



# HERON RESOURCES WOODLAWN PROJECT

2016 ANNUAL REPORT



**Heron Resources** Limited



# Corporate Directory

ABN 30 068 263 098

## DIRECTORS

### Chairman (Non-Executive)

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

### Managing Director (Executive)

Wayne Taylor BE (Min.), MBA, MAusIMM

### Director (Executive)

Ian Buchhorn BSc (Hons), Dipl Geosci (Min Econ), MAusIMM

### Director (Non-Executive)

Borden Putnam III MSc, RPG

### Director (Non-Executive)

Fiona Robertson MA (Oxon), MAusIMM, FAICD

### Director (Non-Executive)

Mark Sawyer LL.B. (appointed 19 August 2015)

## COMPANY SECRETARY

Simon Smith B.Bus, CA

## REGISTERED OFFICE (head office) and Address for Correspondence

Level 7, 191 Clarence Street  
Sydney 2000 New South Wales  
Telephone: +61 2 9119 8111

### Perth Office

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Telephone: +61 8 6500 9200

### Woodlawn Site Office

619 Collector Road, Tarago 2580 New South Wales

**Email:** heron@heronresources.com.au

**Website:** www.heronresources.com.au

## AUDITOR

### Ernst & Young

200 George St  
SYDNEY 2000 New South Wales

## BANKERS

### Westpac Bank

230-236 Hannan Street  
Kalgoorlie 6430 Western Australia

## SHARE REGISTRY

### Security Transfer Australia Pty Ltd

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Applecross 6153 Western Australia  
Telephone: +61 8 9315 2333  
Facsimile: +61 8 9315 2233  
Email: registrar@securitytransfer.com.au

### TMX Equity Transfer Services Inc.

200 University Avenue, Suite 400  
Toronto, Ontario M5H 4H1  
Tel: (416) 361-0152  
Email: info@tmx.com

## 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

## INDUSTRY CLASSIFICATION

GICS classification code is 15104020

Diversified Metals and Mining

**ISIