonnes at 2.2% zinc and 0.5% copper**. The commodity focus, being zinc and copper, has a particularly favourable market outlook. Both the WUP and WRP have NSW State government development approval, providing an advanced development opportunity.

For Heron, having expended a great deal of effort since 2008 seeking an advanced-stage minerals project, securing a project of the technical quality of Woodlawn in a jurisdiction with the stability and available infrastructure of eastern Australia is an outstanding result.

Just as important as the assets in the ground, in merging with TriAusMin, Heron has secured a first-class Management Team led by Wayne Taylor, who became our Managing Director at merger. Wayne's background is underground mine management in NSW and WA and base metal marketing, precisely the skill sets required for Woodlawn's continuing development.

Both Heron and TriAusMin had very lean staffing levels and complementary skills sets (Heron focus in exploration, TriAusMin in mining), with the post-merger integration being seamlessly completed. The result is a merged company that is operating efficiently. Indeed, within one month of the merger completion, an aggressive drilling program is already underway at Woodlawn, with our first three diamond drill-holes all confirming the style and tenor of the historically mined Woodlawn mineralisation.

Development Project

Post the merger, Woodlawn has become Heron's total development focus. Heron's exploration focus is now the Lachlan Fold Belt of southern New South Wales. The Business Development focus has been scaled back to Australian base metals, preferably in eastern Australia.

The Company is also fortunate in retaining 100% ownership of the **Kalgoorlie Nickel Project** (KNP). The Company has significantly ramped up its metallurgical studies on the KNP, focussing on low capital cost opportunities and reagent recycling with the aim of generating substantial improvements to both the capital and operating characteristics of the KNP.

This strategic direction has led to a close association with Perth-based consultancy **Simulus Engineers**, developers of the **Carbon Friendly Nickel Production** (CFNP) flow sheet. This utilises atmospheric pressure sulphuric acid leaching and reagent recycling, with Heron's scoping study in July 2014 indicating vastly improved project economics with 20,000tpa nickel production possible with a A\$660 million capital cost (previously some A\$2 billion with a HPAL process).

KPMG Corporate Finance has been retained to assist Heron in securing a KNP development partner, with parties expressing interest.

Exploration Projects

The exploration portfolio is being continually rationalised to focus on the Lachlan Fold Belt of New South Wales, targeting the world-class styles of zinc-copper and copper-gold mineralisation which characterise the province.

Business Development

The Company has reviewed many opportunities with projects assessed in Australia and world-wide, including North and South America, Indonesia and eastern Europe. This required very heavy work-loads for our small Business Development Team, and to see their efforts rewarded with the TriAusMin merger is most gratifying.


The Management and Board are committed to achieving minerals production, initially from the development of Woodlawn and so create significant value for shareholders. I would like to thank my fellow Directors and the Heron Management team, who have worked diligently during the year to ensure that we make the most of our assets.

In addition, I would like to acknowledge the outstanding work undertaken by Ian Buchhorn who, post-merger, stepped aside from his role as Managing Director and continues on as an Executive Director of Heron.

I would also like to thank TriAusMin's former Chairman Dr Jim Gill for the leadership role he played in bringing our two Companies together. Jim resigned post-merger, but we look forward to his continued interest as we move Woodlawn forward.

My thanks must go to our loyal shareholders who continue to support us. We also warmly welcome our new North American shareholders. We bid farewell to long-term supportive shareholders Vale Inco and BHP Billiton, our two cornerstone investors since 2005.

2014 certainly has been a year of change, and with the Heron-TriAusMin merger, our quest to create real value for all shareholders both on ASX and TSX has taken a major step forward.



Craig Readhead
Chairman

Directors & Management



CRAIG READHEAD

BJuris LL.B. FAICD
CHAIRMAN (NON-EXECUTIVE)

Craig Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resources 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 a Partner of specialist mining and corporate law firm Allion Legal.



BRYAN HORAN

FCCA.
FINANCIAL CONTROLLER & JOINT
COMPANY SECRETARY

Bryan Horan was appointed to the position of Financial Controller in 2008 and Company Secretary in 2010. Mr Horan joined the Company in 2007 as a management accountant. Mr Horan's career includes 10 years working in various accounting positions in London. Since living in Perth Mr Horan has also held accounting positions with Australian Mines Ltd and Perilya Ltd.



STEPHEN DENNIS

BCom, LL.B., GDipAppFin (Finsia), CFTP
DIRECTOR (NON-EXECUTIVE)

Stephen Dennis has been actively involved in the mining industry for over 30 years. He has held senior management positions at MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited. Mr Dennis is currently the Chief Executive Officer and Managing Director of CBH Resources Limited, the Australian subsidiary of Toho Zinc Co., Ltd of Japan.



SIMON SMITH

B.Bus, CA.
CHIEF FINANCIAL OFFICER AND JOINT
COMPANY SECRETARY

Simon Smith is the Chief Financial Officer and Joint Company Secretary. Mr Smith has been a Chief Financial Officer of both private and public companies in Australia and the USA. He brings 20 years experience as a Chartered Accountant and holds a Bachelor's Degree in Business from the University of Technology Sydney. Mr Smith was the CFO and Company Secretary for TriAusMin prior to the merger with Heron.



WAYNE TAYLOR

B.Eng (Mining), MBA
MANAGING DIRECTOR (EXECUTIVE)

Wayne Taylor is a mining engineer with over 25 years experience. He holds a Bachelor of Engineering (Mining) degree from the University of New South Wales and a Masters of Business Administration from the University of New England. Mr Taylor has held senior operational management roles with Western Mining Corporation and Glencore International's Australian operations. For the six years prior to joining TriAusMin he managed Glencore's base metal business development based out of Australia which involved assessing mining projects throughout the world. Mr. Taylor was the Managing Director/CEO of TriAusMin for 3 years prior to the merger.



DAVID VON PERGER

BSc (Hons) MAusIMM
GENERAL MANAGER EXPLORATION

David von Perger was appointed 2004. Mr von Perger is a geologist with some 20 years experience in mineral exploration. His experience includes four years as a business analyst for a major mining group involving analysis of mining operations, project development and assessment of new opportunities for an international mining group. Since joining Heron, Mr von Perger has been responsible for the identification and acquisition of several new nickel, gold, iron-ore and base-metal projects.



IAN BUCHHORN

BSc (Hons), DiplGeosci (Min Econ),
MAusIMM
DIRECTOR (EXECUTIVE)

Ian Buchhorn is a Mineral Economist and Geologist with over 35 years experience. Prior to listing Heron 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. For the last 25 years Mr Buchhorn has developed mining projects throughout the Eastern Goldfields of Western Australia and operated as a Registered Mine Manager.



CHARLIE KEMPSON

MEng (Oxon) MBA GAICD
GENERAL MANAGER STRATEGY &
BUSINESS DEVELOPMENT

Charlie Kempson is a senior corporate finance executive who was most recently an equity partner and Director of Azure Capital Limited, a mining focused corporate advisor. Prior to his arrival in Australia in 2002 Mr Kempson spent five years with investment banks Commerzbank AG and Barclays Capital in London and Germany, and four years working in technical roles for Logica (now part of CGI Group).

1.0 Managing Director's Report

As Heron's fourth Managing Director in its 18 year history, I can confidently say I commence my tenure when the Company is in an exceptionally strong and promising position:

- **Cash position at 30 June 2014 of \$32.9 million.**
- Developing the **Woodlawn Zinc-Copper Project**, total resource 21.8 million tonnes at 5.9% zinc, 1.1% copper, 2.6% lead, 0.4g/t gold and 56g/t silver, all statutory development approvals in place, 100% unencumbered ownership, excellent regional infrastructure, significant onsite infrastructure to draw upon, and most importantly, a superb management team.
- The **Kalgoorlie Nickel Project** has made excellent progress during 2014, with firstly a successful scoping study result using the **Carbon Friendly Nickel Production (CFNP)** flow-sheet, then design of a Demonstration Plant to test the CFNP Intellectual Property, equity investment in CFNP, and finally retaining **KPMG Corporate Finance** to assist in securing a funding partner for the KNP.

WOODLAWN OVERVIEW AND STRATEGY

Heron holds both direct and joint venture interests in a number of exploration properties centred around the past-producing Woodlawn Mine situated 40km south of Goulburn and 200km south-west of Sydney, in southern NSW (Figure 1). It is Heron's aim to create a profitable, long life and low cost mineral processing operation at Woodlawn that produces base and precious metal concentrates.

Historically, the Woodlawn mine operated from 1978 to 1998 and processed 13.8 million tonnes of ore from the Woodlawn open pit, underground and satellite deposits grading 9.1% zinc, 1.6% copper; 3.6% lead, 0.5g/t gold and 74g/t silver. The mine was closed in March 1998 due to prevailing low metal prices and corporate issues faced elsewhere by the mine owner at the time. TriAusMin prior to the Heron merger saw the potential of the property and upon closure purchased 100% ownership of the mineral rights contained within the Woodlawn Mining Licence SML20. Since that time, work has focused on evaluating the potential to re-process the existing tailings left on site from previous operations (termed the **Woodlawn Retreatment Project – WRP**), the potential to re-develop the underground mine (the **Woodlawn Underground Project – WUP**), and exploring the regional Woodlawn land holdings to discover new, high grade deposits (the **Woodlawn Exploration Project – WEP**).

Surface rights to the Woodlawn site were separately purchased by Veolia Environmental Services (Australia) Pty Limited (Veolia) which now operates a waste management facility and bioreactor at the site. Heron has entered into various agreements with Veolia that provide for the physical boundaries to the respective working areas (including the steps to excise Veolia's surface area from SML20), the option for Heron to either lease or purchase freehold land over its areas of operation and the structure through which aspects requiring a co-operative approach are addressed and administered.

On 4 July 2013 Heron (then as TriAusMin) was granted final project approval for the WRP and WUP from the NSW Department of Planning and Infrastructure under Part 3A Major Projects of the NSW Environmental Planning and Assessment. This represents formal approval to commence a future mining operation.

On 19 March 2014 TriAusMin was notified that the Division of Resources and Energy, NSW Trade and Investment, had approved the transfer of title in SML20 into the name of Tarago Operations Pty Ltd, a 100% owned subsidiary of Heron. Following the transfer an application was made to renew the Mining Lease for a further 21 year period. The transfer includes the lease terms and conditions including the security bond of \$3.577 million, that will need to be provided prior to the commencement of on-ground activity.



The driving force for Heron at Woodlawn is to re-access the former workings and re-commence underground mining. Prior to the decision to go underground, Heron will complete limited surface drilling programs in the December 2014 Half Year (Figure 2) in order to:

- An independent group, SMG Consultants, previously calculated a JORC 2004-compliant Measured plus Indicated Mineral Resource of 10.1 million tonnes at 10.2% zinc, 1.8% copper, 4.0% lead, 0.6g/t gold and 85g/t silver that formed the basis for evaluating the potential to re-develop the Woodlawn underground mine. This Resource was re-stated in January 2014 by GeoRes to JORC 2012 Code. These Mineral Resources are detailed in the Statement of Mineral Resources in Section 8 of this report, and were independently estimated and are reported at a cut-off grade of 7% zinc equivalent.

Previous TriAusMin drill programs from 2012 and 2013 indicate that the high grade ore lenses previously mined do extend below the former mine workings (as is happening in current Heron drilling at the Kate Lens). Given this, Heron strongly believes that additional resources should be delineated in this area and would assist in supporting a long life underground mine.



**Figure 2: Woodlawn Oblique View
Looking North**



Woodlawn Retreatment Project - WRP

The WRP is designed to recover base metal concentrates from the 1978-1998 Woodlawn tailings dams using high pressure water jet monitoring (hydraulic mining). Such process includes pumping the pulped tailings to a conventional concentrator to undergo re-grinding, thickening, flotation and filtering. The final product after filtering will be separate copper, lead and zinc concentrates. Precious metals (gold and silver) will mainly report to the lead and copper concentrates however zinc concentrates may also contain payable levels.

The tailings to be processed as part of the WRP are contained in three separate tailings dams which have a combined total Ore Reserve of 11.2 million tonnes at 2.22% zinc, 0.49% copper, 1.31% lead, 0.28g/t gold and 31.05g/t silver (Section 8). It is Heron's objective for initial operations to extract tailings from the South Dam, followed by the West Dam and then finally the North Dam. Metallurgical test work indicates that optimal recovery of copper, zinc and lead will be achieved with finer grinding to 30 micron, compared to 106 micron by the previous operations.

As a standalone operation the previous WRP's feasibility study concluded that a planned production rate of 1.5Mtpa was optimal, which would result in a mine life of approximately 7.5 years.

Heron is focussing on operating both the WUP and WRP concurrently. Current work programs are aimed at finalizing a WUP+WRP feasibility study following the Preliminary Economic Assessment on the WUP scheduled for the March 2015 Quarter.

Woodlawn Exploration - WEP

The exploration potential for additional discoveries in the region surrounding the Woodlawn Mine is very good, given the highly prospective Silurian volcanic geology, the fact that Volcanogenic Massive Sulphide (VMS) deposits tend to occur as localised clusters and the positive results from previous exploration. The targeted aim of the WEP is to identify high grade base metal satellite feed opportunities within trucking distance of the proposed Woodlawn processing plant.

The exploration projects that comprise the WEP include EL 7257 'Woodlawn', EL 7469 'Mulloon', EL 7468 'Cullarin South' and EL 7954 'Cullarin JV', being 418 km² in and around the Woodlawn site, covering prospective Silurian-aged felsic volcanics.

In terms of Heron Exploration and Business Development, the focus is now clearly on tenement consolidation within the Lachlan Fold Belt to support future Woodlawn operations, and in M&A the focus is eastern Australia base metals, again in support of Woodlawn.

2.0 Operations Report

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY (HSEC)

Heron Resources Limited continues to demonstrate its commitment to “Zero Harm” to the Company’s employees, contractors, the communities in which Heron works and to the environment. This is achieved by all employees and contractors being inducted into promoting and maintaining a safe and healthy working environment.

HEALTH AND SAFETY

Heron had no Lost Time Injuries (LTI) during 2014. The LTI gauge of performance demonstrates an outstanding result for Heron and reinforces the employees’ and contractors’ commitment to the highest level of safety standards. The result also re-affirms that the systems implemented throughout the Company are effective and that exploration activities can be undertaken safely. Continuing vigilance is required to maintain this performance, particularly now that work is focused on the Woodlawn mine site.

Routine Fitness-for-Work (FFW) testing continues to play an important part in keeping Heron’s work sites safe and free from the risk of injury. Again, in 2014, no negative results occurred.

ENVIRONMENT

Heron’s HSEC Management System has continued to demonstrate its value in assisting staff to identify environmental impacts, not only meeting our commitment to minimising environmental impacts, but also ensuring that business activities remain in regulatory compliance. Our activities continue to be scrutinised by internal audits and checks and have also been subject to external audits by government regulators. Heron’s robust environmental management systems ensured compliance with statutory requirements during the year.

COMMUNITY AND STAKEHOLDER ENGAGEMENT

The Company continued to promote educational opportunities for the Communities in which we operate. This has been Heron’s fourteenth year of donations to the Central Goldfields Education Trust (CGET) (established by Heron in 2000), and has to date donated over \$220,000, benefiting numerous Indigenous students. The Trust encourages the students to progress their schooling into their senior years and become good role models. With significant changes during 2014 to the Goldfields Native Title Claimant groupings, the CGET now needs to be refreshed, and the Company is in consultation to optimise our continuing Community support.



DEVELOPMENT PROJECTS (100% HERON)

WOODLAWN UNDERGROUND PROJECT

To provide a functional site presence, a drill core processing facility and office has been established on site, in consultation with Veolia Environmental Services who operate the co-located bioreactor at Woodlawn.

Diamond drilling commenced for the WUP on 9 September 2014. The first stage of drilling is designed to enable estimation of an Inferred Mineral Resource and in combination with the existing resource base will form the basis of a Scoping Study/PEA aiming at completion in the March 2015 Quarter. The first phase of the proposed drilling consists of some 7,200 metres of diamond core (15 holes) and up to 5,000 metres of RC (25 holes):

- Three DDH holes completed to date at the Kate Lens for 1,323.2 metre advance. Intercepts include (Figure 3):
 - WNDD0001: 14.4 metres of Complex Massive Sulphide from 373.6 metres (Kate Lens).
 - WNDD0002: 1.5 metres of Complex Massive Sulphide from 216.8 metres (edge of H Lens).
 - WNDD0002: 8.8 metres of Complex Massive Sulphide from 373.9 metres (Kate Lens).
 - WNDD0003: 6.3 metres of Semi Massive Breccia Sulphide from 397.2 metres (Kate Lens)
- Five RC holes have been completed into the up-dip position of the A Lens, with sulphides intersected in predicted positions. The RC rig has experienced significant issues with inflow of water.
- Geological interpretation from historic mine mapping plans is continuing in preparation for resource modeling.
- Verification of the historic mine void model has commenced, using the existing model and historic operations mine survey plans.
- Planning has been completed for drilling geotechnical core holes required for the box-cut and decline positioning.
- Down Hole EM planning for the current round of drilling is well advanced and a detailed review of the geophysical layers of the mine area is being undertaken to generate immediate drill targets.

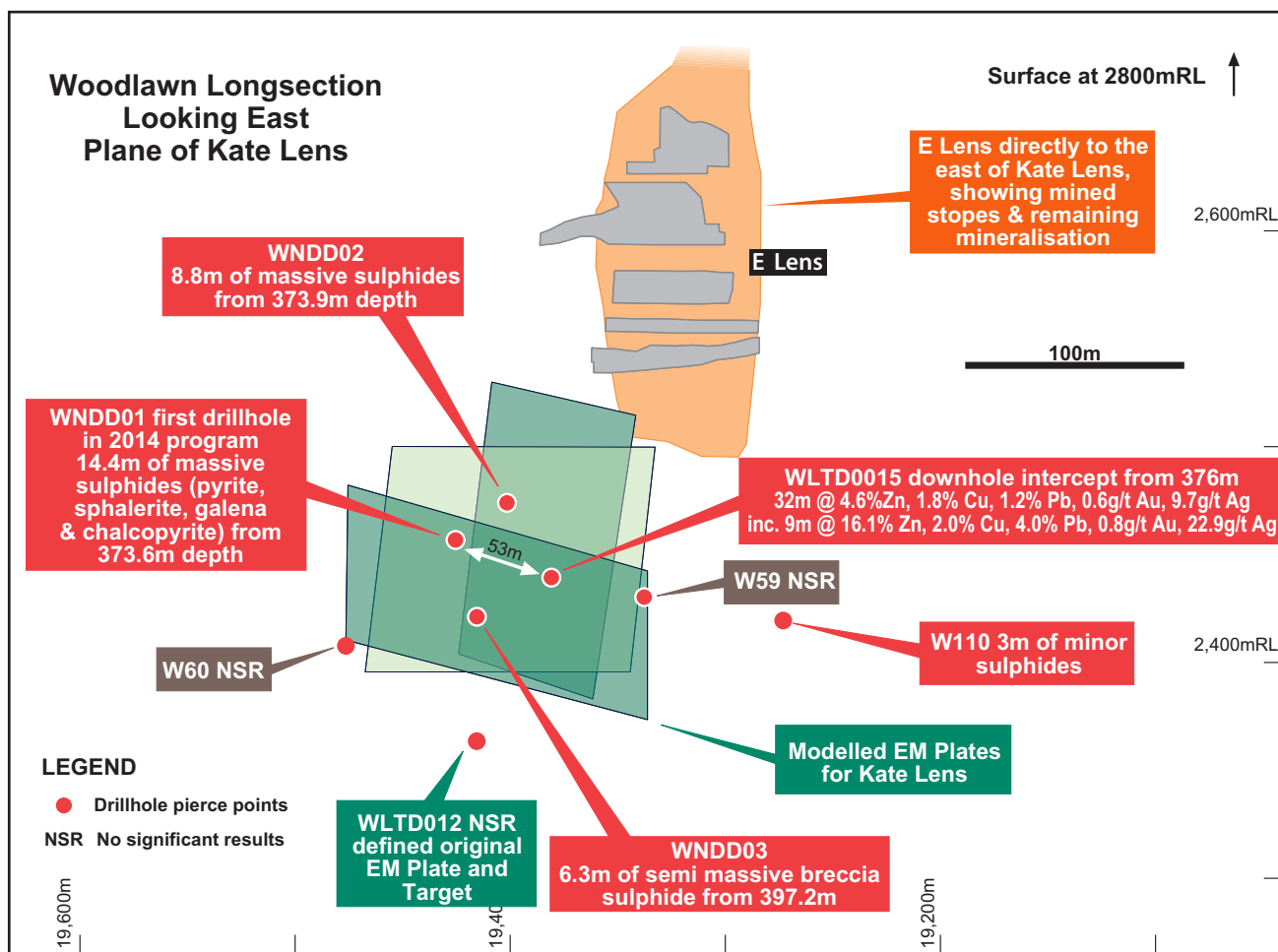


Figure 3: Woodlawn Long-section

Long-section looking east in the plane of the Kate Lens showing previous drilling and recent massive-sulphide intercepts. Additional holes are to be drilled after DHEM is completed on the preceding holes.

WOODLAWN RETREATMENT PROJECT

Heron's clear focus at Woodlawn is the Underground Project, notably securing access as soon as possible. However, the lower grade Retreatment Project (Figure 4) fully complements the high grade Underground Project, with both amenable to processing through a single flotation plant. The WRP has the potential to effectively fund the WUP plant, and additionally going forward acts as a "low grade stockpile" for the WUP.

The key attributes of the WRP are:

- Proven & Probable Reserves at surface, fully quantified, no further drilling.
- Feasibility, technical and business case studies all completed, with a strong business case – capital cost estimated at A\$92.8 million and operating costs A\$26 per tonne.
- Proven hydraulic mining method, standard sulphide flotation processing – extensive metallurgical test work completed, Heron currently fine-tuning the flow-sheet.
- Water, power, access, spent tails disposal site all in place, strong community support and locally available skilled work force.
- As a standalone project, annual production 49Kt zinc concentrate at 45% zinc, 14Kt copper concentrate at 22% copper and 15Kt lead concentrate at 35% lead, with gold / silver credits.

WOODLAWN EXPLORATION PROJECT

The Heron priority since merging with TriAusMin has been to implement the WUP drilling program. The Woodlawn Project includes a 418km² exploration portfolio, all prospective for VMS style mineralisation. Heron's initial Woodlawn exploration focus (Figure 5) is:

- **Cowley Hills** (2.5km NE of Woodlawn) – EM target directly west of previously-mined deposit requires review and possible drill testing.
- **Currawang** (10km NW of Woodlawn) – data and report compilation has generated two drill-ready near-mine targets. Recommended ground EM follow-up targeting pyrrhotite/base metal lenses prior to drill testing.
- **Pylara/Willows** (directly SE of Woodlawn) – data compilation and appraisal is underway including site sampling.
- **Cullarin Joint Venture** (Heron 78.9%) (45km NNW of Woodlawn) – AEM survey was completed and appraisal of data is awaited for definition of ground EM targets.



Figure 4: Woodlawn Retreatment Ponds in lower left of photo

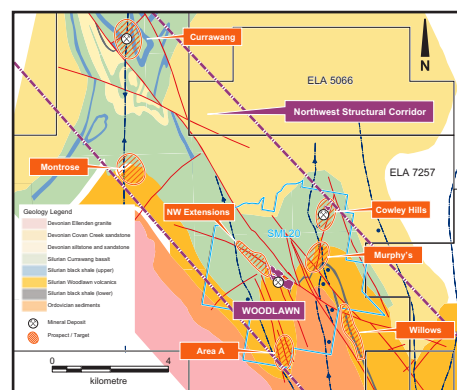


Figure 5: Woodlawn Key Exploration Targets



KALGOORLIE NICKEL PROJECT (100% Heron)

The concept and implementation of the Kalgoorlie Nickel Project (KNP) by Heron commenced in 1997. The journey has been one of challenges, including a hostile bid for Heron in 2000, a competitive process that brought in Vale Inco as partner in 2005, and finally the Global Financial Crisis in 2008 leading to the withdrawal of Vale Inco from the partnership in 2009.

Vale Inco PFS 2009 commentary: **“one of the most prospective nickel laterite tenement packages in the world”**

Since 2010, Heron has been continually reviewing processing refinements, and in 2013 engaged with **Simulus Engineers** in Perth to test the applicability of their **Carbon Friendly Nickel Production** flow-sheet to the KNP. Test-work and subsequent financial modeling has led to a potential step-change for the KNP.

Metallurgical Test Work Programs and Scoping Studies

Simulus Engineers completed an initial Scoping Study in April 2014 on treating KNP ore with Atmospheric Leaching and acid recovery at a production rate of 10Ktpa nickel in a Mixed Hydroxide Product (MHP) (Figures 6, 7).

Simulus estimated a processing plant capital cost of A\$236 million (+/-30%), with Heron estimating total capital cost including all infrastructure at A\$356 million (+/-30%) for the 10Ktpa nickel production scenario. This equated to a capital intensity of US\$14.54 per annual pound of nickel production, a potential “step-change” improvement for nickel laterite (Table 1).

Based on these encouraging results, the Simulus Scoping Study and Heron’s cost model were revised, through up-scaling of the 10Ktpa to 20Ktpa, with additional bench-scale acid leach tests, and further consideration of the mining inputs. Additionally, Simulus completed work on an initial Front End Engineering Design (FEED) for a 1.5 tonne per hour Demonstration Plant to treat nickel residues and KNP laterite ore (Figure 6).

The essence of the process is the recovery and re-use of the key reagents used in leaching and purification. The Simulus reagent recovery process can be matched up with any front-end leach process such as high pressure acid leach, atmospheric tank leach, or heap leach. A range of intermediate products or refined metal can also be produced as required.

The 20Ktpa Scoping Study delivered excellent technical and financial results (Table 1):

- Confirms the potential for the KNP to be developed as a large scale, very long life mine using the Carbon Friendly Nickel Production sulphuric acid leaching and recycling process.
- Based on the KNP JORC 2012-compliant **Mineral Resource of 795.9 million tonnes at 0.70% nickel and 0.048% cobalt**, an initial mining inventory of 123.8M tonnes has been modeled at a Leach Feed Grade (LFG) of 1.16% nickel and 0.06% cobalt, with a Production Target of 683,600 tonnes of nickel in concentrate over a 35 year mine life.
- Significant scope exists to increase the Production Target. Based on the total mining inventory from the 2010 Pre-feasibility Study, the project could be in production for more than 50 years or alternatively be scaled up further.
- Processing rate of 2.0Mtpa for annual production averaging a contained 19,500 tonnes nickel and 900 tonnes cobalt, with an average production over the first 10 years of 20,200 tonnes of nickel, shipped as Mixed Hydroxide Product.
- Capital costs of A\$660 million inclusive of a 10% contingency, confirming a low capital intensity of US\$13.82 per annual pound of nickel production compared to a traditional HPAL process route of around US\$40/lb.
- Total revenue (including by-product credits) of A\$12.6 billion and pre-tax net cash flow of A\$4.3 billion over the initial 35 years of operation – based on a nickel price of US\$9.00 per pound (A\$/US\$ 0.90).
- Over the first 10 years of operation, C1 cost US\$3.71/lb nickel and averaging US\$4.27/lb nickel over the 35 year mine life, comparable to the published C1 cost of the established Ravensthorpe HPAL project but at a much lower initial capital cost.
- C3 cost of US\$5.90/lb nickel over the initial 35 year mine life.
- The KNP provides significant exposure to long-term, low cost nickel production in a highly stable and mining-orientated jurisdiction.
- Significant leverage to the nickel price, with an increase in the nickel price assumption of US\$1.00/lb increasing the pre-tax project net cash flow by approximately A\$1.4 billion.

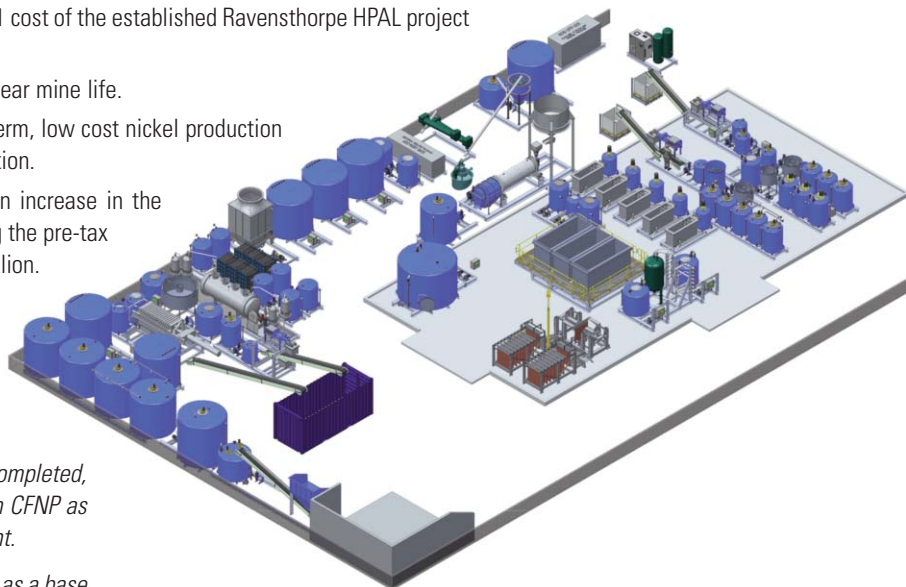


Figure 6: Demonstration Plant

A Demonstration Plant engineering design was completed, and Heron subscribed to an equity investment in CFNP as part funding of the proposed Demonstration Plant.

High grade residues have been secured by Heron as a base load feed stock.

Milling

Single stage crushing, beneficiation and scrubbing, followed by milling.

Leaching

Atmospheric leach (4-6 agitated tanks).

Acid recovery

Two stages of membrane recovery and medium pressure autoclave for iron removal and supporting plant.

Trim neutralisation

Neutralisation tanks (SO₂ and magnesia based).

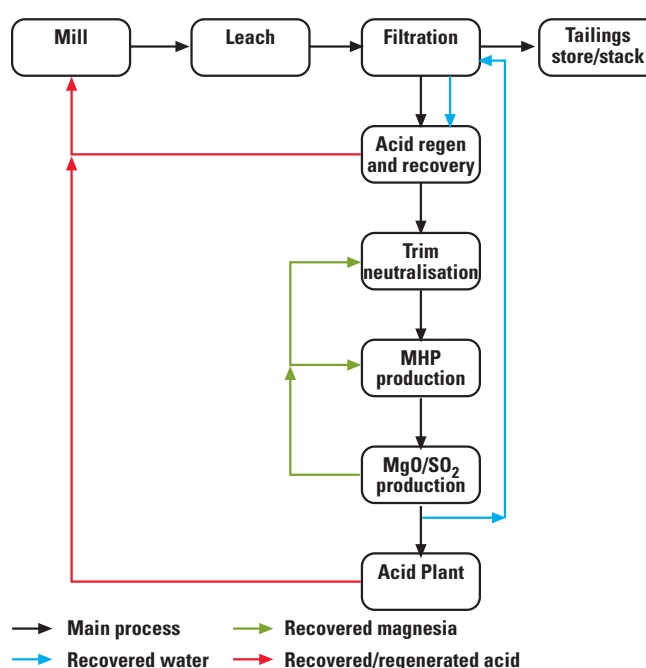
MHP production

Precipitation tanks, thickening and filtration, bagging and storage.

Supporting processes

Raw and process water supply and distribution, power, acid production, water recovery and magnesia regeneration, ancillary processes.

**Figure 7: Kalgoorlie Nickel Project
Optimised Flowsheet**



Comparing the July 2014 Simulus 20Ktpa Scoping Study to each of the Vale Inco 2009, Heron 2010 and Simulus 10Ktpa study outcomes:

Parameter	Vale PFS January 2009	HRR PFS Revision February 2010	10Ktpa Scoping Study April 2014	20Ktpa Scoping Study July 2014
Capacity Mtpa Leach Feed	2.5	3.75	1.0	2.0
Mine Life (years)	34	35	22	35
Average Ni Production tpa in MHP	22,200	36,700	10,000	19,500
Overall Opex US\$/lb Ni (C1 cost)	4.54	4.17	3.56	4.27
Pre-production Capex A\$M	2,102	2,834	356	660
Overall Capex US\$/annual lb Ni	40.45	36.10	14.54	13.82

Please refer to Heron's announcements of 8, 22 and 23 April 2014 and 31 July 2014 for details of the material assumptions underlying these outcomes. These assumptions all remain valid between the four studies.

The KNP already combines a premium resource base with excellent infrastructure, a benign environment and strong community support. Securing the Carbon Friendly Nickel Production flow-sheet is the project step-change to long-term, low cost nickel production.



KNP Partner Search

Heron has mandated **KPMG Corporate Finance** to assist in securing a funding partner to commercialise the “KNP Optimised Flow-sheet”, including a potential funding role for the Demonstration Plant.

A full data room has been established by Heron to facilitate KNP due diligence as part of the partner search, with expressions of interest current.

KNP Field Programs

Screen Upgrade Testing

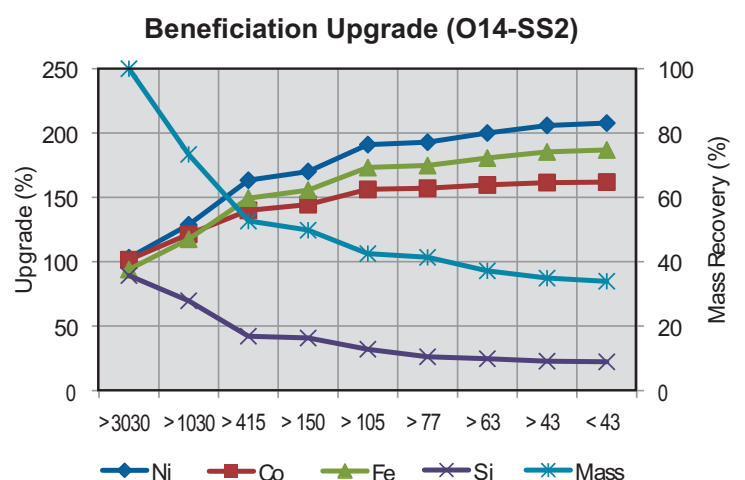
In Heron’s 20Ktpa KNP Scoping Study, conservative assumptions were made in respect of the screen upgrade performance of the ore (assumption of average 1.16% Ni Leach Feed Grade). The project economics were found to be highly sensitive to screen upgrade performance. Accordingly, bench-scale programs commenced at Simulus Engineers to better quantify the screen upgrade performance of the KNP siliceous ore.

Figure 8 shows screen upgrade of sonic drill core, Siberia North siliceous ore. At 63 micron, the upgrade is 200%, representing a doubling of the Leach Feed Grade compared to Head Grade. This is consistent with historical plant performance at the Cawse Nickel Operation when treating “KNP style” siliceous ore.

Mining Operations

Heron has granted chrysoprase mining rights over various KNP tenements to two separate parties, one of whom has commenced mining operations at Goongarrie Hill. This excavation is in siliceous style nickel laterite, and is providing useful information on the expected excavating performance of the KNP ore.

Figure 8: KNP Screen upgrade data



EXPLORATION PROJECTS

During July 2013 to June 2014, Heron completed the following drilling programs:

Table 2: Heron Drilling Activity, 2014

Prospect	Drill Type	Holes Drilled	Metres Drilled	Comments
Lachlan Fold Belt, NSW				
Lachlan Transverse Zone				
Lewis Ponds-Mt Nicholas	DD	3	554	lode style quartz-chalcopyrite-pyrrhotite-sphalerite veins, DHEM planned ironstone skarn, follow-up planned
Eurow	RAB	44	729	
	RC	6	736	
Gilmore Suture				
Overflow Mine	DD	2	216	lode style quartz-sphalerite veins, DHEM planned altered but barren, tenure unit relinquished follow-up RAB required
Spooky Hill	RC	4	160	
Sussex	RAB	82	4040	
	RAB	11	351	
WA				
Albany Fraser				
Bedonia	RC	4	814	
Kalgoorlie Greenstone				
Emu Lake	RAB	25	1066	follow-up auger planned
	RC	2	318	
Siberia	RAB	60	1009	open gold targets
	RAB	46	1003	
	RC	6	570	
Horse Rocks	RAB	21	481	tenure relinquished
	RAB	11	217	
Total		327	12,263	



NEW SOUTH WALES COPPER-GOLD PROJECTS (all projects 100% Heron)

The Company continues to focus its exploration activities in the Lachlan Fold Belt of NSW (Figure 9) with diamond and RC drilling (Table 2), Electro-Magnetic (EM) and soil auger sampling surveys being completed in the 2014 year. Tenement acquisition is focused on the proximity to existing resource areas, being Woodlawn, Lewis Ponds and Overflow.

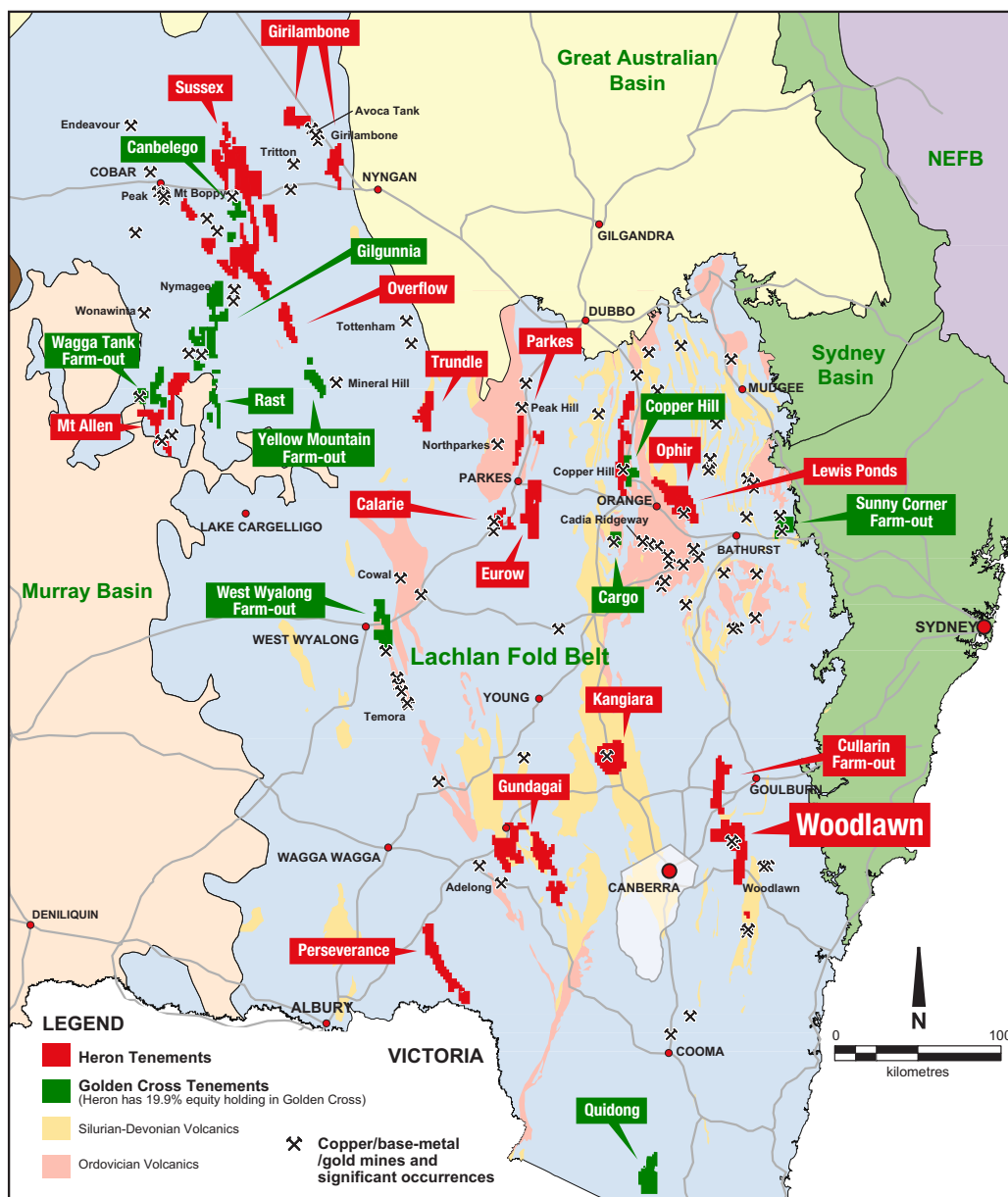


Figure 9:
Lachlan Fold Belt,
Heron tenement
locations and regional
mineralised centres

Lachlan Transverse Zone

Lewis Ponds Gold-Base Metal Project

Lewis Ponds is located 15km E of Orange, within a farming area. The project contains the Lewis Ponds massive sulphide deposit with 6.6 million tonnes at 2.4% Zn, 0.2% Cu, 1.4% Pb, 1.5g/t Au and 69g/t Ag (Section 8), consisting of Main Zone and Tom's Zone which occur in a sequence of deformed Silurian felsic to intermediate volcanics and marine sediments.

The project area is prospective for Volcanogenic Massive Sulphide, lode and shear-hosted gold (immediately NW along strike from the McPhillamy gold deposit) and possibly porphyry copper-gold style deposits. Tenure has recently been renewed in full for 3 years (to 2017), to facilitate a systematic drill upgrade of the project.

During 2014, a three hole diamond drilling program totaling 553.6 metres (Table 3) and targeting a VTEM conductor was completed at the **Mount Nicholas Prospect**. All holes intersected multiple zones of stringer to semi-massive pyrrhotite±pyrite-chalcocopyrite±sphalerite of up to 2 metres true width and strong pyrrhotite veining and alteration. Moderate to high copper grades with anomalous silver and zinc were returned (Table 3). These results (see next page) are most encouraging, and follow-up is planned.

Table 3: Mt Nicholas drilling results

Hole Number	From (m)	To (m)	Downhole Width (m)	Zn %	Cu %	Ag g/t
MNDD002	60.00	61.13	1.13	0.78	0.63	8.0
incl.	60.50	61.13	0.63	1.30	0.45	8.2
MNDD002	151.00	152.85	1.85	1.37	0.10	12.4
incl.	151.90	152.22	0.32	5.19	0.29	49.9
MNDD003	36.00	37.00	1.00	0.10	1.77	14.3
MNDD003	157.10	157.70	0.60	0.69	0.10	9.2
MNDD003	191.50	192.00	0.50	2.38	0.13	16.0
MNDD004	58.70	60.17	1.47	1.74	0.23	13.5
incl.	59.40	60.17	0.77	3.24	0.43	19.6

Eurow Copper-Gold Project

Eurow is located 40km SE of Parkes in central NSW. Eurow is proximal to the intersection of the Narramine-Coolac Fault Zone and the Lachlan Transverse Zone. The project was acquired for the historic Eurow-Vychan copper-gold workings where a small non-JORC compliant resource has been previously reported. Previous drilling below the workings included intercepts of 8 metres at 2.94% copper and 0.85g/t gold from 47 metres, 3 metres at 4.0% copper and 1.25g/t gold from 73 metres, and 4.4 metres at 1.57% copper and 0.63g/t gold from 212 metres. The mineralisation is planar and stratiform and associated with pyrrhotite sulphides (highly conductive and magnetic).

Heron completed a program of aircore drilling (44 holes for 729 metres). Anomalous results from north of old workings included:

- EURB05: 20 metres at 0.02% copper from 4 metres.
- EURB06b: 12 metres at 0.03% copper from surface.
- EURB35: 10 metres at 0.04% copper from 4 metres to EOH (with weakly anomalous gold, silver and zinc).

Kamandra Iron-Copper Project

The Kamandra Iron-Copper prospect is located 10km SE of Parkes.

Heron completed a program of RC drilling (6 holes for 741 metres) in 2014 and intersected magnetite-pyrrhotite-pyrite-(chalcopyrite) zones. Anomalous results include:

- KMRC03: 32 metres at 0.04% copper and 28% iron from 92 metres.
- KMRC04: 8 metres at 0.05% copper and 45% iron from 92 metres.
- KMRC06: 4 metres at 0.09% copper and 44% iron from 100 metres.

Gilmore Suture

Overflow Gold-Base Metal Project

Overflow is located 115km SE of Cobar. The project contains numerous polymetallic mineralised occurrences and widespread hydrothermal alteration, including the historic Overflow Mine (gold, silver, lead with minor copper and zinc). Mineralisation is considered to be mid-sulphidation epithermal (Mineral Hill style).

A VTEM survey was completed in 2011, with numerous EM anomalies still to follow-up.

A single 180 metre diamond hole was drilled in 2014 at the Overflow Mine to test for two possible ore shoot geometries and to fill a gap between historic drill-holes. The drilling intersected the lode horizon and returned the following intercept:

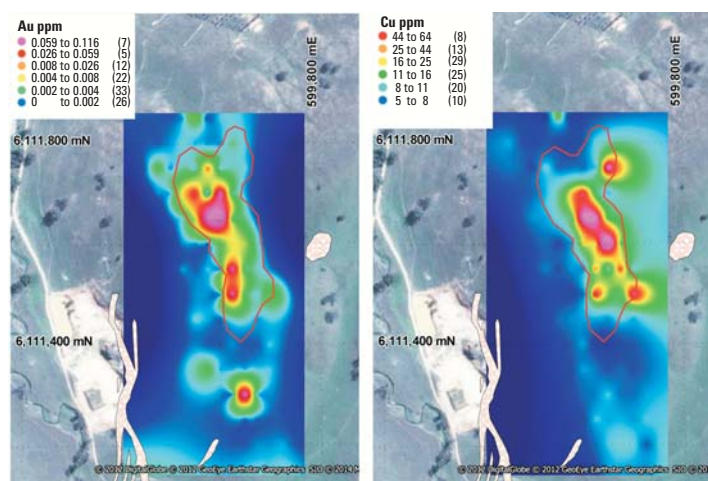
- OFTD001A: 8.6 metres at 0.28g/t gold, 8.1g/t silver, 0.06% copper, 0.27% lead and 1.35% zinc from 124 metres.

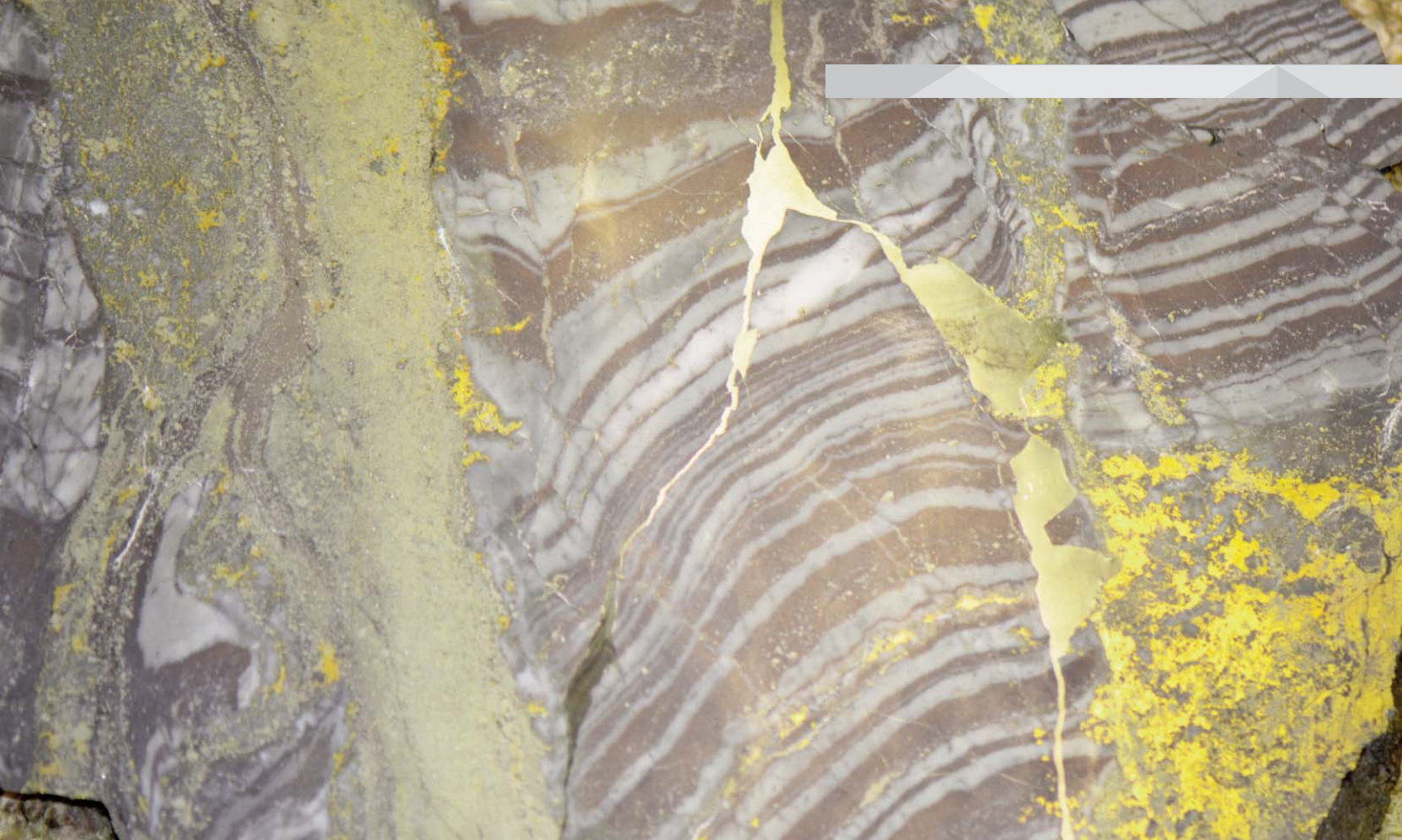
Gundagai Gold-Copper Project

The Gundagai tenements and applications covering some 500km² are located 315km SW of Sydney. Several old gold workings hosted by mineralised porphyry units exist in the Heron tenement area with mining dating back to 1842. Heron drilling in 2013 returned a best intercept of 20 metres at 1.58g/t gold.

Soil auger sampling was completed. An anomaly trends in a NNW direction over some 300 metres of strike and is 100 metres wide. Peak gold result was 116ppb and peak copper result was 64ppm, with peak arsenic 37ppm (Figure 10).

**Figure 10: Gundagai Gold-Copper Project:
Gold and Copper anomalism**





WESTERN AUSTRALIA EXPLORATION (all projects 100% Heron)

KNP Nickel Sulphide Initiatives

Kalpini Nickel Project

The Kalpini ultramafic belt which hosts KNP nickel laterite resources additionally has several documented fertile nickel sulphide ultramafic contacts, with a best result of 2 metres at 6.2% nickel, 1.78% copper and 2.17g/t Platinum Group Metals reported by the previous explorers. Heron's project generation studies through the belt have generated several nickel sulphide targets.

A two hole RC program was completed over the Emu Lake Prospect nickel sulphide target (Figure 11). The RC program was designed to target coincident copper, nickel and palladium RAB anomalies. The best RC result was:

- KPRC001: 5 metres at 0.27% nickel, 0.04% copper, 146ppb Pt+Pd from 80 metres.

Hole KPRC0001 was drilled to 258 metres total depth and intersected disseminated nickel sulphides at 80 metres and 135 metres. The geology appears to be sub vertical with the final ultramafic footwall contact being at 245 metres depth down hole.

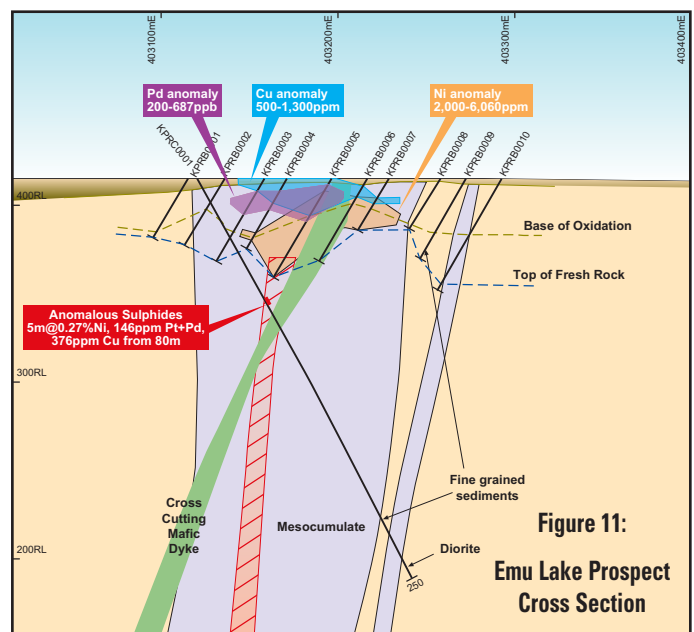


Figure 11:
Emu Lake Prospect
Cross Section

KNP Gold Initiatives

Work focused on the **Siberia** and **Big Four Project** areas, with several soil auger anomalies defined for follow-up.

Mt Zephyr Gold And Base-Metal Project, Western Australia

The Mt Zephyr Project is located 80km NNE of Leonora and represents a 5 kilometre strike of volcanics with strong indications of Volcanogenic Massive Sulphide (VMS) style mineralisation. The Company is currently seeking a joint venture partner to drill a sequence of deeper holes down-dip from the distal style VMS mineralisation. The Mt Zephyr tenure is a contiguous greenstone package, and remains highly prospective. Nickel sulphide targets are currently being assessed to the north of the **Two Bills Well prospect** along a well defined ultramafic stratigraphy, being the inferred Mt Windarra nickel sulphide host sequence.

The area is also highly prospective for gold mineralisation with high-grade laminated quartz reefs in the north of the project area.

Albany Fraser Mobile Zone

Bedonia Nickel-Copper Project

The Bedonia Project covers 1,500km² and is located 75km east of Norseman, Western Australia. The project is some 60km west of the Nova-Bollinger nickel-copper deposit (owned by Sirius Resources NL), and straddles the Archaean-Proterozoic boundary along the margin of the Albany Fraser Mobile Zone. Heron is in transaction discussions for Bedonia, which divestment will allow greater focus on the Lachlan Fold Belt exploration.

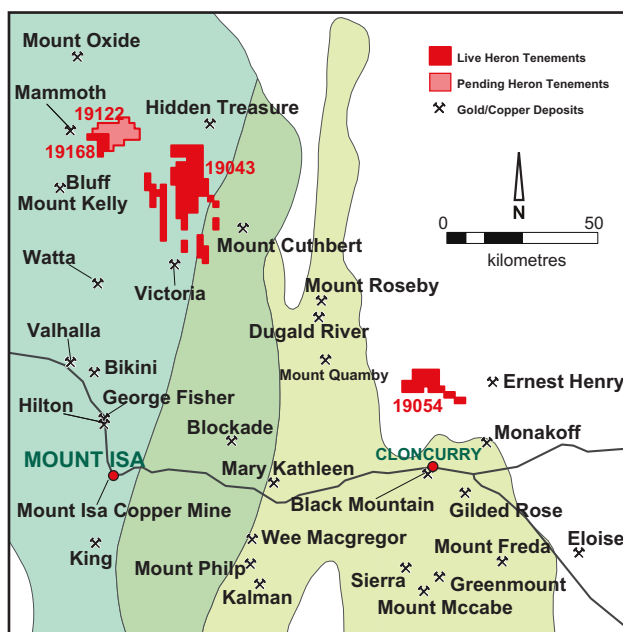
NORTHWEST QUEENSLAND COPPER-GOLD PROJECT (100% Heron)

The Company has acquired a tenement portfolio covering some 1,700km² in the Mt Isa Inlier of northwest Queensland, targeting copper-gold-REE mineralisation in Iron Oxide Copper Gold (IOCG) settings (Figure 12).

The Mt Isa Inlier is a world-class Proterozoic mining province hosting the large copper, lead and zinc mines at Mt Isa and George Fisher and the copper-gold mines at Ernest Henry and Osborne plus several other significant mines and development projects. The potential for new economic discoveries in the area is high.

The Company is currently seeking expressions of interest from parties who would be interested in farming into or acquiring the tenements. An Information Memorandum on the project areas was completed and has been forwarded to potential interested parties.

Figure 12: Cloncurry region, Heron tenement locations and mineralised centres



JOINT VENTURE PROJECTS, WESTERN AUSTRALIA

Heron has farmed out various of the KNP nickel laterite tenure for gold exploration, again as a means to assist in keeping the KNP in good standing with the WA Department of Mines and Petroleum (DMP).

Bulong Gold Project (Heron 20%, Southern Gold Limited 80%; Heron retains 100% of nickel laterite rights at Bulong East)

Southern Gold Limited has earned its 80% interest in the two joint venture areas at Bulong (30km east of Kalgoorlie) through meeting the required expenditure commitments. At Bulong East, Heron is free carried at 20% interest until a pre-feasibility study is completed and \$8 million has been expended. At Bulong South, Heron is free carried at 20% interest until the completion of Bankable Feasibility Study.

Work completed in the last year included a Sub-audio Magnetics (SAM) survey that has highlighted and delineated a number of shear zone targets coincident with previously reported gold-in-soil anomalies.

Rocky Gully Nickel-Copper Prospect (100% Heron, PLD Corporation right to purchase 90%)

At Rocky Gully, 85km NW of Albany, the target is nickel-copper sulphide mineralisation associated with mafic/ultramafic intrusions. Previous Heron reconnaissance drilling in the area identified nickel-copper mineralisation in laterite as well as nickel-copper sulphides in the bedrock sequence (comparable initial exploration history to the Nova nickel sulphide discovery).

The Company granted a 12 month option to PLD Corporation Limited to purchase a 90% interest in Rocky Gully at PLD's election for either \$230,000 cash or the issue of 28.75 million shares in PLD.

BUSINESS DEVELOPMENT

The Company's growth strategy in 2014 was aligned to seeking out new Business Development opportunities, and in parallel pursuing a more active Exploration effort. With the TriAusMin merger, the Business Development and Exploration focus became the Lachlan Fold Belt, NSW.

Competent Person's Statement

The information in this report that is related to Heron's exploration activities is based on information compiled by David von Perger who is a member of Australian Institute of Mining and Metallurgy. David von Perger is a full time employee of Heron Resources Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the exploration activity that is being undertaking to qualify as Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David von Perger consents to the inclusion in this report of the matters based on his information in the form and context that it appears. The information in this report is derived from Heron and TriAusMin announcements variously released on ASX and TSX during the course of FY 2014 which contain material details of assumptions which assumptions continue to remain valid as at the date of this report.



Heron Resources Limited

ABN 30 068 263 098

Annual Report 30 June 2014

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3.0 Corporate Profile

HERON RESOURCES LIMITED (“Heron” or “the Company”) is engaged in the exploration and development of base and precious metal deposits in Australia. Following a recent merger with TriAusMin Limited (TriAusMin), the Company is focused on the development of the high grade **Woodlawn Zinc-Copper Project** located 250km southwest of Sydney in New South Wales. Heron also owns the **Kalgoorlie Nickel Project** located north of Kalgoorlie in Western Australia, and holds a number of other quality base metal and copper-gold exploration properties located in the Lachlan Fold Belt of New South Wales.

KEY DEVELOPMENTS

On 5 August 2014, TriAusMin merged with Heron to create a well-funded company focused on the development of the high-grade **Woodlawn Zinc-Copper Project** located in the Lachlan Fold Belt of New South Wales.

Woodlawn is a Volcanogenic Massive Sulphide (VMS) deposit that was previously mined resulting in the processing of 13.8 million tonnes grading 9.1% zinc, 3.6% lead, 1.6% copper, 74 g/t silver and 0.5 g/t gold. The mine operated between 1978 and 1998 and since its closure and subsequent acquisition, TriAusMin has established a significant underground resource as well as a reserve centered on the tailings generated by the previous operations.

Initially, the merged entity will undertake an exploration program targeting an expansion of the current resource base at Woodlawn, and conduct a feasibility study in relation to the potential development of the project.

In addition to Woodlawn, Heron holds the **Kalgoorlie Nickel Project** (KNP), a very large nickel laterite project located north of Kalgoorlie in Western Australia. Simulus Engineers completed an initial Scoping Study on treating KNP ore using an atmospheric leaching process at a production rate of 10Ktpa nickel to produce a Mixed Hydroxide Product (MHP). The process developed by Simulus incorporates steps for recovering sulphuric acid which is a key input to the leaching process, and encouragingly this has resulted in significantly lower capital and operating costs than for conventional High Pressure Acid Leach (HPAL) plants.

In April 2014 Simulus estimated that a processing plant would have a capital cost of A\$236 million (+/-30%). Based on the Simulus estimate, Heron then determined that the total capital cost of developing a project with 10Ktpa nickel production capacity, including all infrastructure, is estimated at A\$356 million (+/-30%). This equates to a capital intensity of US\$14.54 per annual pound of nickel production, a “step-change” improvement in the capital cost of developing HPAL nickel laterite plants.

Based on these encouraging results, the production rate was then up-scaled from 10Ktpa to 20Ktpa, with results for a 20Ktpa Scoping Study demonstrating an enhanced business case for the larger scale project. The capital cost for a 20Ktpa development is estimated to be A\$660 million (+/- 30%), which equates to a capital intensity of US\$13.82 per annual pound of nickel production. Additionally, Simulus has completed work on an initial Front End Engineering Design (FEED) for a 1.5 tonne per hour Demonstration Plant to treat nickel residues and KNP laterite ore.

Heron has also commenced a process seeking a potential funding partner to commercialise the “KNP Optimised Flowsheet”. KPMG Corporate Finance has been mandated to assist in this process.

In December 2013, Heron purchased a 19.9% interest in **Golden Cross Resources Limited** (GCR). The Heron investment facilitated a major commitment to the drilling out and expansion of the JORC-compliant Mineral Resource for the Copper Hill copper-gold deposit in the central Lachlan Fold Belt in New South Wales. Drilling commenced in May 2014, focusing on quantifying the shallow higher grade resource within the central Copper Hill “phyllitic carapace” mineralisation. Additionally, deep drilling on 100m spaced sections is targeting Northparkes/Ridgeway-style high grade “potassic” pipes beneath the currently defined “phyllitic carapace”.

CORPORATE GOVERNANCE STATEMENT

The Board of Heron is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability.

Following the merger with TriAusMin on 5 August 2014 and the subsequent listing of the Company on the Toronto Stock Exchange (“TSX”) which became effective on 19 August 2014, the Company is required to comply with both the ASX and the TSX Corporate Governance requirements. While there are many similarities between the practices of the two jurisdictions, wherever they differ, the Company has adopted what it considers to be the “best practice” of the two requirements. The principle area of difference between the ASX and TSX Corporate Governance requirements is that under the TSX Listing rules, it is a mandatory requirement that the Company establish an Audit Committee, a Remuneration Committee and a Corporate Governance and Nominating (“CGN”) Committee and that the minimum three members of the Committee all be Independent. Prior to the merger with TriAusMin, the Company had an existing Audit Committee. Following the merger, the Company has established a Remuneration Committee and a CGN Committee.

As a result of the Company using the services of Allion Legal and Mr Readhead, Heron's Chairman, being a Partner of Allion Legal, he is deemed to be not Independent under Canadian Securities Law. Following the resignation of Dr. Gill on 19 August 2014, the Company has one Independent Director. The Board is in the process of identifying candidates to fill the new Independent Director roles so that it satisfies the minimum three member requirement of the Committees.

The Statement below outlines the main corporate governance practices which are in place at Heron. Where the Board supports a particular recommendation, but is yet to fully implement it, a complementary policy or practice has also been identified. For ease of disclosure, the Company has used the ASX Corporate Governance "8 Principles" summarised below and where the Company does not comply (or partly complies), the reasons and action items are noted in the main section of the disclosure.

The following additional information about the Company's Corporate Governance practices is set out on the Company's website at www.heronresources.com.au:

- Audit Committee Charter;
- Board Charter;
- Code of Business Conduct & Ethics;
- Communication with Shareholders Policy;
- Corporate Governance Committee Charter;
- Disclosure and Confidentiality Policy;
- Diversity Policy;
- Health, Safety, Environment & Community Policy;
- Remuneration Committee Charter;
- Risk Management Policy;
- Securities Trading Policy; and
- Whistle Blower Policy.

Principle ASX Corporate Governance Council Recommendations - 2nd Edition (summary)		Comply
1.	Lay solid foundations for management and oversight	
1.1	The Company should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Complies
1.2	The Company should undertake checks before appointing a person as a candidate for election as a Director.	Complies
1.3	The Company should have a written agreement with each Director and Senior Executive.	Complies, although being amended as part of integration post-merger
1.4	The Company Secretary should be accountable directly to the Board, on all matters to do with proper functioning of the Board.	Complies
1.5	The Company should have a Diversity Policy and disclose at the end of each reporting period the proportions of men and women on the board, in executive roles and in the whole organisation.	Complies
1.6	The Company should have a process of evaluating the performance of the Board.	Does not comply
1.7	The Company should have a process of evaluating the performance of its Senior Executives.	Complies
2.	Structure the Board to add value	
2.1	The Board should establish a nomination committee.	Partly complies
2.2	The Company should have and disclose a Board skills matrix.	Does not comply
2.3	The Company should disclose information regarding the independence of Directors.	Complies
2.4	A majority of the Board should be independent Directors.	Does not comply
2.5	The Chairman of the Board should be an independent Director.	Does not comply
2.6	The Company should have program for inducting new Directors and professional development.	Complies

3. Promote ethical and responsible decision making

3.1	The Company should establish a code of conduct and disclose the code or a summary of the code as to:	Complies
	<ul style="list-style-type: none"> the practices necessary to maintain confidence in the Company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	

4. Safeguard integrity in financial reporting

4.1	The Board should establish an audit committee.	Partly complies
4.2	The Board should, prior to it approving the entities financial statements, receive from its CEO and CFO a declaration that, in their opinion, the financial statements are "true and fair".	Complies
4.3	The Company should ensure that its external Auditor attends the AGM.	Complies

5. Make timely and balanced disclosure

5.1	Establish written policies and procedures designed to ensure compliance with ASX and TSX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Complies
-----	--	----------

6. Respect the rights of shareholders

6.1	The Company should provide information about itself and its governance policies via its website.	Complies
6.2	The Company should implement an investor relations program.	Complies
6.3	The Company should have a process to facilitate and encourage participation at meetings of security holders.	Complies
6.4	The Company should give security holders the option to receive and send communications electronically.	Complies

7. Recognise and manage risk

7.1	The Company should establish a risk committee and disclose the policies and procedures it uses to manage risk.	Does not comply
7.2	The Board should review the risk management framework at least annually.	Complies
7.3	The Company should disclose if it does or does not have an internal audit function and if not how it manages internal control processes.	Partly complies
7.4	The Company should disclose whether it has any material economic, environmental and social sustainability risks and how it manages them.	Complies

8. Remunerate fairly and responsibly

8.1	The Board should establish a remuneration committee.	Partly complies
8.2	The Company should disclose its remuneration policies regarding remuneration of non-executive Directors, executive Directors and other Senior Executives.	Complies
8.3	A company which has an equity based remuneration scheme, should disclose whether participants are permitted into transactions which limit the economic risk of the scheme.	Complies

Principle 1. Lay Solid Foundations for Management and Oversight**Council Recommendation 1.1**

A listed entity should disclose:

- a) the respective roles and responsibilities of its board and management; and
- b) those matters expressly reserved to the board and those delegated to management.

The Company complies with this recommendation.

The Company has established the functions reserved for the Board and for Senior Executives by the adoption of a formal written Board Charter that details those functions and responsibilities. Section 2 of the Charter details the functions and responsibilities of the Board and Section 6 of the Charter details the functions and responsibilities of the Management or Senior Executives. A copy of this Charter is publicly available for review in the Corporate Governance section of the Company's website.

Council Recommendation 1.2

A listed entity should:

- a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company complies with this recommendation.

The Company undertakes appropriate checks or appoints a consultant to do those checks before appointing or putting forward to security holders a new candidate for election as a Director. Information regarding Directors or new candidates is contained in the annual report and/or the notice of meeting. In accordance with the TSX Corporate Governance practices, the Company has established a Corporate Governance and Nominating Committee which has the role of undertaking appropriate checks before putting forward to security holders a candidate for election.

Council Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company complies with this recommendation.

Each Director or senior executive has a letter of appointment or service contract setting out their role and responsibilities. Currently agreements are being revised pursuant to the merger with TriAusMin.

Council Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company complies with this recommendation.

The Company Secretary organises and attends each board and committee meeting to ensure adherence to proper procedure and report on any corporate governance matters as necessary.

Council Recommendation 1.5

A listed entity should:

- a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measureable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- b) disclose that policy or a summary of it; and
- c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
 - 1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - 2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.

The Company complies with this recommendation.

A copy of the Company's Diversity Policy is available on the website.

As at the date of this report, the Company had the following number of women employed in:

	Number of women	Total employees	Proportion of women
Whole organisation	4	18	22%
Management positions	1	7	14%
Board members	-	4	-

The Company does not presently have set targets for the representation of women employees in Senior Executive positions and the Board. However, the Company will seek to promote and increase diversity within the organisation as positions and appropriately skilled candidates are available. The Company is not a "relevant employer" under the Workplace Gender Equality Act.

Council Recommendation 1.6

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company does not currently comply with this recommendation.

The Company does not have a formal process for evaluation of the performance of the Board. At present the Board's performance is evaluated on an ongoing basis by the Chairman and the Managing Director. The Managing Director's performance is formally evaluated by the Chairman and Non-Executive Directors on an annual basis at 30 June.

Council Recommendation 1.7

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company complies with this recommendation.

Senior Executives are evaluated informally on an ongoing process as well as formally on a periodical basis. The formal evaluation comprises the Executive and his or her immediate supervisor separately completing a detailed evaluation form covering performance compared to job description, areas requiring improvement, areas being performed to expectation, areas being performed in excess of expectations and goals for the next 12 months. The Executive and his or her supervisor then exchange forms and meet to discuss them before signing off on an agreed evaluation. A formal performance evaluation was not undertaken in the reporting period.

To comply with the Corporate Governance requirements of the TSX, the Company has established a Remuneration Committee. A responsibility of the Committee will be to evaluate the performance of Senior Executives and make recommendations as to short and long term remuneration. As of the date of this report, the Remuneration Committee met once.

Principle 2. Structure the Board to Add Value

Council Recommendation 2.1

The board of a listed entity should:

- a) have a nomination committee which:
 - 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director,
 and disclose:
 - 3) the charter of the committee;
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company partly complies with this recommendation.

To comply with the Corporate Governance requirements of the TSX, the Company has established a Corporate Governance and Nominating Committee. The charter for the Corporate Governance and Nominating Committee is in the Corporate Governance section on the Company website. As at the date of this report the Committee has only two members.

The Corporate Governance and Nominating Committee is currently undergoing a search for a new Independent Director and once appointed the Company will comply with Recommendation 2.1.

Council Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company does not currently comply with this recommendation.

The Company is in the process of establishing a formal board skills matrix. The skills and diversity of the current Board members is disclosed in the Directors Report.

Council Recommendation 2.3

A listed entity should disclose:

- a) the names of the directors considered by the board to be independent directors;
- b) if a director has an interest, position, association or relationship of the type that might cause doubts about their independence but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- c) the length of service of each director.

The Company complies with this recommendation.

The Board considers Mr Readhead and Mr Dennis to be independent directors within the ASX Corporate Governance Guidelines. Their length of service is 13 years for Mr Readhead and 8 years for Mr Dennis. Due to the Company receiving Legal advice from Allion Legal, of which Mr Readhead is a Partner, Mr Readhead is not considered to be an Independent Director under Canadian Securities Law.

Council Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

The Company does not currently comply with this recommendation.

The Company complied with this recommendation until the resignation of Dr James Gill on 19 August 2014. The Corporate Governance and Nominating Committee is currently undergoing a search for new Independent Directors and once appointed the Company will comply with Recommendation 2.4.

Council Recommendation 2.5

The Chairman of the Board should be an independent director

The company does not comply with this recommendation.

Due to the Company receiving Legal advice from Allion Legal, of which Mr Readhead is a Partner, Mr Readhead is not considered to be an independent director under Canadian Securities Law.

Council Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company complies with this recommendation.

The recently established Corporate Governance and Nominating Committee, has, as one of its Charter responsibilities, the induction of new Directors and to provide appropriate professional development opportunities for Directors. The Company's existing Human Resources Manual is available as a resource for Directors.

Principle 3. Act Ethically and Responsibly

Council Recommendation 3.1

A listed entity should:

- a) have a code of conduct for its directors, senior executives and employees; and
- b) disclose that code or a summary of it.

The Company complies with this recommendation.

The Code of Conduct is publicly available in the Corporate Governance section on the Company's website.

Principle 4. Safeguard integrity in corporate reporting**Council Recommendation 4.1**

The board of a listed entity should:

- a) have an audit committee which:
 - 1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 - 2) is chaired by an independent director, who is not the chair of the board,
 and disclose:
 - 3) the charter of the committee;
 - 4) the relevant qualifications and experience of the members of the committee; and
 - 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company partly complies with this recommendation.

The Company complied with this recommendation until the resignation of Dr James Gill on 19 August 2014. The Corporate Governance and Nominating Committee is currently undergoing a search for new Independent Directors and once appointed to the Audit Committee, the Company will comply with Recommendation 4.1. The Company has an audit committee charter which is available on the Company's website and the information about the members is in the Directors Report.

Council Recommendation 4.2

The board of a listed entity, before it approves the entity's financial statements for a financial period, should receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company complies with this recommendation.

Council Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company complies with this recommendation.

Principle 5. Make Timely and Balanced Disclosure**Council Recommendation 5.1**

A listed entity should:

- a) have a written policy for complying with its continuous disclosure obligations under the ASX and TSX Listing Rules; and
- b) disclose that policy or a summary of it.

The Company complies with this recommendation.

The continuous disclosure policy is publicly available for review in the Corporate Governance Section of the Company's website.

Principle 6. Respect the rights of security holders**Council Recommendation 6.1**

A listed entity should provide information about itself and its governance to investors via its website.

The Company complies with this recommendation.

Council Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company complies with this recommendation.

The shareholder communication policy is publicly available for review in the Corporate Governance Section of the Company's website. The Company has investor relations contact details on the website for investors to contact the Company in both North America and Australia.

Council Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company complies with this recommendation.

The shareholder communication policy is publicly available for review in the Corporate Governance Section of the Company's website.

Council Recommendation 6.4

A listed entity should give security holders the option to receive communications from the entity and its security registry electronically.

The Company complies with this recommendation.

Security holders, via the security registry in Australia and North America, are able to receive communications electronically and vote at security holders meetings electronically.

Principle 7. Recognise and Manage Risk**Council Recommendation 7.1**

The board of a listed entity should:

- a) have a committee or committees to oversee risk, each of which:
 - 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director,
 and disclose:
 - 3) the charter of the committee;
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Company does not currently comply with this recommendation.

The Company does not currently comply with this recommendation in that it does not have formal policies for the oversight and management of material business risks as it believes the internal controls it has in place as disclosed below are sufficient for a company of Heron's size and operations.

The Board takes the recognition and management of risk extremely seriously and it examines and considers areas of significant business risk on an ongoing basis and implement actions to minimise exposure to these risks. The Board is assisted in their review of risk management by the management team who must report to the Board on all areas of risk in their respective area on a routine monthly basis and sooner if the matter is urgent.

Arrangements put in place by the Board to oversee and manage the Company's material business include:

- Detailed strategic plans compiled by the Managing Director as part of annual programs and budgets which document the plan and areas of risk to those plans;
- Detailed monthly reporting by the Managing Director and management team in respect of the Company's operations;
- Weekly management meetings designed to monitor each business area within the Company including material business risks within those areas;
- Completion of monthly statements of financial performance, financial position and cash flows compared to budget; and
- Periodic formal risk reviews facilitated by a specialist risk consultancy.

The risk management policy of the Company will continue to be developed as its operations and areas of potential risk continue to evolve.

The Managing Director has been nominated as the person responsible for Health, Safety, Environment and Community matters, and the Managing Director reports to the Board as a specific agenda item at its monthly meeting.

Council Recommendation 7.2

The board or a committee of the board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- b) disclose, in relation to each reporting period, whether such a review has taken place.

The Company complies with this recommendation.

The Board requires management to provide a monthly report to the Board which details the activities of the Company. Within this report management is expected to provide a report on the management of material risks within the Company and how those risks are being handled, especially in areas such as Health, Safety, Environment and Community. The Board will then raise any queries or questions it has in relation to those risks directly with the responsible manager. Senior management attends the monthly Board meetings by invitation to present on those agenda items within their area of responsibility. Further, the audit committee reviews risk management as part of its charter and reports to the Board with any issues that it identifies.

Council Recommendation 7.3

A listed entity should disclose:

- a) if it has an internal audit function, how the function is structured and what role it performs; or
- b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company currently partly complies with this recommendation.

The Company does not have an internal control function. The process for continually improving the effectiveness of its risk management and internal control processes is the same as 7.2.

Council Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company complies with this recommendation.

The governance section of the Company web site contains the HSEC policy and risk management policy and there is also a sustainability section on the web site.

Principle 8. Remunerate Fairly and Responsibly**Council Recommendation 8.1**

The board of a listed entity should:

- a) have a remuneration committee which:
 - 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director.
 and disclose:
 - 3) the charter of the committee;
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company currently partly complies with this recommendation.

Following the resignation of Dr James Gill on 19 August 2014, the Company currently has a remuneration committee with two members. The third position on the Committee will be filled once the new Independent Director is elected. The information about the current members of the Committee is in the Directors report and the charter is in a Corporate Governance section of the Company web site.

Council Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company complies with this recommendation.

The Board seeks independent advice on remuneration policies and practices, involving the remuneration packages and terms of employment of Directors. Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executive Officers in the context of prevailing market conditions. There is no direct link between Director and Senior Executive remuneration and corporate performance, other than the performance conditions attaching to certain options.

Council Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- b) disclose that policy or a summary of it.

The Company complies with this recommendation.

The policy of the Company is that participants are not permitted to enter into hedging or other derivative instruments that might limit the economic risk of the scheme. The policy is in the corporate governance section of the Company website.

4.0 Directors' Report

The Directors submit their Report on the Company and its controlled entities for the year ended 30 June 2014.

DIRECTORS

The names and details of the Directors of the Company in office at any time during or since the end of the year are:

Director Craig Leslie Readhead - B.Juris. LL.B.

Appointed 23 November 2001

Position Chairman (Non-Executive), Chairman of Remuneration Committee, Chairman of Corporate Governance & Nominating Committee

Craig Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resources 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 a Partner of specialist mining and corporate law firm Allion Legal.

Other current directorships

Chairman of Beadell Resources Limited since 2010

Non-executive Director of General Mining Corporation since 2009

Non-executive Director of Redbank Copper Limited since April 2013

Non-executive Director of Swan Gold Mining Limited since March 2013

Non-executive Director of Western Areas Limited since June 2014

Former directorships in last 3 years

Chairman of Galaxy Resources Limited 2000-2013

Non-executive Director of India Resources Limited 2007-2012

Non-executive Director of Mount Gibson Iron Limited 2002-2011

Non-executive Director of Frankland River Olive Company Limited 2000-2012

Director Wayne Taylor - B.Eng (Mining), MBA

Appointed 11 August 2014

Position Managing Director and CEO

Wayne Taylor is a mining engineer with over 25 years experience in the mining industry. He holds a Bachelor of Engineering (Mining) degree from the University of New South Wales and a Masters of Business Administration from the University of New England. Mr Taylor has held senior operational management roles with Western Mining Corporation and Glencore International's Australian operations. For the six years prior to joining TriAusMin he managed Glencore's base metal business development based out of Australia which involved assessing mining projects throughout the world. Mr. Taylor was the Managing Director and CEO of TriAusMin for the last 3 years prior to the merger.

Other current directorships

None

Former directorships in last 3 years

Managing Director and CEO of TriAusMin until August 2014.

Director Ian James Buchhorn - BSc (Hons), Dip Geosci (Min Econ), MAusIMM.

Appointed 17 February 1995

Position Executive Director

Ian Buchhorn is a Mineral Economist and Geologist with over 35 years experience. Prior to listing Heron 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 25 years Mr Buchhorn has acquired and developed mining projects throughout the Eastern Goldfields of Western Australia and operated as a Registered Mine Manager.

Other current directorships

Non-executive Director of Rubicon Resources Limited since August 2005

Non-executive Director of Golden Cross Resources Limited since March 2014

Former directorships in last 3 years

None

Director Stephen Bruce Dennis - BCom BLLB GDipAppFin(Finsia) CFTP.
Appointed 05 December 2006
Position Director (Non-Executive), Chairman of Audit Committee, Member of Remuneration Committee, Member of Corporate Governance & Nominating Committee
 Stephen Dennis has been actively involved in the mining industry for 30 years. He has held senior management positions at MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited.
 Mr Dennis is currently the Chief Executive Officer and Managing Director of CBH Resources Limited, the Australian subsidiary of Toho Zinc Co., Ltd of Japan.

Other current directorships

Managing Director of CBH Resources Limited since November 2007
 Non-executive Chairman of Cott Oil and Gas Limited since January 2013

Former directorships in last 3 years

None

Director James Gill - Bsc, Msc, PhD.
Appointed 11 August 2014 – Resigned 18 August 2014
Position Deputy Chairman (Non-Executive)

Dr Gill has been involved in the mining business for over 40 years, and his experience ranges from exploration, mine development and operations, acquisitions to project financing. He founded Aur Resources Inc. in 1981, which grew from an exploration company into a significant, profitable producing copper mining company under his leadership as its President and Chief Executive Officer for 26 years until August 2007 when Aur was taken over by Teck Resources. He earned his B.Sc and M.Sc degrees from McGill University and a Ph.D degree in economic geology from Carleton University.

Other current directorships

Thundermin Resources Inc (TSX:THR)

Former directorships in last 3 years

Orezone Gold (TSX: ORE) until August 2011
 TriAusMin Ltd until August 2014

SENIOR EXECUTIVE OFFICERS

Exploration Manager

The Exploration Manager, David von Perger BSc (Hons) MAusIMM was appointed to this position in February 2006. Mr von Perger is a geologist with some 20 years experience in mineral exploration having worked in several locations around Australia. Mr von Perger has worked on various styles of mineral deposits including Archaean gold and nickel, and Proterozoic base-metals and iron-ore. His experience includes four years as a business analyst for a major mining group involving analysis of mining operations, project development and assessment of new opportunities. Since his appointment with Heron in February 2004, Mr von Perger has been responsible for the identification and acquisition of several new nickel, gold, iron-ore and base-metal projects.

Financial Controller and Joint Company Secretary

The Financial Controller and Joint Company Secretary is Bryan Horan FCCA. Mr Horan was appointed to the position of Financial Controller in February 2008 and Company Secretary in November 2010. Mr Horan joined the Company in March 2007 as a management accountant. Mr Horan's career includes 10 years working in various accounting positions in London in industries such as media, warehousing & distribution and pharmaceutical. Since living in Perth Mr Horan has also held accounting positions with Australian Mines Ltd and Perilya Ltd..

Chief Financial Officer and Joint Company Secretary

The Chief Financial Officer and Joint Company Secretary is Simon Smith. Mr Smith has been a Chief Financial Officer (CFO) of both private and public companies in Australia and the USA. He brings 20 years experience as a Chartered Accountant and holds a Bachelor's Degree in Business from the University of Technology Sydney. Mr Smith was the CFO and Company Secretary for TriAusMin prior to the merger with Heron Resources.

General Manager Strategy & Business Development

Mr Kempson is a senior corporate finance executive who was most recently an equity partner and Director of Azure Capital Limited, a mining focused leading independent Perth-based corporate advisor, where he worked for nine years advising boards and senior executives across a range of industries including mining, oil & gas and related services on business development, corporate strategy, finance, and mergers and acquisitions. Prior to his arrival in Australia in 2002 Mr Kempson spent five years with investment banks Commerzbank AG and Barclays Capital in London and Germany, and four years working in technical roles for Logica (now part of CGI Group).

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were:

- Base and precious metal mineral exploration and development through sole funded and joint venture activities; and
- The evaluation of various corporate opportunities in the resources industry, leading to the recent merger with TriAusMin.

OPERATING RESULTS

The loss of the consolidated entity for the 2014 financial year after income tax of nil (2013: nil) was \$6,389,236 (2013: \$10,483,306).

DIVIDENDS

No dividends were paid during the year and the Directors do not recommend the payment of a dividend.

OPERATIONS REVIEW

The detailed review of operations of the Consolidated Entity for the year is contained in Section 2.0 of this Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than noted below there were no significant changes in the state of affairs of the Consolidated Entity during the year.

Golden Cross Resources Limited Placement

On 16 December 2013 Heron announced that it had submitted a binding proposal to take a strategic equity interest in Golden Cross Resources Limited (Golden Cross). Heron, subject to the satisfaction of certain limited conditions, offered to subscribe for 375,970,579 Golden Cross new shares at \$0.005 to raise \$1,879,853 representing 19.9% of the then issued capital of Golden Cross. Controlling Golden Cross shareholder HQ Mining subsequently submitted a competing proposal in response to the Heron Offer, and Golden Cross shareholders voted on the two competing offers at their 27 February 2014 EGM. The Heron placement proposal was adopted, and Ian Buchhorn became a Non-executive Director of Golden Cross.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than noted at the date of this Report there is no matter or circumstance which has arisen since 30 June 2014 that has significantly affected or may significantly affect:

- The operations, in the financial years subsequent to 30 June 2014, of the Consolidated Entity;
- The results of those operations; or
- The state of affairs, in the financial years subsequent to 30 June 2014, of the Consolidated Entity.

A Scheme of Arrangement with TriAusMin became effective on 5 August 2014. Details of the Scheme of arrangement are contained in the scheme booklet (ASX release date 6 June 2014). Following the implementation of the merger, TriAusMin shareholders were issued with 1 Heron share for every 2.33 TriAusMin shares held. This resulted in the issue of 107,891,936 new Heron shares which became available to trade on both the ASX and TSX effective on 20 August 2014.

OPTIONS

No Options were issued or exercised during the year.

Subsequent to 30 June 2014 the following Options were issued as part of the transfer of TriAusMin options to Heron options based on the same ratio as the share issue (1 Heron option for every 2.33 TriAusMin options):

Number Issued	Expiry Date	Exercise Price
171,674	23 October 17	\$0.14
85,836	27 June 16	\$0.27
21,459	23 June 15	\$0.58
21,459	13 June 17	\$0.22
21,459	13 March 18	\$0.15
214,592	18 November 15	\$0.23
85,837	21 November 17	\$0.23
21,459	4 February 17	\$0.27
21,459	23 October 17	\$0.14
858,369	19 March 16	\$0.37
858,369	20 November 18	\$0.09
21,459	22 February 18	\$0.17
21,459	31 January 19	\$0.09

The following Options expired during the year:

Number Issued	Expiry Date	Exercise Price
4,500,000	5 June 2014	\$2.50
4,818,776	9 June 2014	\$0.30
2,600,000	25 June 2014	\$0.425
4,750,000	23 June 2014	\$0.22

As at the date of this report the Company had the following options on issue:

Date Options Granted	Expiry Date	Number Issued	Exercise Price
29 November 2006	7 September 2016	5,000,000	\$0.6864
19 November 2011	23 June 15	2,500,000	\$0.27
19 November 2011	23 June 16	2,500,000	\$0.31
5 October 2012	16 January 2015	333,333	\$0.22
5 October 2012	16 January 2016	333,333	\$0.27
5 October 2012	16 January 2017	333,334	\$0.31
3 April 2013	5 March 2016	1,000,000	\$0.22
3 April 2013	5 March 2017	1,000,000	\$0.27
3 April 2013	5 March 2018	1,000,000	\$0.31
11 August 2014	23 October 17	193,133	\$0.14
11 August 2014	27 June 16	85,836	\$0.27
11 August 2014	23 June 15	21,459	\$0.58
11 August 2014	13 June 17	21,459	\$0.22
11 August 2014	13 March 18	21,459	\$0.15
11 August 2014	18 November 15	214,592	\$0.23
11 August 2014	21 November 17	85,837	\$0.23
11 August 2014	4 February 17	21,459	\$0.27
11 August 2014	19 March 16	858,369	\$0.37
11 August 2014	20 November 18	858,369	\$0.09
11 August 2014	22 February 18	21,459	\$0.17
11 August 2014	31 January 19	21,459	\$0.09

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

LIKELY DEVELOPMENTS

Further information on the likely developments in the operations of the Consolidated Entity and the expected results of those operations have not been included in this Report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

DIRECTORS AND KEY MANAGEMENT PERSONNEL SHAREHOLDINGS IN THE COMPANY

As at the date of this Report the interests of the Directors in the Shares of the Company were:

Directors	Ordinary Shares		Option over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
C L Readhead	-	1,546,958	-	-
I J Buchhorn	2,518,241	44,072,718	2,000,000	5,000,000
S B Dennis	-	550,000	-	-
W Taylor	168,618	627,295	1,716,738	-
Key Management Personnel				
D von Perger	296,692	-	2,000,000	-
B P Horan	-	-	1,000,000	-
S Smith	72,961	60,000	-	-
C Kempson	-	2,383,491	-	3,000,000

DIRECTORS MEETINGS

During the year the Company held 14 meetings of Directors. The attendance of the Directors at meetings of the Board were:

Director	Meetings held while a director	Number of meetings attended	Audit Committee Meetings
C L Readhead	14	14	2
I J Buchhorn	14	14	2
S B Dennis	14	14	2

REMUNERATION REPORT

The Board seeks independent advice on remuneration policies and practices, involving the remuneration packages and terms of employment of Directors. Remuneration packages and levels are competitively set to attract the most qualified and experienced Directors and Senior Executive Officers in the context of prevailing market conditions. There is no direct link between Director and Senior Executive remuneration and corporate performance, other than the performance conditions attaching to some options.

Remuneration levels and other terms of employment for Mr Taylor, Mr Smith, Mr Buchhorn, Mr Horan, Mr Kempson and Mr von Perger are formalised in service agreements/work contracts.

The agreement with **Mr Taylor** requires the provision of his services as Managing Director and CEO of the Company and contains the following major provisions:

- No fixed term;
- Current base salary of \$367,000 exclusive of 15% superannuation; and
- In the event that the Company terminates Mr Taylor's employment other than for matters concerning fraud and dishonesty and the like the Company will pay Mr Taylor the maximum amount lawfully payable in accordance with the provisions of the Corporations Act at the time that the employment contract was entered into. The length of notice to be given by both parties on termination is six months.

The agreement with **Mr Smith** requires the provision of his services as CFO and Joint Company Secretary of the Company through Mr Smith's consultancy company CFO Source Pty Ltd and contains the following major provisions:

- No fixed term;
- Payments are set at a daily rate inclusive of superannuation and ancillary employment costs; and
- The Company may terminate the agreement with Mr Smith by giving 30 days notice.

The agreement with **Mr Buchhorn** requires the provision of his services as Executive Director of the Company and contains the following major provisions:

- No fixed term;
- Current base salary of \$321,000 exclusive of superannuation; and
- In the event that the Company terminates Mr Buchhorn's employment other than for matters concerning fraud and dishonesty and the like the Company will pay Mr Buchhorn the maximum amount lawfully payable in accordance with the provisions of the Corporations Act at the time that the employment contract was entered into. The length of notice to be given by both parties on termination is six months.

The agreement with **Mr von Perger** requires the provision of his services as Exploration Manager of the Company and contains the following major provisions:

- No fixed term;
- Current base salary of \$261,000 exclusive of superannuation plus car; and
- Termination can be made by either Mr Von Perger or the Company by giving not less than three months notice.

The agreement with **Mr Horan** requires the provision of his services as Financial Controller of the Company and contains the following major provisions:

- No fixed term;
- Current base salary of \$202,000 exclusive of superannuation; and
- Termination can be made by either Mr Horan or the Company by giving not less than three months notice.

The agreement with **Mr Kempson** requires the provision of his services as General Manager Strategy and Business Development of the Company and contains the following major provisions:

- No fixed term;
- Current base salary of \$261,000 exclusive of superannuation; and
- Termination can be made by either Mr Kempson or the Company by giving not less than three months notice.

Non-executive Directors, Craig Readhead and Stephen Dennis, received a fixed fee for their services as Directors. Non-executive Directors fees not exceeding an aggregate of \$500,000 per annum have been approved by the Company in a general meeting on the 5 June 2007.

There is no direct link between non-executive Directors fees and corporate performance. There are no termination or retirement benefits for non-executive Directors (other than statutory superannuation).

Other than outlined above, since the end of the previous financial year, no Director has received or become entitled to receive a benefit, other than benefits disclosed in the financial statements.

	Short-term -----benefits-----		Post-employment -----benefits-----		Termination payments	Share- based payment options	Total
	Cash salary & fees	Non-cash	Super	Retirement			
	\$	\$	\$	\$	\$	\$	\$
Directors							
C L Readhead	100,000	-	-	-	-	-	100,000
I J Buchhorn	321,101	4,085	29,702	-	-	276,404	631,292
S B Dennis	73,000	-	6,753	-	-	-	79,753
W Taylor ¹	-	-	-	-	-	-	-
Key Management Personnel							
D von Perger	261,468	10,041	24,186	-	-	30,815	326,510
B Horan	201,835	-	18,670	-	-	15,407	235,912
C Kempson	261,468	-	24,186	-	-	111,160	396,814
S Smith ¹	-	-	-	-	-	-	-
Total	1,218,872	14,126	103,497	-	-	433,786	1,770,281

¹ Mr Taylor and Mr Smith became a Key Management Personnel effective from 5 August 2014

Fair values for the options at grant date, as included in the previous table, were determined using Black and Scholes and/or Binomial models that took into account the exercise price of the Option, the term of the Option, the vesting and performance criteria, the non-tradable nature of the Option, the Share price at grant date and the expected price volatility of the underlying Share and the risk-free interest rate for the term of the Option.

Share based payments included above for Mr Buchhorn is 89% performance related. Share based payments for key management personnel are not performance related. The share based payment remuneration not performance related is based on 1, 2 or 3 year vesting period.

The share based payment options included as remuneration of the Directors and Key Management Personnel, vest upon the following conditions:

Conditions	Number Issued
The Company must achieve Full Ramp Up (production rate of equal to or greater than the design capacity for at least one quarter) for the KNP laterite project within ten years.	5,000,000
Vesting two years after 23 June 2011	2,500,000
Vesting three years after 23 June 2011	2,500,000
Vesting one year after 5 March 2013	1,000,000
Vesting two years after 5 March 2013	1,000,000
Vesting three years after 5 March 2013	1,000,000
	13,000,000

Details of options held by Directors and Key Management Personnel affecting their remuneration are as follows:

Name	Grant date	Vesting date	Expiry date	Exercise price	Number	Performance achieved	Option value at grant date	% vested in year
Ian Buchhorn	29-Nov-06	n/a	7-Sep-16	\$0.6864	5,000,000	No	\$0.4791	0%
	19-Nov-11	23-Jun-13	23-Jun-15	\$0.27	1,000,000	n/a	\$0.075	0%
	19-Nov-11	23-Jun-14	23-Jun-16	\$0.31	1,000,000	n/a	\$0.082	100%
Bryan Horan	19-Nov-11	23-Jun-13	23-Jun-15	\$0.27	500,000	n/a	\$0.075	0%
	19-Nov-11	23-Jun-14	23-Jun-16	\$0.31	500,000	n/a	\$0.082	100%
Dave Von Perger	19-Nov-11	23-Jun-13	23-Jun-15	\$0.27	1,000,000	n/a	\$0.075	0%
	19-Nov-11	23-Jun-14	23-Jun-16	\$0.31	1,000,000	n/a	\$0.082	100%
Charlie Kempson	3-Apr-13	5-Mar-14	5-Mar-16	\$0.22	1,000,000	n/a	\$0.066	100%
	3-Apr-13	5-Mar-15	5-Mar-17	\$0.27	1,000,000	n/a	\$0.07	0%
	3-Apr-13	5-Mar-16	5-Mar-18	\$0.31	1,000,000	n/a	\$0.076	0%

INSURANCE OF OFFICERS

During the financial year the Company has paid an insurance premium in respect of a Directors' and Officers' Liability Insurance Contract. The insurance premium relates to liabilities that may arise from an officers position within the Company, with the exception of conduct involving a willful breach of duty or improper use of information or position to gain personal advantage.

The officers covered by the insurance policies are the Directors and Officers of the Company.

The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of premium.

CORPORATE GOVERNANCE

The Company has undertaken a thorough review of its Corporate Governance practices and policies in accordance with both the TSX and ASX Corporate Governances Best Practices Recommendations. The Consolidated Entity's Corporate Governance Statement is contained in Section 3.0, the Corporate Profile section of the Annual Report.

ENVIRONMENTAL REGULATION

The Consolidated Entity is subject to and compliant with all aspects of environmental regulation in respect of its exploration and development activities. The Directors are not aware of any environmental regulation which is not being complied with.

ABORIGINAL CULTURE AND HERITAGE

The Consolidated Entity is subject to and compliant with all aspects of Aboriginal Heritage regulation in respect of its exploration and development activities. The Directors are not aware of any regulation which is not being complied with. The Directors are committed to cultural respect in undertaking business activities of the Company.

NON-AUDIT SERVICES

The Consolidated Entity has not employed the auditor on any assignments additional to their statutory audit duties.

AUDITOR

The Audit Committee of the Company recommended the approval of Ms Lucy Gardner of Butler Settineri (Audit) Pty Ltd as auditor of the Company for two successive financial years in addition to the five successive years mentioned in s324DA(1) of the Corporations Act.

The Audit Committee is satisfied that the approval:

- i) is consistent with maintaining the quality of the audit provided to the company
- ii) would not give rise to a conflict of interest situation (as defined in s324CD)

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of Directors



C L READHEAD

Chairman

Perth, 26 September 2014

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Heron Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Heron Resources Limited and the entities it controlled during the year.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 26 September 2014

5.0 Financial Statements

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated Entity	
	Notes	2014	2013
		\$'000	\$'000
REVENUES FROM CONTINUING ACTIVITIES	2	1,389	1,869
Accountancy fees		(26)	(4)
Audit		(38)	(43)
Consultants		(155)	(339)
Depreciation expense	3(a)	(54)	(110)
Directors fees		(173)	(202)
Wages, salaries & employee benefits		(309)	(571)
Insurance		(57)	(61)
Legal		(183)	(457)
Equity settled share based payments	14(b)	(449)	(1,322)
Other expenses from ordinary activities	3(b)	(598)	(726)
Exploration expenditure expensed as incurred	9	(3,497)	(2,971)
Exploration expenditure written off	9	(405)	(108)
Exploration & evaluation impairment	9	-	(1,600)
Investment impairment	6(a) & (b)	(1,834)	(3,450)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(6,389)	(10,095)
INCOME TAX EXPENSE	4	-	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(6,389)	(10,095)
NET PROFIT (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(6,389)	(10,095)
OTHER COMPREHENSIVE INCOME			
Changes in market value of financial assets	14(c)	-	(388)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(6,389)	(10,483)
		\$	\$
Basic earnings per Share	21	(0.02526)	(0.03990)
Diluted earnings per Share	21	(0.02526)	(0.03990)

The financial statements of the Company are International Financial Reporting Standards (IFRS) compliant.

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		Consolidated Entity	
	Notes	2014 \$'000	2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents	15(c)	32,915	39,597
Trade and other receivables	5	337	371
Investments	6(a)	1,359	61
TOTAL CURRENT ASSETS		34,611	40,029
NON-CURRENT ASSETS			
Trade and other receivables	7	35	35
Investments	6(b)	3,321	3,275
Property, plant and equipment	8	58	97
Exploration and evaluation costs carried forward	9	4,578	5,070
TOTAL NON-CURRENT ASSETS		7,992	8,477
TOTAL ASSETS		42,603	48,506
CURRENT LIABILITIES			
Trade and other payables	10	281	347
Provisions - employee entitlements	11	560	457
TOTAL CURRENT LIABILITIES		841	804
TOTAL LIABILITIES		841	804
NET ASSETS		41,762	47,702
EQUITY			
Contributed equity	12	116,035	116,035
Revaluation reserve	14(c)	-	-
Option reserve	14(b)	2,441	5,591
Accumulated losses	14(a)	(76,714)	(73,924)
TOTAL EQUITY		41,762	47,702

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Issued Capital \$'000	Accumulated Losses \$'000	Revaluation Reserve \$'000	Option Reserve \$'000	Total \$'000
As at 30 June 2013		116,035	(73,924)	-	5,591	47,702
Total comprehensive income for the year		-	(6,389)	-	-	(6,389)
Issue of share capital	12	-	-	-	-	-
Option reserve transfer on exercise	12	-	-	-	-	-
Option reserve write back	14(b)	-	3,599	-	(3,599)	-
Cost of share based payments	14(b)	-	-	-	449	449
As at 30 June 2014		116,035	(76,714)	-	2,441	41,762
As at 30 June 2012		116,035	(67,799)	388	8,239	56,863
Total comprehensive income for the year		-	(10,095)	(388)	-	(10,483)
Issue of share capital		-	-	-	-	-
Option reserve transfer on exercise		-	-	-	-	-
Option reserve write back	14(b)	-	3,970	-	(3,970)	-
Cost of share based payments	14(b)	-	-	-	1,322	1,322
As at 30 June 2013		116,035	(73,924)	-	5,591	47,702

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated Entity	
		2014	2013
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,419	1,796
Payments to suppliers		(1,516)	(2,342)
NET CASH USED IN OPERATING ACTIVITIES	15(a)	(97)	(546)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(3,402)	(3,168)
Purchase of investments	6	(3,180)	-
Sale of investments	6	3	146
Acquisition of plant and equipment		(15)	(10)
Proceeds from sale of plant and equipment		9	4
NET CASH USED IN INVESTING ACTIVITIES		(6,585)	(3,028)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans to controlled entities		-	-
Proceeds from issue of shares		-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH HELD		(6,682)	(3,574)
Cash at the beginning of the reporting period		39,597	43,171
CASH AT THE END OF THE REPORTING PERIOD	15(c)	32,915	39,597

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

The Company is a public company limited by shares. The Company was incorporated in Western Australia.

The Company is a for profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by Heron Resources Limited and its controlled entities (the Company) in the preparation of the financial statements.

a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In the application of IFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment. Actual results may differ from these estimates.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit and loss, certain classes of property, plant and equipment and investment property.

The consolidated financial statements are presented in Australian Dollars which is the consolidated entity's functional and presentation currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

b) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All inter-company balances and transactions between entities in the Company, including any unrealised profits or losses, have been eliminated on consolidation.

c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability at the same time.

The resulting deferred tax assets of the Company are currently not recognised and included as an asset because recovery is considered not probable in the next five years.

Heron Resources Limited and its wholly owned Australian controlled entities have implemented the tax consolidated legislation as of 1 July 2003.

d) Segment reporting

A segment is a distinguishable component of the Company that is engaged in the minerals industry in Australia. The Company's activities are divided into three main categories:

KNP - Tenements related to the Kalgoorlie Nickel Project.

Yerilla - Tenements related to Jump up Dam, Boyce Creek and Aubils.

Exploration - Tenements not KNP or Yerilla related, and are predominantly located in the Lachlan Fold Belt of NSW.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, duties and taxes paid. The main revenue is interest received, which is recognised on an accrual basis.

f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses where applicable.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation and amortisation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, are as follows:

Motor Vehicles	3-5 years
Fixtures and Fittings	5-15 years
Plant and Equipment	5-15 years
Land and Buildings	15-25 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

g) Exploration, evaluation, development and restoration costs

Exploration, evaluation and development expenditure incurred is expensed immediately unless it relates to a specific project in which case it is carried forward to the extent that it is expected to be recouped through the successful development of the area, or by its sale.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Accumulated costs are not carried forward in respect of any area of interest unless rights to tenure of that area are current.

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation and development phases that give rise to the need for restoration.

h) Investments

Investments held by the Company are classified as being available-for-sale financial assets and are stated at fair value, being the market value of the shares held at balance date. Where a reduction in value is significant or prolonged it is recognised as impairment in the consolidated statement of comprehensive income, with any other resultant gain or loss recognised in equity and included in other comprehensive income. Where these investments are derecognised, the cumulative gain and loss previously recognised directly in equity is recognised in profit and loss. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement.

Financial instruments classified as held for trading or available-for-sale investments are recognised/derecognised by the Company on the date it commits to purchase/sell the investment. Securities held to maturity are recognised/derecognised on the day they are transferred to/by the Company.

i) Investments in associated entities

Interests in associated entities are accounted for under the equity accounting method.

j) Trade and other receivables

Trade and other receivables are stated at their cost and are due for settlement no more than 30 days from the date of invoicing.

k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with the banks, other short term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within short-term borrowings on the balance sheet.

l) Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transactions costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

n) Employee benefits

(i) Wages and salaries, annual leave

Liabilities for wages and salaries and annual leave are recognised as employee benefits in respect of employee's services up to the reporting date and are measured at the amounts to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service and final average salary.

o) Share-based payment transactions

The Company provides benefits to the Directors, employees and consultants of the Company in the form of share based payment transactions, whereby services are rendered in exchange for shares or rights over shares ("Equity-settled transactions").

There is currently one plan in place to provide these benefits being an Employee Share Option Plan ("ESOP") which provides benefits to Directors, employees and consultants.

The cost of these equity-settled transactions is measured by reference to fair value at the date at which they are granted. The fair value is determined by using either the Black-Scholes or Binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Heron Resources Limited ("market conditions").

The cost of equity-settled securities is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant individual becomes fully entitled to the award ("vesting date").

Where the Company acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share-based payment transactions, the fair value of the equity instruments granted is measured at grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

p) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

q) Trade and other payables

Trade and other payables are stated at cost. The amounts are unsecured and are usually paid on 30 days.

r) Dividends

No dividends have been paid or proposed during or since the end of the year.

s) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO are classified as operating cash flows.

t) Contributed equity

Incremental costs directly attributed to the issue of new shares or options are shown in the equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares on issue during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

u) Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

v) Significant accounting judgments, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Capitalisation of exploration and evaluation expenditure

Under AASB 6 Exploration for and Evaluation of Mineral Resources the Group has the option to either expense exploration and evaluation expenditure as incurred or to capitalise such expenditure provided that certain conditions are satisfied. The Group's policy is closer to the former as outlined in note 1 (g).

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of "value in use" (being net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes or Binomial methodology.

w) New accounting standards and interpretations

The Australian Accounting Standards Board has published various pronouncements that are not mandatory for the 30 June 2014 reporting period. The Company has reviewed all these pronouncements and assessed their applicability and the likely impact on the Company's accounting policies. While several pronouncements do not apply to the Company's current activities the expected impact of those relevant to the Company are set out below:

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is not likely to affect the Company's accounting for its financial assets.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2014)

This standard withdraws the substantive content in AASB 1031 and provides signpost references to materiality in other Australian Accounting Standards and is not likely to affect the Company.

AASB 2014-1 Amendments to Australian Accounting Standards (effective from 1 July 2014)

AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality as each standard is amended for another purpose and is not likely to affect the Company.

IFRS 9 Financial Instruments (effective from 1 January 2018)

IFRS 9 has revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices and is not likely to affect the Company.

IFRS 15 Revenue from contracts with customers (effective from 1 January 2017)

IFRS 15 makes changes to revenue recognition requirements and is not likely to affect the Company.

IAS 27 Equity method in separate financial statements (effective from 1 January 2016)

IAS 27 will allow entities to use the equity method to account for its interest in subsidiaries, joint venture and associates in separate financial statements and is not likely to affect the Company.

x) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to fund exploration activities and develop or secure access to a cash producing asset.

Consistent with others in the industry, the Group and the parent entity monitor capital on the basis of working capital requirements.

During 2014 the Group's strategy, which was unchanged from 2013, was to maintain a current account balance sufficient to meet the Company's day to day expenses with the balance held in term deposits.

	Consolidated Entity	
	2014	2013
	\$'000	\$'000

NOTE 2. REVENUE FROM ORDINARY ACTIVITIES

Revenues from continuing activities

Sale of tenements	-	34
Sale of fixed assets	8	3
Profit / (loss) on sale of investments	-	9
Interest received - other persons/corporations	1,331	1,818
Sundry income	50	5
Total revenues from continuing activities	1,389	1,869

NOTE 3. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES

The profit / (loss) before income tax expense has been determined after charging a number of items including the following:

a) Depreciation expense

Plant & equipment	(17)	(61)
Office equipment & furniture	(20)	(25)
Motor vehicles	(17)	(24)
	(54)	(110)

b) Other expenses includes the following:

Payroll tax	(7)	(29)
Rental expenses	(264)	(243)
Stock exchange	(46)	(50)
Travel & accommodation	(52)	(89)
Office expenses and supplies	(79)	(102)
Computer support services	(48)	(72)
Report expenses and printing	(25)	(52)
Conferences and seminars	(10)	(8)
Donations	(20)	(21)
Miscellaneous expenses	(47)	(60)
Total other expenses	(598)	(726)

NOTE 4. INCOME TAX

a) Temporary differences carried forward

Current Tax	-	-
Deferred tax	-	-

The Heron Resources Limited group of companies tax was consolidated on 1 July 2003 - there are no tax sharing and/or tax funding agreements in place.

The parent entity made a tax loss and on consolidation the group made a tax loss. The parent and the subsidiaries have substantial tax losses carried forward.

The Directors are of the view that there is insufficient probability that the parent entity and its subsidiaries will derive sufficient income in the foreseeable future to justify recognising the tax losses and temporary differences as deferred tax assets and deferred tax liabilities.

Heron Resources Limited is the head entity for the group.

	Consolidated Entity	
	2014	2013
	\$'000	\$'000
b) Numerical reconciliation of income tax expense to prima facie tax payable is as follows:		
Profit (loss) from operations before income tax expense	(6,389)	(10,095)
Tax at Australian tax rates of 30% (2013 also 30%)	(1,917)	(3,029)
Tax effect of non-temporary differences	203	557
Tax effect of equity raising costs debited to equity	-	-
Over or under provision from previous years	-	-
Tax effect of tax losses and temporary differences not recognised	1,714	2,472
Income tax expense	-	-
c) There is no amount of tax benefit recognised in equity as the tax effect of temporary differences has not been booked		
d) Tax Losses - Revenue		
Unused tax losses for which no tax loss has been booked as a DTA adjusted for non temporary differences	77,535	73,801
Potential tax benefit at 30%	23,261	22,140
e) Unrecognised temporary differences		
Non deductible amounts as temporary differences	(7,130)	(5,924)
Accelerated deductions for tax compared to book	(493)	282
Total at 100%	(7,623)	(5,642)
Potential effect on future tax expense for temporary differences at 30%	(2,287)	(1,693)
f) There are no franking credits available for future years		

NOTE 5. TRADE AND OTHER RECEIVABLES – CURRENT

Prepayment - rent	23	23
Prepayment - software	4	7
Prepayment - subscriptions	-	7
Prepayment - insurance	4	-
Accrued interest	157	245
Goods & services tax paid	24	21
Sundry Debtors	125	68
	337	371

NOTE 6(a). INVESTMENTS IN ENTITIES - CURRENT

Southern Cross Goldfields Limited (SXG) is an Australian listed public exploration with 887,450,815 fully paid ordinary shares on issue. Heron holds 5,875,528 fully paid shares at 30 June 2014, which have been valued at the closing price on that day.

Radar Iron Limited (RAD) is an Australian listed public exploration company with 98,540,070 fully paid ordinary shares on issue. Heron held 75,000 fully paid shares which were sold in January 2014.

TriAusMin Limited was an Australian listed public exploration company prior to merging with Heron Resources Limited. Heron purchased 1.3 million convertible notes which are carried at face value and will eliminate on consolidation post merge.

	Consolidated Entity	
	2014	2013
	\$'000	\$'000
Investments in other entities at fair value		
Southern Cross Goldfields Limited:		
Cost	1,092	1,092
Impairment	(1,033)	(1,033)
Carrying value	59	59
Radar Iron Limited:		
Cost	14	14
Impairment	(12)	(12)
Disposal	(2)	-
Carrying value	-	2
TriAusMin Limited:		
Cost	1,300	-
Carrying value	1,300	-
Summary		
Total cost of investments	2,392	1,106
Impairment brought forward	(1,033)	(875)
Impairment for year ended June 2014	-	(170)
Total carrying value	1,359	61

NOTE 6(b). INVESTMENTS IN ENTITIES - NON CURRENT

A1 Consolidated Gold Limited (AYC) is an Australian listed public exploration company with 176,683,522 fully paid ordinary shares on issue. Heron holds 26,200,000 fully paid shares at 30 June 2014, which have been valued at the closing price on that day.

Golden Cross Resources Limited (GCR) is an Australian listed public exploration company with 1,889,299,391 fully paid ordinary shares on issue. Heron holds 375,970,579 fully paid shares at 30 June 2014, which have been valued at the closing price on that day. Golden Cross completed a 1 for 20 share consolidation subsequent to 30 June 2014, so at report date Heron holds 18,798,529 shares.

Investments in other entities at fair value		
Golden Cross Resources:		
Cost	1,880	-
Impairment	-	-
Revaluation	-	-
Carrying value	1,880	-
A1 Consolidated Gold:		
Cost	6,555	6,555
Impairment	(5,114)	(3,280)
Revaluation	-	-
Carrying value	1,441	3,275
Summary:		
Total cost of investments	8,435	6,555
Impairment brought forward	(3,280)	(3,280)
Impairment for year ended June 2014	(1,834)	-
Total carrying value	3,321	3,275

	Consolidated Entity	
	2014	2013
	\$'000	\$'000
NOTE 7. TRADE AND OTHER RECEIVABLES - NON CURRENT		
Employee share option plan – non-recourse loan	35	35
	<u>35</u>	<u>35</u>
NOTE 8. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment at cost	259	620
Accumulated depreciation	(235)	(589)
	<u>24</u>	<u>31</u>
Office equipment & furniture at cost	530	579
Accumulated depreciation	(496)	(530)
	<u>34</u>	<u>49</u>
Motor vehicles at cost	180	180
Accumulated depreciation	(180)	(163)
	<u>-</u>	<u>17</u>
Total property, plant and equipment	<u>58</u>	<u>97</u>
Reconciliation		
Plant and equipment:		
Carrying amount at 1 July	31	92
Additions	12	1
Disposals	(2)	(2)
Depreciation Expense	(17)	(60)
Carrying value at 30 June	<u>24</u>	<u>31</u>
Office equipment and furniture:		
Carrying amount at 1 July	49	65
Additions	5	10
Disposals	-	-
Depreciation Expense	(20)	(26)
Carrying value at 30 June	<u>34</u>	<u>49</u>
Motor vehicles:		
Carrying amount at 1 July	17	42
Additions	-	-
Disposals	-	(1)
Depreciation Expense	(17)	(24)
Carrying value at 30 June	<u>-</u>	<u>17</u>
NOTE 9. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS CARRIED FORWARD		
Balance at beginning of year	5,070	6,716
Acquisition costs	53	62
Exploration and evaluation costs incurred during the year (net of research & development rebate)	3,357	2,971
Exploration and evaluation costs expensed as incurred	(3,497)	(2,971)
Exploration and evaluation impairment	-	(1,600)
Exploration and evaluation costs written off	(405)	(108)
Balance at end of year	<u>4,578</u>	<u>5,070</u>

The ultimate recoupment of costs carried forward is dependent upon the successful development and/or commercial exploitation or alternatively sale of respective areas of interest.

Consolidated Entity	
2014	2013
\$'000	\$'000

NOTE 10. TRADE AND OTHER PAYABLES – CURRENT

Trade creditors and accruals - Exploration activities
Trade creditors and accruals - Other

166	229
115	118
281	347

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

NOTE 11. PROVISIONS – CURRENT

Employee entitlements

560	457
560	457

NOTE 12. CONTRIBUTED EQUITY

Ordinary shares are fully paid and have no par value. They entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Consolidated Entity	
2014	2013
\$'000	\$'000

Shares

Issued and paid up capital 252,985,787 (2013: 252,985,787)

Ordinary shares fully paid

Prior years *in specie* share distributions

Option reserve transfer on exercise

Less: prior years capital raising expenses

121,782	121,782
(3,845)	(3,845)
514	514
(2,416)	(2,416)
116,035	116,035

Movements in issued and paid up capital of the parent entity during the year are as follows:

	2014 No. of Shares	2014 \$'000
Contributed equity balance at beginning of year	252,985,787	116,035
Shares issued during the year	-	-
Transfer from option reserve	-	-
Contributed equity balance at end of year	252,985,787	116,035

Option reconciliation to 30 June 2014

Opening balance at 1 July 2013

Options issued

Options expired/lapsed

Closing balance at 30 June 2014

Number of options

31,168,776
-
(17,168,776)
14,000,000

The weighted average remaining contractual life of options on issue at 30 June 2014 is 729 days.

Options

The following options expired/lapsed during the year:

Number	Expiry date	Exercise price
4,500,000	5 June 2014	\$2.50
4,818,776	9 June 2014	\$0.30
2,600,000	25 June 2014	\$0.4250
4,750,000	23 June 2014	\$0.22
250,000	23 June 2015	\$0.27
250,000	23 June 2016	\$0.31

As at 30 June 2014 the Company had the following options on issue:

Number	Expiry date	Exercise price
5,000,000	7 September 2016	\$0.6864
2,500,000	23 June 2015	\$0.27
2,500,000	23 June 2016	\$0.31
333,333	16 January 2015	\$0.22
333,333	16 January 2016	\$0.27
333,334	16 January 2017	\$0.31
1,000,000	5 March 2016	\$0.22
1,000,000	5 March 2017	\$0.27
1,000,000	5 March 2018	\$0.31
<u>14,000,000</u>		

Details of options as at the beginning and end of the reporting period and movements during the year are set out below:

Grant date	Expiry date	Exercise price	Number of Options at the beginning of the year	Options expired / lapsed this year	Options Issued this year	Number of Options at the end of the year	Options Exercisable at the end of the year
2014 Consolidated and parent entity							
29 November 2006	7 September 2016	\$0.6864	5,000,000	-	-	5,000,000	-
5 June 2007	5 June 2014	\$2.50	4,500,000	(4,500,000)	-	-	-
25 June 2009	25 June 2014	\$0.425	2,600,000	(2,600,000)	-	-	-
9 June 2009	9 June 2014	\$0.30	4,818,776	(4,818,776)	-	-	-
19 November 2011	23 June 2014	\$0.22	4,750,000	(4,750,000)	-	-	-
19 November 2011	23 June 2015	\$0.27	2,750,000	(250,000)	-	2,500,000	2,500,000
19 November 2011	23 June 2016	\$0.31	2,750,000	(250,000)	-	2,500,000	2,500,000
5 October 2012	16 January 2015	\$0.22	333,333	-	-	333,333	333,333
5 October 2012	16 January 2016	\$0.27	333,333	-	-	333,333	333,333
5 October 2012	16 January 2017	\$0.31	333,334	-	-	333,334	-
3 April 2013	5 March 2016	\$0.22	1,000,000	-	-	1,000,000	1,000,000
3 April 2013	5 March 2017	\$0.27	1,000,000	-	-	1,000,000	-
3 April 2013	5 March 2018	\$0.31	1,000,000	-	-	1,000,000	-
			<u>31,168,776</u>	<u>(17,168,776)</u>	<u>-</u>	<u>14,000,000</u>	<u>6,666,666</u>
Weighted average exercise price			0.67	0.87	-	0.42	0.28

NOTE 13. SEGMENT REPORTING

Segmental information for consolidated statement of comprehensive income

Year ended June 2014

	Corporate	KNP Project	Yerilla Project	Exploration	Total
Sale of fixed assets	-	-	6	2	8
Interest received - other persons/corporations	1,331	-	-	-	1,331
Option fee	-	-	-	50	50
Total revenues	1,331	-	6	52	1,389
Depreciation	(20)	-	(4)	(30)	(54)
Exploration expenditure expensed as incurred	-	(2,011)	(118)	(1,368)	(3,497)
Exploration expenditure written off	-	(405)	-	-	(405)
Other expenses	(3,822)	-	-	-	(3,822)
Profit / (loss)	(2,511)	(2,416)	(116)	(1,346)	(6,389)

Year ended June 2013

	Corporate	KNP Project	Yerilla Project	Exploration	Total
Sale of tenements	-	-	-	34	34
Sale of fixed assets	-	-	3	-	3
Sale of investments	9	-	-	-	9
Interest received - other persons/corporations	1,818	-	-	-	1,818
Sale of data -	-	-	-	-	-
Sundry income	5	-	-	-	5
Total revenues	1,832	-	3	34	1,869
Depreciation	(26)	-	(38)	(46)	(110)
Exploration expenditure expensed as incurred	-	(964)	(227)	(1,780)	(2,971)
Exploration expenditure written off	-	(105)	-	(3)	(108)
Impairment of exploration expenditure	-	(1,600)	-	-	(1,600)
Other expenses	(7,175)	-	-	-	(7,175)
Profit / (loss)	(5,369)	(2,669)	(262)	(1,795)	(10,095)

Segmental information for consolidated balance sheet

Balance at June 2014

	Corporate	KNP Project	Yerilla Project	Exploration	Total
Total current assets	34,611	-	-	-	34,611
Property, plant and equipment	34	-	2	22	58
Exploration and evaluation costs carried forward	-	4,578	-	-	4,578
Other non-current assets	3,356	-	-	-	3,356
Total non-current assets	3,390	4,578	2	22	7,992
Total assets	38,001	4,578	2	22	42,603
Total liabilities	195	-	-	646	841

Movement for the year to June 2014	Corporate	KNP Project	Yerilla Project	Exploration	Total
Total current assets	(5,418)	-	-	-	(5,418)
Property, plant and equipment	(15)	-	(5)	(19)	(39)
Exploration and evaluation costs carried forward	-	(492)	-	-	(492)
Other non-current assets	46	-	-	-	46
Total non-current assets	31	(492)	(5)	(19)	(485)
Total assets	(5,387)	(492)	(5)	(19)	(5,903)
Total liabilities	23	-	-	14	37
Balance at June 2013	Corporate	KNP Project	Yerilla Project	Exploration	Total
Total current assets	40,029	-	-	-	40,029
Property, plant and equipment	49	-	7	41	97
Exploration and evaluation costs carried forward	-	5,070	-	-	5,070
Other non-current assets	3,310	-	-	-	3,310
Total non-current assets	3,359	5,070	7	41	8,477
Total assets	43,388	5,070	7	41	48,506
Total liabilities	172	-	-	632	804
Movement for the year to June 2013	Corporate	KNP Project	Yerilla Project	Exploration	Total
Total current assets	(3,988)	-	-	-	(3,988)
Property, plant and equipment	(17)	-	(39)	(46)	(102)
Exploration and evaluation costs carried forward	-	(1,646)	-	-	(1,646)
Other non-current assets	(3,668)	-	-	-	(3,668)
Total non-current assets	(3,685)	(1,646)	(39)	(46)	(5,416)
Total assets	(7,673)	(1,646)	(39)	(46)	(9,404)
Total liabilities	(147)	-	-	(96)	(243)

	Consolidated Entity	
	2014	2013
	\$'000	\$'000

NOTE 14. ACCUMULATED LOSSES AND RESERVES

a) Accumulated Losses		
Balance at the beginning of the year	(73,924)	(67,799)
Write back of expense for expired/lapsed options	3,599	3,970
Net profit/(loss)	(6,389)	(10,095)
Balance at end of the year	(76,714)	(73,924)

The Company has retained a loss as at 30 June 2014.

b) Option Reserve		
Balance at the beginning of the year	5,591	8,239
Cost of share based payments	449	1,322
Write back lapsed options expense	(3,599)	(3,970)
Balance at end of the year	2,441	5,591

The option reserve is used to recognise the fair value of options issued and expensed over the vesting period and credited to this reserve. The shares will reverse against the share capital when the underlying options are exercised.

c) Revaluation Reserve		
Balance at the beginning of the year	-	388
A1 Consolidated Gold shares	-	(388)
Movement for the year	-	(388)
Balance at end of the year	-	-

The revaluation reserve is used to recognise the fair value of financial assets classified as available-for-sale assets. Amounts are recognised in the income statements when the associated assets are sold.

NOTE 15. STATEMENT OF CASH FLOWS

a) Reconciliation of operating loss after income tax to the net cash flows from operations:		
Operating loss after income tax	(6,389)	(10,095)
Add/(less)		
Exploration and evaluation costs written off	3,902	3,079
Depreciation	54	110
Share based payments	447	1,322
(Profit)/loss on sale of shares	-	(9)
(Profit)/loss on sale of tenements	-	(34)
(Profit)/loss on sale of fixed assets	(8)	(3)
(Profit)/loss on option fee	(50)	-
Investment Impairment	1,834	3,450
Exploration & Evaluation Impairment	-	1,600
Increase/(decrease) in prepayments and debtors	6	(8)
(Increase)/decrease in accrued interest and GST	85	(160)
Increase/(decrease) in creditors, accruals and provisions	22	202
	(97)	(546)

Consolidated Entity
2014 **2013**
\$'000 **\$'000**

b) During the year there were no non cash transactions.

c) Reconciliation of Cash

Cash on hand and at bank

32,915 39,597

Closing cash balance

32,915 39,597

Cash security for environmental bonds of \$477,000 (2013 : \$477,000) is included in cash on hand and at bank. This is not available to the Company for ordinary activities.

Property bonds of \$46,545 (2013 : \$46,545) are included in cash on hand and at bank. This amount is held as a security term deposit and is not available to the Company for ordinary activities.

NOTE 16. RELATED PARTY TRANSACTIONS

The Directors of the Company during the financial year were:

Non-Executive Directors

Craig Leslie Readhead

Stephen Bruce Dennis

Executive Directors

Ian James Buchhorn

The Key Management Personnel other than Executive Directors for the financial year were:

Exploration Manager

David von Perger

Financial Controller and Joint Company Secretary

Bryan Horan

General Manager Strategy and Business Development

Charlie Kempson

Detailed remuneration disclosures are provided in the remuneration report on pages 34-35 of the Directors report.

Shares	Held at 1 July 2013	Purchased on market	Sold	Held at 30 June 2014
Directors				
CL Readhead	844,709	238,263	-	1,082,972
IJ Buchhorn	45,486,240	1,054,719	-	46,540,959
SB Dennis	450,000	100,000	-	550,000
W Taylor	-	-	-	-
Key Management Personnel				
BP Horan	-	-	-	-
D von Perger	211,692	15,000	-	226,692
C Kempson	250,000	604,992	-	854,992
S Smith	-	-	-	-

Options	Expiry Date	Exercise Price	Held at 1 July 2013	Issued	Expired /lapsed	Held at 30 June 2014
Directors						
C L Readhead	5 June 2014	\$2.50	750,000	-	(750,000)	-
I J Buchhorn	7 September 2016	\$0.6864	5,000,000	-	-	5,000,000
	5 June 2014	\$2.50	3,000,000	-	(3,000,000)	-
	23 June 2014	\$0.22	1,000,000	-	(1,000,000)	-
	23 June 2015	\$0.27	1,000,000	-	-	1,000,000
	23 June 2016	\$0.31	1,000,000	-	-	1,000,000
S B Dennis	5 June 2014	\$2.50	750,000	-	(750,000)	-
Key Management Personnel						
D von Perger	25 June 2014	\$0.425	1,000,000	-	(1,000,000)	-
	23 June 2014	\$0.22	1,000,000	-	(1,000,000)	-
	23 June 2015	\$0.27	1,000,000	-	-	1,000,000
	23 June 2016	\$0.31	1,000,000	-	-	1,000,000
B P Horan	25 June 2014	\$0.425	600,000	-	(600,000)	-
	23 June 2014	\$0.22	500,000	-	(500,000)	-
	23 June 2015	\$0.27	500,000	-	-	500,000
	23 June 2016	\$0.31	500,000	-	-	500,000
C Kempson	5 March 2016	\$0.22	1,000,000	-	-	1,000,000
	5 March 2017	\$0.27	1,000,000	-	-	1,000,000
	5 March 2018	\$0.31	1,000,000	-	-	1,000,000
			21,600,000	-	(8,600,000)	13,000,000

Other related party transactions during the financial year were:

- payment of \$73,800 (2013 : \$72,450) to an entity related to Mr IJ Buchhorn for the provision of office accommodation on normal commercial terms and conditions;
- payment of \$123,856 (2013 : \$238,914) to Allion Legal of which Mr CL Readhead is a partner for legal services on normal commercial terms and conditions;

Heron Resources Limited is the ultimate parent entity. Heron Resources Limited is a listed public company incorporated and domiciled in Australia. Ownership interest in the controlled entities is as set out in Note 20.

NOTE 17. FINANCIAL INSTRUMENTS

a) Terms, conditions and accounting policies

The Company's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance sheet date, are as follows:

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>i) Financial assets</i>			
11am Call Accounts		11am Call Accounts are carried at cost.	The 11am Call Accounts are at call with an interest rate of 1.75% (2013 : 0.37%)
Term Deposits		Term Deposits are carried at cost.	Term Deposits are secured with a 3 month term with an interest rate of 3.52% (2013 : 4.06%)
Environmental Bonds		Environmental Bonds are carried at cost.	Environmental Bonds are security term deposits with a 6 month term with an interest rate of 3.39% (2013 : 3.95%)
Property Bonds		Property Bonds are carried at cost.	Property Bonds are security term deposits with an 6 month term with an interest rate of 3.54% (2013 : 4.13%)
Accrued Interest	5	Recognised on an accruals basis.	Interest is credited periodically.
Goods & Services Tax Paid	5	Recognised on an accruals basis.	Business Activity Statements are lodged on a monthly basis.

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
<i>ii) Financial liabilities</i>			
Trade creditors and accruals	10	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.	Trade liabilities are normally settled on 30 day terms.
<i>iii) Equity</i>			
Ordinary Shares	12	Ordinary share capital is recognised at the fair value of the consideration received by the Company.	Details of the shares issued and the terms and conditions of the options outstanding over ordinary shares at balance sheet date are set out in Note 12

b) The carrying value of financial assets and liabilities approximates fair value.

c) Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

(i) *Market risk*

Price risk

The Company is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk.

Foreign exchange risk

The Company is not exposed to foreign exchange risk.

(ii) *Credit risk*

The maximum credit risk is total current assets of which the vast majority is cash which is all A1+ rated. The largest part of trade and other receivables is interest.

(iii) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

(iv) *Cash flow and fair value interest rate risk*

As the Company has no interest-bearing liabilities, the Group's cash out flows are not exposed to changes in market interest rates. The Group maintains a current account balance sufficient to meet day to day expenses with the balance held in A1+ rated commercial paper investments or term deposits.

Consolidated Entity	
2014	2013
\$'000	\$'000

NOTE 18. AUDITORS' REMUNERATION

Amounts received or due and receivable for:

Butler Settineri (Audit) Pty Ltd - Audit services

38

45

Consolidated Entity	
2014	2013
\$'000	\$'000

NOTE 19. COMMITMENTS FOR EXPENDITURE

a) Exploration Commitments

In order to maintain current rights of tenure to exploration and mining tenements, the Company estimates the following annual discretionary exploration expenditure requirements up until expiry or relinquishment of the mining tenure. Due to the Company's operation in exploring and evaluating areas of interest, exploration expenditure beyond twelve months cannot be reliably determined. These obligations are not provided for in the financial statements and are payable based on granted tenements:

Not later than 1 year	3,668	3,489
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If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations. Those amounts detailed above include expenditure commitments which are the responsibility of earn-in / joint venture partners. If those joint venture partners continue to meet the expenditure commitments under respective joint venture / earn-in agreements, the estimates detailed above will reduce.

b) Operating Lease Commitments

The Company has leased two office premises under non-cancellable operating leases for periods of five years and one year. Lease amounts include a base amount, plus variable outgoings and car parking and are subject to an annual rent review by way of the consumer price index at the time of review.

Not later than 1 year	389	332
Later than 1 year but not later than 5 years	358	582
Later than 5 years	-	-

c) Capital Commitments

The Company has no capital commitments at 30 June 2014.

NOTE 20. INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Registration	Class of Shares	Cost of Consolidated Entity's Investment		Cost of Parent Entity's Investment	
			2014	2013	2014	2013
					\$	\$
Hampton Nickel Pty Limited	Australia	Ordinary	100%	100%	10	10
Ochre Resources Pty Limited	Australia	Ordinary	100%	100%	100	100
Atriplex Pty Limited	Australia	Ordinary	100%	100%	10	10
Yerilla Nickel Pty Limited	Australia	Ordinary	100%	100%	100	100
Kalgoorlie Nickel Project Pty Limited	Australia	Ordinary	100%	100%	100	100
Woods Point Gold Mines Pty Limited	Australia	Ordinary	100%	100%	100	100

Regent Resources Pty Limited ("Regent") was registered on 10 April 2002. Regent Resources Limited name was changed on the 19 August 2005 to Hampton Nickel Limited and is being used by the Company to hold the Bulong nickel properties and to acquire further nickel properties in the Bulong district.

Ochre Resources Pty Limited ("Ochre") was registered on 7 February 2005 to seek and acquire iron ore properties in the course of the Company's base metal exploration activities.

Atriplex Pty Limited ("Atriplex") was registered on 7 April 2005 to seek and acquire nickel-copper sulphide properties (outside the Eastern Goldfields) in the course of the Company's exploration activities.

Yerilla Nickel Pty Limited ("Yerilla") was registered on 22 December 2006 as a potential holding company for the Jump-up Dam heap leach Project north east of Kalgoorlie.

Kalgoorlie Nickel Project Pty Limited ("KNP") was registered on 24 June 2009 as a holding company for the KNP properties.

Woods Point Gold Mines Pty Limited was registered on 24 June 2009 as a holding company for the Woods Point Gold Mine.

	Consolidated Entity	
	2014	2013
	\$'000	\$'000

NOTE 21. EARNINGS PER SHARE

Basic earnings per Share	(0.02526)	(0.03990)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	252,985,787	252,985,787
Diluted earnings per Share	(0.02526)	(0.03990)
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share.	252,985,787	252,985,787
Earnings profit/(loss) used in calculating basic and diluted earnings profit/(loss) per share	(6,389,236)	(10,095,306)

The 14,000,000 (2013: 31,168,776) options are not considered to be dilutive.

NOTE 22. EMPLOYEE ENTITLEMENTS

a) Employee Entitlements

The aggregate employee entitlement is comprised of:

Provisions (Current)	560	457
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b) Employee Share Scheme

An Employee Share Option Plan has been established for Heron Resources Limited, where employees, Directors and Officers of the Company are issued with options over ordinary shares of Heron Resources Limited. At the General Meeting on 5 June 2007 approval by shareholders for adoption of Employee Share Option Plan was given. The options, issued for no consideration, are in general exercisable at a fixed price at commencement date, unless otherwise stated and ending on the expiry date.

Following the merger with TriAusMin there are currently 18 employees, directors and officers eligible to participate in this scheme.

The Options cannot be transferred and will not be quoted on the ASX.

During the year 17,168,776 options expired under the Employee Options Plan Number 3.

Details of options as at the beginning and end of the reporting date and movements during the year are set out below:

Grant date	Expiry date	Exercise price	Number of options at the beginning of the year	Options expired this year	Options Issued this year	Number of options at the end of the year	Options exercisable at the end of the year
2014 Consolidated and parent entity							
29 November 2006	7 September 2016	\$0.6864	5,000,000	-	-	5,000,000	-
5 June 2007	5 June 2014	\$2.50	4,500,000	(4,500,000)	-	-	-
25 June 2009	25 June 2014	\$0.425	2,600,000	(2,600,000)	-	-	-
9 June 2009	9 June 2014	\$0.30	4,818,776	(4,818,776)	-	-	-
19 November 2011	23 June 2014	\$0.22	4,750,000	(4,750,000)	-	-	-
19 November 2011	23 June 2015	\$0.27	2,750,000	(250,000)	-	2,500,000	2,500,000
19 November 2011	23 June 2016	\$0.31	2,750,000	(250,000)	-	2,500,000	2,500,000
5 October 2012	16 January 2015	\$0.22	333,333	-	-	333,333	333,333
5 October 2012	16 January 2016	\$0.27	333,333	-	-	333,333	333,333
5 October 2012	16 January 2017	\$0.31	333,334	-	-	333,334	-
3 April 2013	5 March 2016	\$0.22	1,000,000	-	-	1,000,000	1,000,000
3 April 2013	5 March 2017	\$0.27	1,000,000	-	-	1,000,000	-
3 April 2013	5 March 2018	\$0.31	1,000,000	-	-	1,000,000	-
			31,168,776	(17,168,776)	-	14,000,000	6,666,666
Weighted average exercise price			\$0.67	\$0.87	-	\$0.42	\$0.28

NOTE 23. SUBSEQUENT EVENTS

Other than noted below there is no matter or circumstance which has arisen since 30 June 2014 that has significantly affected or may significantly affect:

- a) The operations, in the financial years subsequent to 30 June 2014, of the Company;
- b) The results of those operations; or
- c) The state of affairs, in the financial years subsequent to 30 June 2014, of the Company.

A Scheme of Arrangement with TriAusMin Limited became effective on 5 August 2014. Details of the Scheme of arrangement are contained in the scheme booklet (ASX release date 6 June 2014). Following the implementation of the merger, TriAusMin shareholders were issued with 1 Heron share for every 2.33 TriAusMin shares held. This resulted in the issue of 107,891,936 new Heron shares which became available to trade on both the ASX and TSX effective on 20 August 2014.

NOTE 24. CONTINGENT LIABILITIES

Native title claims have been made with respect to areas which include tenements in which the consolidated entity has interests. The consolidated entity is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the consolidated entity or its projects. Agreement is being reached with native title claimants regarding certain areas in which the consolidated entity has interests.

Rehabilitation of the Jump Up Dam tenements would cost up to \$1 million if the Company were to surrender the tenements.

NOTE 25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Heron Resources Limited, at 30 June 2014. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2014 \$'000	2013 \$'000
a) Financial Position		
Current assets	34,339	39,834
Non-current assets	5,471	5,904
Total assets	39,810	45,738
Current liabilities	838	680
Total liabilities	838	680
Contributed equity	116,035	116,035
Fair value reserve	-	-
Option reserve	2,441	5,591
Accumulated losses	(79,504)	(76,568)
Total equity	38,972	45,058
Loss for the year	(5,723)	(7,886)
Other comprehensive income	-	(388)
Total comprehensive loss for the year	(5,723)	(8,274)
b) Guarantees entered into by the Parent		
Heron Resources Limited has not entered into a deed of cross guarantee with its wholly owned subsidiaries.		
c) Contingent liabilities of the Parent		
Heron Resources Limited's contingent liabilities are consistent with those disclosed in note 24.		
d) Capital commitments of the Parent		
Heron Resources Limited's capital commitments are disclosed in note 19c.		

Directors' Declaration

In accordance with a resolution of the Directors of Heron Resources Limited it is declared that:

- a) The financial statements and notes comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) Give a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2014 and of their performance, as represented by the results of their operations, for the financial year ended on that date.

In the Directors' opinion:

- a) The financial statements and notes are in accordance with the Corporations Act 2001; and
- b) At the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts when they become due and payable; and
- c) The Directors have been given the declarations by the Chief Financial Officer and Chief Executive Officer required by section 295A of the Corporations Act 2001.

On behalf of the Board



C L READHEAD
Chairman

Perth, 26 September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERON RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Heron Resources Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2014 and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report which gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a) the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report which gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a) the financial report of Heron Resources Limited is in accordance with the Corporations Act 2001 including:
 - i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 34 and 35 of the directors' report for the year ended 30 June 2014.

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Heron Resources Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 26 September 2014

7.0 Shareholder Information

AT 22 SEPTEMBER 2014

1. Issued Shares and Options

a) Distribution of Shareholders:

Size of Holding	Number of Holders	Shares Held
1 - 1,000	318	184,136
1,001 - 5,000	828	2,535,229
5,001 - 10,000	543	4,335,207
10,001 - 100,000	1,148	40,118,077
100,001 -	241	313,705,074
	3,078	360,877,723

b) The twenty largest shareholders hold 64.6% of the issued fully paid capital of the Company.

c) Substantial Shareholders including related parties who have notified the Company:

Holder	Number of Shares	%
I Buchhorn & related parties	46,590,959	12.91%
Sprott Inc & related parties	37,577,126	10.41%

d) There were 778 shareholders who held less than a marketable parcel.

e) No securities have been classified by ASX as restricted.

VOTING RIGHTS

In accordance with the Company's constitution, voting rights are on the basis of a show of hands, one vote for every registered holder and on a poll, one vote for each share held by registered holders.

Twenty largest shareholders as at 22 September 2014

	Number of Shares	%
1 Canadian Register	118,541,239	32.85%
2 Hazurn Pty Ltd	23,532,480	6.52%
3 Kurana Pty Ltd	16,576,556	4.59%
4 Citicorp Nominees Pty Limited	13,578,031	3.76%
5 Jetosea Pty Ltd	10,000,000	2.77%
6 MBM Corporation Pty Ltd	9,999,830	2.77%
7 Chaos Investments Pty Limited	5,972,854	1.66%
8 Fremont Cat Pty Ltd	4,205,476	1.17%
9 Mr David James Wardle	4,070,000	1.13%
10 J P Morgan Nominees Australia	3,494,396	0.97%
11 Sheerwater Pty Ltd	3,071,500	0.85%
12 Koltai Holdings PL	2,973,179	0.82%
13 Mr Olivier Robert Dupuy	2,675,107	0.72%
14 Mr Ian James Buchhorn	2,518,241	0.70%
15 Valueinvest Pty Ltd	2,395,830	0.66%
16 Ms Trudi Ann Kempson	2,383,491	0.66%
17 HSBC Custody Nominees	2,244,749	0.62%
18 Kimlex Investments Pty Ltd	2,200,000	0.61%
19 Mrs Pamela Jean Buchhorn	2,137,690	0.59%
20 BGK Investments Pty Limited	2,000,000	0.55%
TOTAL	234,570,649	64.99%

f) Distribution of Option holders

1	5,000,000	exercisable on or before 7 September 2016 for a payment of \$0.6864 per option
2	2,500,000	exercisable on or before 23 June 2015 for a payment of \$0.27 per option
3	2,500,000	exercisable on or before 23 June 2016 for a payment of \$0.31 per option
4	333,333	exercisable on or before 16 January 2015 for a payment of \$0.22 per option
5	333,333	exercisable on or before 16 January 2016 for a payment of \$0.27 per option
6	333,334	exercisable on or before 16 January 2017 for a payment of \$0.31 per option
7	1,000,000	exercisable on or before 5 March 2016 for a payment of \$0.22 per option
8	1,000,000	exercisable on or before 5 March 2017 for a payment of \$0.27 per option
9	1,000,000	exercisable on or before 5 March 2018 for a payment of \$0.31 per option
10	193,133	exercisable on or before 23 October 2017 for a payment of \$0.14 per option
11	85,836	exercisable on or before 27 June 2016 for a payment of \$0.27 per option
12	21,459	exercisable on or before 23 June 2015 for a payment of \$0.58 per option
13	21,459	exercisable on or before 13 June 2017 for a payment of \$0.22 per option
14	21,459	exercisable on or before 13 March 2018 for a payment of \$0.15 per option
15	214,592	exercisable on or before 18 November 2015 for a payment of \$0.23 per option
16	85,837	exercisable on or before 21 November 2017 for a payment of \$0.23 per option
17	21,459	exercisable on or before 4 February 2017 for a payment of \$0.27 per option
18	858,369	exercisable on or before 19 March 2016 for a payment of \$0.37 per option
19	858,369	exercisable on or before 20 November 2018 for a payment of \$0.09 per option
20	21,459	exercisable on or before 22 February 2018 for a payment of \$0.17 per option
21	21,459	exercisable on or before 31 January 2019 for a payment of \$0.09 per option

Size of Holding

1	-	1,000
1,001	-	5,000
5,001	-	10,000
10,001	-	100,000
100,001	-	

Number of Holders

-
-
-
7
9
16

Options Held

-
-
-
364,805
16,060,085
16,424,890

Summary of option holders as at 22 September 2014

	Number of Options	% of Issued Options
1 Employees & directors	15,909,869	96.87%
2 Alan Snowden	85,837	0.52%
3 James Gill	214,592	1.31%
4 Robert Valliant	85,837	0.52%
5 William Killinger	128,755	0.78%
TOTAL	16,424,890	100.00

8.0 Statement of Mineral Resources

SUMMARY OF HERON MINERAL RESOURCES, LACHLAN FOLD BELT, NSW

Woodlawn + Lewis Ponds Mineral Resources - Combined Summary

Project	Million tonnes	Zn %	Cu %	Pb %	Au g/t	Ag g/t
Measured + Indicated Mineral Resource						
Woodlawn Retreatment Project (WRP)	9.40	2.33	0.52	1.36	0.30	32
Woodlawn Underground Project (WUP)	8.58	10.25	1.80	4.02	0.54	84
Lewis Ponds Project	6.35	2.40	0.20	1.40	1.50	68
Total Measured + Indicated Mineral Resource	24.33	5.14	0.89	2.31	0.70	60
Inferred Mineral Resources						
Woodlawn Retreatment Project (WRP)	2.25	2.10	0.44	1.30	0.27	31
Woodlawn Underground Project (WUP)	1.52	9.60	1.65	4.08	0.61	87
Lewis Ponds Project	0.27	3.00	0.10	1.90	1.10	96
Total Inferred Mineral Resource	4.04	4.98	0.87	2.39	0.45	56
Total Mineral Resource	28.37	5.12	0.89	2.32	0.67	59

8.1 Woodlawn Underground Project (WUP) - Mineral Resources

Classification	Million tonnes	Zn %	Cu %	Pb %	Au g/t	Ag g/t
Measured	3.60	10.38	1.82	3.99	0.53	85
Indicated	4.98	10.16	1.79	4.04	0.55	84
Total Measured + Indicated Mineral Resource	8.58	10.25	1.80	4.02	0.54	84
Total Inferred Mineral Resource	1.52	9.60	1.65	4.08	0.61	87
Total Mineral Resource	10.10	10.15	1.78	4.03	0.55	85

Refer to TriAusMin press release on 29 January 2014.

Woodlawn Underground Project

The independently estimated JORC-compliant Mineral Resources for the WUP consists of 8.58 Mt of Measured and Indicated Mineral Resources plus a further 1.52 Mt of Inferred Mineral Resources. The cut-off grade applied to the calculation of WUP Mineral Resources was 7.0% zinc equivalent. Block densities were individually calculated from block Zn, Pb and Fe values, with the average lens density ~3.7 t/m³ and zinc equivalent values were calculated from all the interpolated grades (excluding Fe) using a formula based on metal prices.

The metal prices used to calculate the zinc equivalent values applied to the Mineral Resource estimate were:

Zinc	3,350	USD/t	or	152.0	US Cents/lb
Copper	7,350	USD/t	or	333.4	US Cents/lb
Lead	1,400	USD/t	or	63.5	US Cents/lb
Gold	570	USD/oz			
Silver	11	USD/oz			

The technical information in this report relating to the Woodlawn Underground Mineral Resources is based on information compiled by Mr Robin Rankin, who is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM) and accredited by the AusIMM since 2000 as a Chartered Professional (CP) in the geology discipline. Mr Rankin provided information to his Client TriAusMin (now Heron) as paid consulting work in his capacity as Principal Consulting Geologist and operator of independent geological consultancy GeoRes. He and GeoRes are professionally and financially independent in the general sense and specifically of their Client and of the Client's project. The consulting was provided on a paid basis, governed by a scope of work and a fee and expenses schedule, and the results or conclusions reported were not contingent on payments. He has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code) and "Qualified Person" as this term is defined in Canadian National Instrument 43-101 ("NI 43-101"). Mr Rankin consents to the inclusion in this report of the information in the form and context in which it appears.

8.2 Woodlawn Retreatment Project (WRP) - Mineral Resources

Resource Class	Million tonnes	Zn %	Cu %	Pb %	Au g/t	Ag g/t
Measured + Indicated Mineral Resource						
<i>North Dam</i>						
Measured	0.83	2.35	0.43	1.43	0.29	35
Indicated	1.38	2.68	0.45	1.44	0.29	40
Sub-Total	2.21	2.56	0.44	1.44	0.29	38
<i>South Dam</i>						
Measured	2.43	2.60	0.48	1.19	0.22	25
Indicated	1.17	2.44	0.48	1.19	0.22	23
Sub-Total	3.60	2.55	0.48	1.19	0.22	24
<i>West Dam</i>						
Measured	2.05	2.00	0.60	1.46	0.39	36
Indicated	1.54	1.93	0.60	1.51	0.39	37
Sub-Total	3.59	1.97	0.60	1.48	0.39	36
All Dams						
Measured	5.31	2.33	0.52	1.33	0.30	31
Indicated	4.09	2.33	0.52	1.40	0.31	34
Total Measured + Indicated Mineral Resource						
	9.40	2.33	0.52	1.36	0.30	32
Inferred Mineral Resources						
North Dam	0.87	2.03	0.33	1.33	0.25	37
South Dam	0.90	2.32	0.47	1.19	0.23	24
West Dam	0.48	1.83	0.61	1.47	0.38	34
Total Inferred Mineral Resource						
	2.25	2.10	0.44	1.30	0.27	31
Total Mineral Resource						
	11.65	2.29	0.50	1.35	0.30	32

Refer to TriAusMin press release 11 November 2009.

Note: Zn denotes zinc; Cu denotes copper, Pb denotes lead, Au denotes gold, and Ag denotes silver.

8.3 Woodlawn Retreatment Project (WRP) - Ore Reserves

Dam	Classification	Million tonnes	Zn %	Cu %	Pb %	Au g/t	Ag g/t
South	Proven	2.43	2.52	0.47	1.15	0.21	23.89
	Probable	1.86	2.32	0.47	1.15	0.21	22.86
	Proven + Probable	4.29	2.43	0.47	1.15	0.21	23.44
West	Proven	2.05	1.94	0.59	1.42	0.36	34.63
	Probable	1.88	1.85	0.59	1.46	0.36	35.08
	Proven + Probable	3.93	1.9	0.59	1.44	0.36	34.85
North	Proven	0.83	2.28	0.42	1.39	0.27	34.89
	Probable	2.20	2.36	0.39	1.37	0.26	37.69
	Proven + Probable	3.03	2.34	0.40	1.38	0.26	36.92
All Dams	Proven	5.31	2.26	0.51	1.30	0.28	29.76
	Probable	5.94	2.19	0.48	1.33	0.28	32.22
	Proven + Probable	11.25	2.22	0.49	1.31	0.28	31.05

Refer to TriAusMin press release 30 November 2009.

Woodlawn Retreatment Project - Mineral Resource

The independently estimated JORC-compliant Mineral Resources contained in the North, South and West Tailings Dams at Woodlawn includes 9.4 Mt in the Measured and Indicated categories and 2.3 Mt of Inferred Mineral Resources. No cut-off grade was applied to the calculation of the Mineral Resources as it was assumed that all tailings would be re-processed as part of the Woodlawn Retreatment Project.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The technical information in this report relating to the Woodlawn Tailings Mineral Resources is based on information compiled by Mr Robin Rankin, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM) and accredited by the AusIMM since 2000 as a Chartered Professional (CP) in the geology discipline. Mr Rankin consults to TriAusMin (now Heron) as Principal Consulting Geologist of independent geological consultancy GeoRes. He has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results and "qualified person" as this term is defined in Canadian National Instrument 43-101 ("NI 43-101"). Mr Rankin consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Woodlawn Retreatment Project - Ore Reserve

The information on Ore Reserves was extracted from the Woodlawn Tailings Retreatment Project Technical Report NI 43-101 – 15 December 2009 authored by the independent international multi-disciplinary consulting firm, Roscoe Postle Associates (RPA) (formerly Scott Wilson Roscoe Postle Associates Inc.).

An earlier GeoRes mineral resource model was converted to a Surpac model for mine planning. In Scott Wilson RPA's opinion the Inferred Mineral Resources as estimated by GeoRes should be reclassified as Indicated Mineral Resources to give a total Measured and Indicated Resource of 11.65Mt @ 2.29% Zn, 0.50% Cu, 1.35% Pb, 0.30g/t Au and 31.9g/t Ag. The review of the resource block model showed some blocks that would not be recoverable by the proposed hydraulic mining method. The block model was modified to exclude these blocks. The resource block model was then adjusted to allow for dilution and recovery. Mining recovery was based on an average expected loss of 20 cm of tailings material in contact with other material. Additionally, a dilution value equivalent to 10 cm average vertical gain was added back to the product stream, with no grade to account for potential contamination from the original ground surface. The remaining mineralisation was included in an economically viable life of mine plan and, in Scott Wilson RPA's opinion, constitutes Ore Reserves as summarised in Table 8.2

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report relates to Ore Reserves associated with the Woodlawn Retreatment Project is based on information compiled by qualified person, Mr. Richard Lambert, P.E. a professional engineer and Registered Member of SME. Mr. Richard Lambert is Principal Mining Engineer and Executive Vice President of Roscoe Postle Associates, Inc. He is independent of TriAusMin (now Heron) applying the test set out in Section 1.4 of NI 43-101. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) and by reason of his education, affiliation with a professional association (as defined in NI43-101) and past relevant work experience, fulfills the requirements to be a "qualified person" for the purposes of NI43- 101.

Notes:

1. CIM definitions were followed for Mineral Reserves.
2. Ore Reserves are estimated at a zero cut-off grade.
3. Ore Reserves estimated using bulk density of 1.7 t/m³ for TDS, 1.85 t/m³ for TDW, 1.6 t/m³ for TDNU, and 1.35 t/m³ for TDNR.
4. Columns and rows may not add exactly due to rounding.

8.4 Lewis Ponds Project - Mineral Resource

Classification	Million tonnes	Zn %	Cu %	Pb %	Au g/t	Ag g/t
Indicated Mineral Resource						
Main Zone	5.82	2.1	0.1	1.1	1.5	59
Tom's Zone	0.54	5.5	0.3	3.8	1.7	172
Total Indicated Mineral Resource	6.35	2.4	0.2	1.4	1.5	68
Inferred Mineral Resources						
Main Zone	0.17	1.7	0.1	0.8	0.9	47
Tom's Zone	0.10	5.0	0.2	3.6	1.4	174
Total Inferred Mineral Resource	0.27	3.0	0.1	1.9	1.1	96
Total Mineral Resource	6.62	2.4	0.2	1.4	1.5	69

Refer to TriAusMin press release 6 October 2005.

Lewis Ponds Project

The independently estimated JORC-compliant Mineral Resource at Lewis Ponds is divided into resources from two zones, Main Zone and Tom's Zone.

The cut-off grade applied to the calculation of Lewis Ponds Mineral Resources was 3.0% zinc equivalent. The following metal prices were used to calculate zinc equivalent values applied to the kriged Mineral Resource estimate.

Zinc	1240	USD/t	or	56.2	US Cents/lb
Copper	2860	USD/t	or	129.7	US Cents/lb
Lead	900	USD/t	or	40.8	US Cents/lb
Gold	430	USD/oz			
Silver	6.75	USD/oz			

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report relates to the mineral resource for Lewis Ponds is based on information compiled by Mr Robert Cotton, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Cotton is a full time employee of Mineral Appraisals Pty Ltd, consultant to TriAusMin (now Heron). Mr Cotton has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and "qualified person" as this term is defined in Canadian National Instrument 43-101 ("NI 43-101"). Mr Cotton consents to the inclusion in this report of the information in the form and context in which it appears.

SUMMARY OF HERON'S MINERAL RESOURCE, KALGOORLIE NICKEL PROJECT, WA

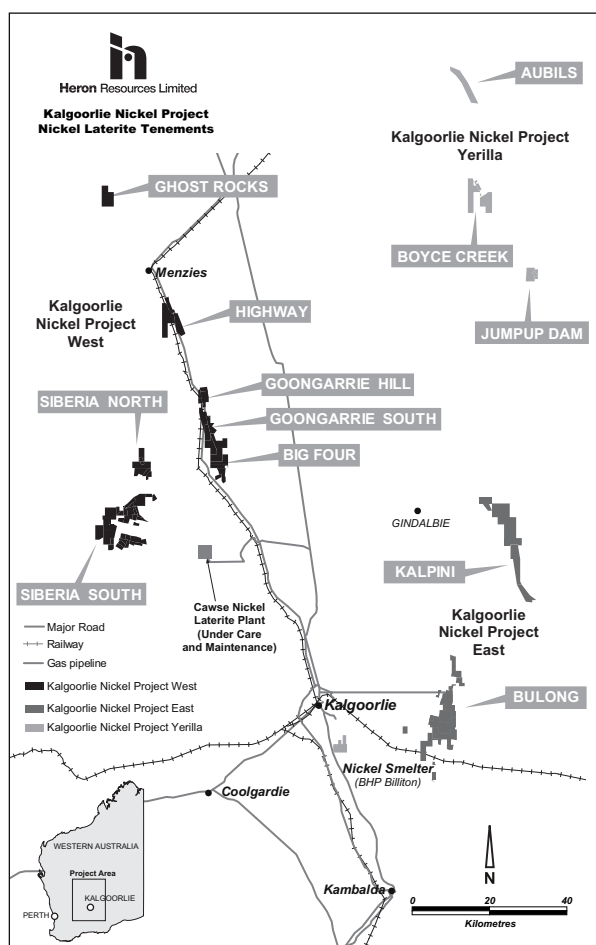
8.5 Kalgoorlie Nickel Project Mineral Resource

Region	Prospect	Million tonnes ¹	Ni %	Co %	Resource Category	Estimation Method	Estimate Source	Study Period
Goongarrie	Goongarrie South*	5.8	1.08	0.102	Measured	Krige	Heron	Post PFS
	Goongarrie South*	54.2	0.79	0.065	Indicated	Krige	Heron	Post PFS
	Goongarrie South*	34.4	0.63	0.042	Inferred	Krige	Heron	Post PFS
	Highway	52.9	0.66	0.042	Indicated	Krige	Heron	Post PFS
	Highway	38.4	0.63	0.040	Inferred	Krige	Heron	Post PFS
	Ghost Rocks	24.8	0.67	0.047	Inferred	Krige	Snowden	Pre PFS
	Goongarrie Hill	53.6	0.60	0.037	Inferred	Krige	Heron	Post PFS
	Big Four	42.6	0.69	0.052	Indicated	Krige	Heron	Post PFS
	Big Four	12.4	0.62	0.054	Inferred	Krige	Heron	Post PFS
	Scotia	11.2	0.77	0.080	Inferred	Krige	Snowden	Pre PFS
Sub-Total Goongarrie		330.3	0.68	0.049				
Siberia	Siberia South	104.4	0.65	0.034	Inferred	Krige	Snowden	Pre PFS
	Siberia North	10.8	0.64	0.051	Indicated	Krige	Snowden	Post PFS
	Siberia North	60.0	0.66	0.040	Inferred	Krige	Snowden	Post PFS
	Black Range	20.4	0.75	0.102	Inferred	Krige	Snowden	Pre PFS
Sub-Total Siberia		195.6	0.66	0.044				
Total KNP West		525.9	0.67	0.044				
Bulong	Taurus	14.2	0.83	0.051	Inferred	Krige	Snowden	Pre PFS
	East	15.9	0.89	0.046	Indicated	Krige	Snowden	Pre PFS
	East	24.3	0.78	0.053	Inferred	Krige	Snowden	Pre PFS
Sub-Total Bulong		54.4	0.83	0.050				
Hampton	Kalpini	75.4	0.73	0.044	Inferred	Krige	Snowden	Pre PFS
Sub-Total Hampton		75.4	0.73	0.044				
Total KNP East		129.8	0.77	0.047				
Yerilla	Jump Up Dam‡	3.8	0.94	0.048	Measured	Krige	Snowden	PFS
	Jump Up Dam	41.7	0.79	0.044	Indicated	Krige	Snowden	PFS
	Jump Up Dam	18.5	0.64	0.035	Inferred	Krige	Snowden	PFS
	Boyce Creek	26.8	0.77	0.058	Inferred	Krige	Heron	PFS
	Aubils**	49.4	0.70	0.066	Inferred	Krige	Heron	PFS
Sub-Total KNP Yerilla		140.2	0.74	0.053				
Company Total		795.9	0.70	0.048				

* Includes 33.4 million tonnes at 0.70% nickel and 0.040% cobalt located on a pending mining lease.

** Includes 49.4 million tonnes at 0.70% nickel and 0.066% cobalt located on a pending mining lease.

‡ Includes approximately 20,000 tonnes at 1.3% nickel and 0.050% cobalt in stockpiles from the 2006 trial.



KNP Mineral Resources by Category - 2013

Resource Category	Deposit	Tonnes (Mt)	Nickel (%)	Cobalt (%)
Measured	Goongarrie South	5.8	1.08	0.102
	Jump Up Dam	3.8	0.94	0.048
	Subtotal	9.6	1.02	0.081
Indicated	Big Four	42.6	0.69	0.052
	Bulong East	15.9	0.89	0.046
	Goongarrie South	54.2	0.79	0.065
	Highway	52.9	0.66	0.042
	Jump Up Dam	41.7	0.79	0.044
	Siberia North	10.8	0.64	0.051
	Subtotal	218.1	0.74	0.051
Inferred	Aubils	49.4	0.70	0.066
	Big Four	12.4	0.62	0.054
	Black Range	20.4	0.75	0.102
	Boyce Creek	26.8	0.77	0.058
	Bulong East	24.3	0.78	0.053
	Ghost Rocks	24.8	0.67	0.047
	Goongarrie Hill	53.6	0.60	0.037
	Goongarrie South	34.4	0.63	0.042
	Highway	38.4	0.63	0.040
	Jump Up Dam	18.5	0.64	0.035
	Kalpini	75.4	0.73	0.044
	Scotia	11.2	0.77	0.080
	Siberia North	60.0	0.66	0.040
	Siberia South	104.4	0.65	0.034
	Taurus	14.2	0.83	0.051
	Subtotal	568.3	0.68	0.047
	Combined Total	795.9	0.70	0.048

Note: Resources based on a 0.5% Ni Cutoff. Rounding errors occur.
See full ASX announcement 18 Oct 2013.

Kalgoorlie Nickel Project

Notes:

1. Tonnage (dry) and grade estimates have been rounded to reflect the estimation precision.
2. Economic parameters for the KNP are based on a Pre-feasibility Study completed by Vale Inco under farm-in arrangements between April 2005 and July 2009, and re-optimised by Heron between August 2009 and May 2010. The Vale Inco farm-in ended in July 2009 and Vale Inco has no retained rights in respect of the KNP tenements.
3. Economic parameters for Yerilla are based on a Pre-feasibility Study completed by Heron between June 2006 and April 2009, and re-optimised by Shanshan under joint venture between May 2009 and May 2011. The Shanshan joint venture expired in May 2011. Shanshan currently has no retained rights in respect of the Yerilla tenements.

Attribution Statement

The information in this report that relates to Mineral Resources for the Highway, Goongarrie Hill, Goongarrie South, Big Four, Aubils and Boyce Creek Prospects is based on information originally compiled by a former Heron Resources Limited resource geologist and validated by Steve Jones in 2013. Both are Members of the Australasian Institute of Mining and Metallurgy. Steve Jones is a full time employee of Heron Resources Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the resource estimation activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Steve Jones consents to the inclusion in this report of the matters based on his information in the form and context that it appears. Note that Mineral Resources that are not Ore Reserves do not have demonstrated viability.

The information in this report that relates to Mineral Resources for the Siberia North, Bulong East, Siberia, Black Range, Taurus and Jump Up Dam Prospects is based on information compiled by Snowden Mining Industry Consultants by members of the Australian Institute of Mining and Metallurgy. Snowden Mining Industry Consultants had sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the resource estimation activity. All resources were internally audited by Snowden and signed off by a person of sufficient experience to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Steve Jones validated the Snowden Mining Siberia North estimate in 2013. Note that Mineral Resources that are not Ore Reserves do not have demonstrated viability.

The information in this report that relates to exploration and resource data (including drilling data, database quality, geological interpretation and density modelling) is based on information originally compiled by Steve Jones and other previous full time employees of Heron Resources Limited. Steve Jones has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the exploration activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Steve Jones has validated the original estimates during 2013. Steve Jones consents to the inclusion in this report of the matters based on his information in the form and context that it appears.

9.0 Interest in Mining Tenements

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
WA Tenements									
E15/01344	30km SE of Coolgardie	100	Live						
E15/01405	60km NE of Norseman	100	Pending		M27/00395	68km NE of Kalgoorlie	100	Live	
E15/01406	65km NE of Norseman	100	Pending		M28/00199	65km NE of Kalgoorlie	100	Live	
E16/00332	62km NW of Kalgoorlie	100 of Ni only	Live	3	M28/00201	65km NE of Kalgoorlie	100	Live	
E24/00158	78km NW of Kalgoorlie	100	Live		M28/00205	66km NE of Kalgoorlie	100	Live	
E27/00524	67km NE of Kalgoorlie	100	Pending		M29/00167	87km NNW of Kalgoorlie	100	Live	
E27/00529	72km NE of Kalgoorlie	100	Pending		M29/00202	86km NNW of Kalgoorlie	100	Live	
E28/01224	63km NE of Kalgoorlie	100	Live		M29/00214	100km NNW of Kalgoorlie	100	Live	
E28/02311	70km E of Norseman	100	Pending		M29/00272	77km NNW of Kalgoorlie	100	Live	
E28/02324	70km E of Norseman	100	Pending		M29/00278	74km NNW of Kalgoorlie	100	Live	
E28/02372	86km NE of Norseman	100	Pending		M29/00312	78km NW of Kalgoorlie	100	Live	
E29/00850	105km NNW of Kalgoorlie	100	Live		M29/00416	90km NNW of Kalgoorlie	87.5	Live	
					M29/00423	76km NNW of Kalgoorlie	100	Pending	
E29/00889	78km NW of Kalgoorlie	100	Live		M31/00475	129km NE of Kalgoorlie	100	Live	5
					M31/00477	129km NE of Kalgoorlie	100	Live	5
E39/01706	70km NW of Laverton	100	Pending		M31/00479	129km NE of Kalgoorlie	100	Live	5
E39/01817	170km NNE of Kalgoorlie	100	Pending		M31/00483	146km NNE of Kalgoorlie	100	Live	5
E63/01355	80km ENE of Norseman	100	Live		P16/02811	100km NNW of Kalgoorlie	100	Pending	
E63/01518	70km E of Norseman	100	Live		P16/02811	100km NW of Kalgoorlie	100	Live	
E63/01643	70km E of Norseman	100	Pending		P24/04202	75km NW of Kalgoorlie	100	Live	
E63/01670	80km ENE of Norseman	100	Pending		P24/04203	75km NW of Kalgoorlie	100	Live	
E63/01678	42km ENE of Norseman	100	Pending		P24/04204	75km NW of Kalgoorlie	100	Live	
E70/02801	85km NW of Albany	100	Live		P24/04205	75km NW of Kalgoorlie	100	Live	
E70/04543	105km NW of Albany	100			P24/04206	75km NW of Kalgoorlie	100	Live	
E80/04262	114km SW Fitzroy Cross	100	Live		P24/04207	75km NW of Kalgoorlie	100	Live	
M24/00541	67km NNW of Kalgoorlie	100	Live		P24/04208	75km NW of Kalgoorlie	100	Live	
M24/00634	78km NW of Kalgoorlie	100	Live		P24/04219	70km NW of Kalgoorlie	100	Live	
M24/00658	75km NW of Kalgoorlie	100	Live		P24/04220	70km NW of Kalgoorlie	100	Live	
M24/00660	75km NW of Kalgoorlie	100	Live		P24/04221	75km NW of Kalgoorlie	100	Live	
M24/00663	75km NW of Kalgoorlie	100	Live		P24/04243	75km NW of Kalgoorlie	100	Live	1
M24/00664	75km NW of Kalgoorlie	100	Live		P24/04395	70km NW of Kalgoorlie	100	Live	
M24/00665	75km NW of Kalgoorlie	90	Live	2	P24/04396	70km NW of Kalgoorlie	100	Live	
M24/00683	78km NW of Kalgoorlie	100	Live		P24/04400	70km NW of Kalgoorlie	100	Live	
M24/00686	75km NW of Kalgoorlie	100	Live		P24/04401	70km NW of Kalgoorlie	100	Live	
M24/00731	70km NNW of Kalgoorlie	100	Live	4	P24/04402	70km NW of Kalgoorlie	100	Live	
M24/00732	70km NNW of Kalgoorlie	100	Live	4	P24/04403	70km NW of Kalgoorlie	100	Live	
M24/00744	75km NNW of Kalgoorlie	100	Live		P24/04435	70km NW of Kalgoorlie	100	Live	
M24/00757	63km NW of Kalgoorlie	100	Live		P24/04437	70km NW of Kalgoorlie	100	Live	
M24/00772	71km NW of Kalgoorlie	100	Live		P24/04438	70km NW of Kalgoorlie	100	Live	
M24/00778	70km NNW of Kalgoorlie	100	Live	4	P24/04531	67km NNW of Kalgoorlie	100	Live	
M24/00797	78km NW of Kalgoorlie	100	Live		P24/04652	75km NW of Kalgoorlie	100	Pending	
M24/00845	71km NW of Kalgoorlie	100 of Ni only	Live	3	P24/04653	75km NW of Kalgoorlie	100	Live	
M24/00846	71km NW of Kalgoorlie	100 of Ni only	Live	3	P25/01853	40km E of Kalgoorlie	100 Ni Lat	Live	6
M24/00847	71km NW of Kalgoorlie	100 of Ni only	Live	3	P25/02050	40km E of Kalgoorlie	100 Ni Lat	Live	6
M24/00848	71km NW of Kalgoorlie	100 of Ni only	Live	3	P25/02062	40km E of Kalgoorlie	100 Ni Lat	Live	6
M24/00915	78km NW of Kalgoorlie	100	Live		P25/02170	40km E of Kalgoorlie	100 Ni Lat	Live	6
M24/00916	78km NW of Kalgoorlie	100	Live		P25/02171	40km E of Kalgoorlie	100 Ni Lat	Live	6
M24/00917	75km NW of Kalgoorlie	100	Live		P25/02232	40km E of Kalgoorlie	100	Live	
M25/00059	34km E of Kalgoorlie	100 Ni Lat	Live	6	P25/02251	40km E of Kalgoorlie	100	Live	

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
M25/00111	40km E of Kalgoorlie	100 Ni Lat	Live	6	P25/02252	40km E of Kalgoorlie	100 Ni Lat	Live	6
M25/00134	40km E of Kalgoorlie	100 Ni Lat	Live	6	P25/02253	40km E of Kalgoorlie	100 Ni Lat	Live	6
M25/00145	40km E of Kalgoorlie	100 Ni Lat	Live	6	P25/02254	40km E of Kalgoorlie	100 Ni Lat	Live	6
M25/00151	38km E of Kalgoorlie	100	Live		P25/02255	40km E of Kalgoorlie	100 Ni Lat	Live	6
M25/00161	40km E of Kalgoorlie	100 Ni Lat	Live	6	P25/02256	40km E of Kalgoorlie	100 Ni Lat	Live	6
M25/00162	40km E of Kalgoorlie	100 Ni Lat	Live	6	P25/02257	40km E of Kalgoorlie	100 Ni Lat	Live	6
M25/00171	40km E of Kalgoorlie	100 Ni Lat	Live	6	P25/02258	40km E of Kalgoorlie	100 Ni Lat	Live	6
M25/00187	40km E of Kalgoorlie	100	Live		P29/02264	90km NNW of Kalgoorlie	100	Live	
M25/00206	40km E of Kalgoorlie	100 Ni Lat	Live	6	P29/02265	90km NNW of Kalgoorlie	100	Live	
M25/00207	40km E of Kalgoorlie	100 Ni Lat	Live	6	P29/02266	90km NNW of Kalgoorlie	100	Live	
M25/00208	40km E of Kalgoorlie	100 Ni Lat	Live	6	P29/02267	90km NNW of Kalgoorlie	100	Live	
M25/00209	40km E of Kalgoorlie	100 Ni Lat	Live	6	P31/02038	113km NE of Kalgoorlie	100	Pending	
M25/00210	40km E of Kalgoorlie	100 Ni Lat	Live	6	P31/02039	113km NE of Kalgoorlie	100	Pending	
M25/00220	40km E of Kalgoorlie	100 Ni Lat	Live	6	P31/02040	113km NE of Kalgoorlie	100	Pending	
M25/00234	40km E of Kalgoorlie	100 Ni Lat	Live	6	P31/02040	113km NE of Kalgoorlie	100	Pending	

Queensland Tenements

EPM19043	46km SE of Gunpowder	100	Live	EPM19122	16km E of Gunpowder	100	Pending
EPM19054	30km N of Cloncurry	100	Live	EPM19168	10km SE of Gunpowder	100	Live

NSW Tenements

EL7951	72km NW of Nyngan	100	Live	EL8223	41km E Cobar	100	Live
EL7955	27km NW of Nyngan	100	Live	EL8267	70km SE of Cobar	100	Live
EL8057	50km E of Cobar	100	Live	ELA4964	5km N of Forbes	100	Pending
EL8061	Gundagai	100	Live	ELA4975	70km SE of Cobar	100	Pending
EL8086	57km E of Cobar	100	Live	ELA4978	15km E of Tarago	100	Pending
EL8088	10km N of Mount Hope	100	Live	ELA5005	27km NNE of Yass	100	Pending
EL8105	25km E of Holbrook	100	Live	EL7941	100km NW of Condobolin	100	Live
EL8192	23km SE of Parkes	100	Live	EL 7954	25km W of Goulburn	100	Live
EL8202	63km SE of Cobar	100	Live	EL 5583	15km E of Orange	100	Live
EL8221	15km SE of Gundagai	100	Live	SML20	40km SSW of Goulburn	100	Live
EL 7023	10km N of Forbes	100	Live	ML 739	10km N of Forbes	100	Live
EL 7257	40km SSW of Goulburn	100	Live	EL 7468	5km E of Collector	100	Live
EL 5878	100km NW of Condobolin	100	Live	EL 7469	15km E of Bugendore	100	Live

HERON RETAINED RIGHTS, WA

METALIKO: HERON RETAINS NICKEL RIGHTS

M24/00919	63km NNW of Kalgoorlie	100% to Ni	Live	7	P24/04215	60km NNW of Kalgoorlie	100% to Ni	Live	7
P24/04198	55km NNW of Kalgoorlie	100% to Ni	Live	7	P24/04216	60km NNW of Kalgoorlie	100% to Ni	Live	7
P24/04199	55km NNW of Kalgoorlie	100% to Ni	Live	7	P24/04217	55km NNW of Kalgoorlie	100% to Ni	Live	7
P24/04200	62km NNW of Kalgoorlie	100% to Ni	Live	7	P24/04218	55km NNW of Kalgoorlie	100% to Ni	Live	7
P24/04201	62km NNW of Kalgoorlie	100% to Ni	Live	7	P24/04222	55km NNW of Kalgoorlie	100% to Ni	Live	7
P24/04210	70km NNW of Kalgoorlie	100% to Ni	Live	7	P24/04488	71km NW of Kalgoorlie	100% to Ni	Live	7
P24/04212	62km NNW of Kalgoorlie	100% to Ni	Live	7					

PIONEER: HERON RETAINS NICKEL LATERITE

E27/00273	66km NE of Kalgoorlie	Ni Lat 100	Live	E28/01746	62m NE of Kalgoorlie	Ni Lat 100	Live
E27/00278	61km NE of Kalgoorlie	Ni Lat 100	Live	P28/01120	62km NE of Kalgoorlie	Ni Lat 100	Live

Tenement	Location	Heron Interest (%)	Status	Note	Tenement	Location	Heron Interest (%)	Status	Note
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RAMELIUS: HERON PRE-EMPTIVE RIGHT TO NICKEL LATERITE

E27/00300	48km N of Kalgoorlie	preempt Ni Lat	Live		M15/01264	65km S of Kalgoorlie	preempt Ni Lat	Live	
M15/01101	65km S of Kalgoorlie	preempt Ni Lat	Live		M15/01323	65km S of Kalgoorlie	preempt Ni Lat	Live	
M15/01263	65km S of Kalgoorlie	preempt Ni Lat	Live		M15/01338	65km S of Kalgoorlie	preempt Ni Lat	Live	

ST IVES GOLD MINING, HERON RETAINS ROYALTY ON GOLD PRODUCTION AND RIGHT TO EXPLORE AND MINE BASE METALS

E15/00927	68km SE of Kalgoorlie	Royalty	Live		E15/01040	68km SE of Kalgoorlie	Royalty	Live	
E15/01005	70km SE of Kalgoorlie	Royalty	Live						
E15/01010	60km SSE of Kalgoorlie	Royalty	Live						

YARRI BATTERY AND RESOURCES: HERON RETAINS A ROYALTY ON GOLD PRODUCTION

E31/00859	170km NE of Kalgoorlie	Royalty	Live		P31/01791	137km NE of Kalgoorlie	Royalty	Live	
E31/00887	160km NE of Kalgoorlie	Royalty	Live		P31/01792	141km NE of Kalgoorlie	Royalty	Live	
P31/01788	136km NE of Kalgoorlie	Royalty	Live		P31/01793	141km NE of Kalgoorlie	Royalty	Live	
P31/01789	136km NE of Kalgoorlie	Royalty	Live		P31/01794	141km NE of Kalgoorlie	Royalty	Live	
P31/01790	136km NE of Kalgoorlie	Royalty	Live						

SOUTHERN GOLD LTD: HERON RETAINS 20% FREE CARRIED TO BFS

E25/00250	32km ESE of Kalgoorlie	20	Live		E25/00361	30km E of Kalgoorlie	20	Live	
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KCGM: HERON RETAINS A ROYALTY ON GOLD PRODUCTION

E26/00124	14km N of Kalgoorlie	Royalty	Live		P26/03362	6km NNE of Kalgoorlie	Royalty	Live	
P26/03481	14km N of Kalgoorlie	Royalty	Live		P26/03493	6km NNE of Kalgoorlie	Royalty	Live	
P26/03757	10km NE of Kalgoorlie	Royalty	Live		P26/03494	6km NNE of Kalgoorlie	Royalty	Live	
P26/03758	10km NE of Kalgoorlie	Royalty	Live		P26/03495	6km NNE of Kalgoorlie	Royalty	Live	
P26/03360	6km NNE of Kalgoorlie	Royalty	Live		P26/03496	6km NNE of Kalgoorlie	Royalty	Live	
P26/03361	6km NNE of Kalgoorlie	Royalty	Live						

CLIFF ASIA PACIFIC: HERON RETAINS A ROYALTY ON IRON ORE PRODUCTION

E29/00710	104km WNW of Menzies	Royalty	live		E29/00736	104km WNW of Menzies	Royalty	Live	
E30/00368	130km N of Southern Cross	Royalty	live		M27/00272	20km NW of Kalgoorlie	100% to Ni	Live	

Notes:

1. Britannia Gold Ltd retained precious metal rights.
2. Impress Ventures Ltd has a 10% equity free-carried interest to a decision to mine.
3. Swan Gold Limited holds the tenement, Heron retains nickel rights.
4. Placer Dome Australia Limited (Norton Goldfields) retains certain gold rights.
5. Heron previously entered a binding framework agreement with Ningbo Shanshan Co Ltd, Shanshan had the right to earn a 70% interest in the Yerilla Nickel-Cobalt Project. The JV ended in May 2011.
6. Subject to Farm In agreement with Southern Gold Ltd (who have earned an 80% interest). Heron retains 100% of nickel laterite.
7. Metalliko holds the tenement, Heron retains nickel rights.

10.0 Glossary

10.1 Corporate / General Definitions

ASIC means Australian Securities and Investments Commission

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate

Australian Registry means Security Transfer Registrars Pty Ltd of 770 Canning Highway, Applecross WA

Canadian Registry means TMX Equity Transfer Services Inc. of 200 University Avenue, Suite 300, Toronto ON M5H 4H1

CIM Standards means Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council on 20 August 2000

Heron or **HRR** means Heron Resources Limited (ABN 30 068 263 098)

HRR : ASX is the Heron code on ASX

HER : TSX is the Heron code on TSX

IFRS means International Financial Reporting Standards

OSC means Ontario Securities Commission

SML 20 Transaction Documents means

- (a) Deed to Assign Special Mining Lease dated 30 November 2011 made between Veolia Environmental Services (Australia) Pty Ltd (ACN 051 316 584) (Veolia), Tarago Operations Pty Ltd (ACN 127 810 413) (Tarago) and TriAusMin;
- (b) Deed of Option dated 30 November 2011 made between Veolia and Tarago; and
- (c) Co-operation Deed dated 30 November 2011 made between Veolia, Tri Origin Mining Pty Ltd (ACN 115 529 112), Tarago and TriAusMin

Subsidiary means has the meaning given to that term in section 9 of the Corporations Act

TriAusMin or **TRO** means TriAusMin Limited (ABN 22 062 002 475)

TSX means the Toronto Stock Exchange

VWAP means Volume weighted average price

WEP means Woodlawn Exploration Project

WRP Woodlawn Retreatment Project

WUP Woodlawn Underground Project

10.2 Technical Definitions

Ag means Silver

Au means Gold

Anomaly means a value higher or lower than expected, which outlines a zone of potential exploration interest but not necessarily of commercial significance.

Archaean means a period of geological time spanning 3.8 to 2.5 billion years before present

Cu means Copper

Decline means a declined tunnel accessing an ore body

Feasibility Study means a study with three progressively more detailed stages:

Scoping Study is an Australian term and means a first pass estimate of engineering requirements and costs of a mining operation, processing plant and plant infrastructure. Included in the cost estimates will be infrastructure, tailings disposal, power supply, and owner's costs. The plant design may change as a result of test-work analysis, optimisation studies and engineering improvements performed during execution of the follow-up Pre-feasibility Study. Operating and capital cost estimates are to an order of magnitude accuracy of $\pm 30\%$.

PEA means Preliminary Economic Assessment, and is a Canadian term for a TSX-based mineral project evaluation which has two key elements that distinguish it from other studies, firstly, it cannot be a PFS or FS, and secondly, a PEA can only demonstrate the potential viability of mineral resources. PFS and FS are more comprehensive studies and, therefore, are sufficient to demonstrate the technical and economic viability of a mineral project (section 2.3(1)(b) of NI 43-101 does not allow issuers to include inferred mineral resources in a PFS-level economic analysis, whereas section 2.3(3) of NI 43-101 allows issuers to include inferred mineral resources in a PEA). PEA is more advanced than an ASX "Scoping Study".

Pre-feasibility Study (PFS) is an Australian term and means an engineering and cost study of a mining operation, processing plant and plant infrastructure. Included in the cost estimates will be infrastructure, tailings disposal, power supply, and owner's costs. The plant design may change as a result of test-work analysis, optimisation studies and engineering improvements performed during execution of the Pre-feasibility Study. Operating and capital cost estimates are to an accuracy of $\pm 25\%$.

Bank Feasibility Study (BFS) is an Australian term and means a feasibility study undertaken to a high degree of accuracy which may be used as a basis for raising finance for the construction of a project.

Typically operating and capital cost estimates are to an accuracy of $\pm 15-20\%$. A BFS is the standard of report required by primary debt funders to demonstrate the technical and commercial viability of a project.

KNP means Kalgoorlie Nickel Project, a nickel laterite project located through an arc 30 to 150km north-north west to east of Kalgoorlie

Level means Horizontal series of developments all at the same distance measured from the surface

m means metre and **km** means kilometres

Mt means Million tonnes

Mineralisation means in economic geology, the introduction of valuable elements into a rock body

Ni means Nickel

Nickel Laterite means Nickel occurring as an oxidised hydrated iron oxide, ferruginous clay, smectite clay, chlorite and serpentine assemblage overlying weathered ultramafic rock

Saprolite Ore means nickel laterite mineralisation consisting of hydrated magnesium silicate minerals with nickel and cobalt occurring in association with the silicate phases. The ore is a weathered clay-rich rock which retains original rock textures, and is significantly more competent than Nontronite, Manganiferous, Goethite or Siliceous Ore

Nickel Sulphide means nickel and copper occurring as an un-oxidised sulphide assemblage associated with fresh ultramafic rock

Pb means Lead

Project means a grouping of prospects within a specific geographic location, often with a common geological setting

Prospect means a target upon which exploration programs are planned or have commenced

Province means a grouping of projects within a geological district defined by a major mineralised crustal structure

RAB means Rotary Air Blast drilling technique in which a sample is returned to surface outside the rod string by compressed air. Sample quality is poor

RC means Reverse Circulation drilling method employing a rotating or hammering action on a drill bit which returns a sample to the surface inside the rod string by compressed air. Sample quality is very good, particularly if the drill hole is dry

Reserves or Ore Reserves or Mineral Reserves as defined by JORC Code, NI43-101 or CIM Standards.

Proven or Proved Ore Reserve means the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include Feasibility Studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. The term "economic" implies that extraction of the Ore Reserve has been established or analytically demonstrated to be viable and justifiable under reasonable investment assumptions.

Probable Ore Reserve is the economically mineable part of an Indicated Mineral Resource.

Resource or Mineral Resource means a Mineral Resource as defined by JORC Code, NI43-101 or CIM Standards and is a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are further sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

Measured Resource means a 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve

Indicated Resource means an 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

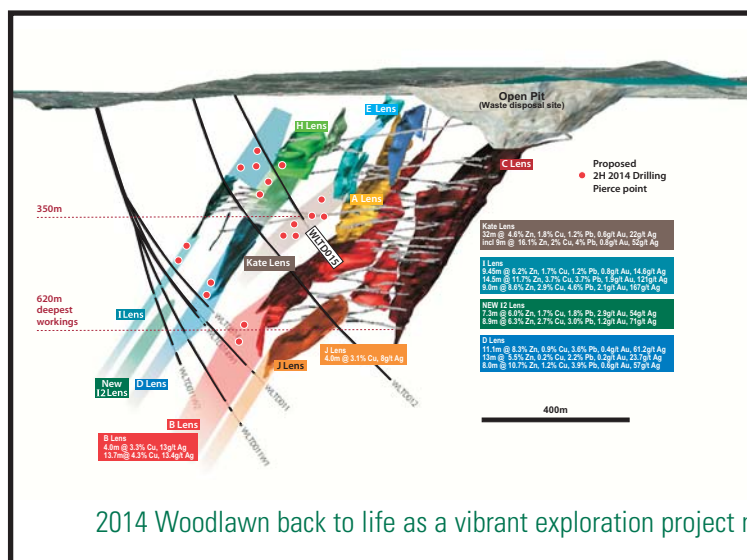
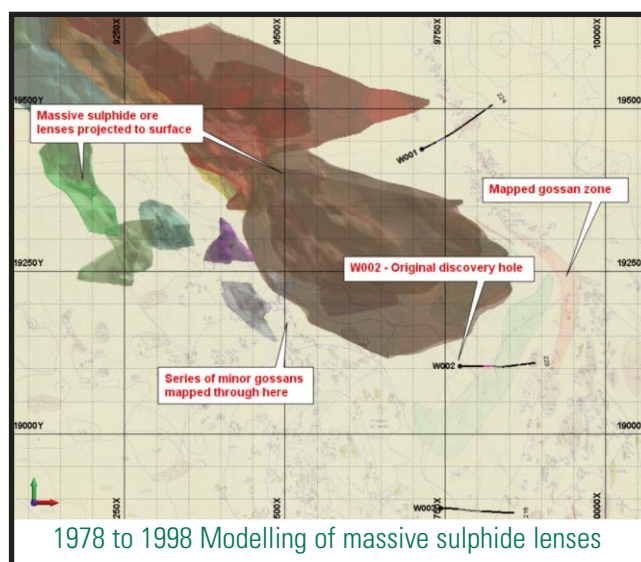
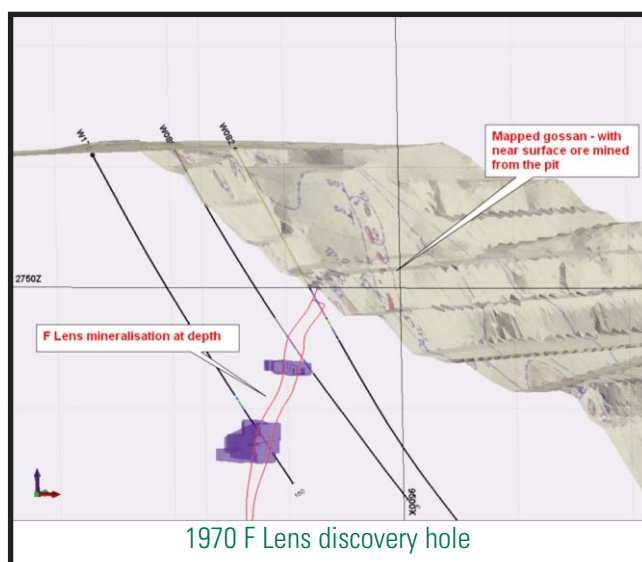
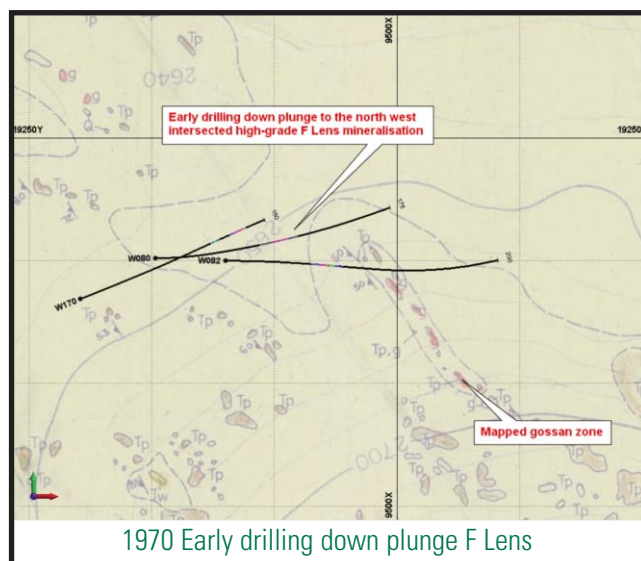
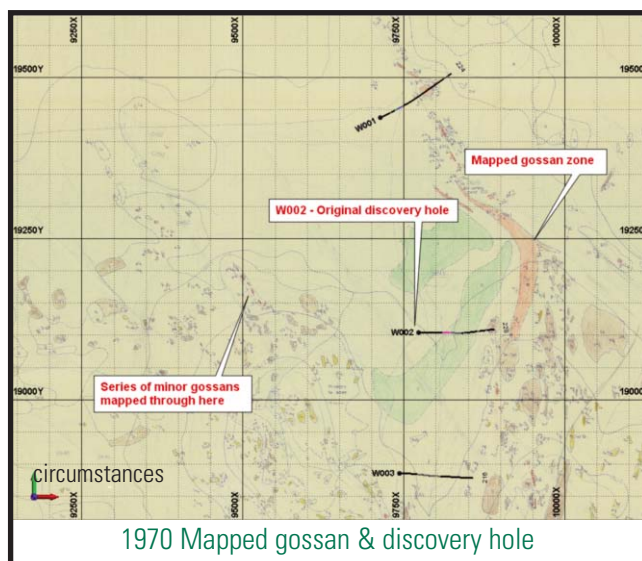
Inferred Resource means an 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continue exploration.

Resource Categories:

JORC (2012 edition) means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves. The JORC Code provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

NI 43-101 means National Instrument 43-101 and is a national instrument for the Standards of Disclosure for Mineral Projects within Canada. The Instrument is a codified set of rules and guidelines for reporting and displaying information related to mineral properties owned by, or explored by, companies which report these results on stock exchanges within Canada. This includes foreign-owned mining entities who trade on stock exchanges overseen by the Canadian Securities Administrators, even if they only trade on Over The Counter (OTC) derivatives or other instrumented securities.

Woodlawn - a story of discovery





Heron Resources Limited

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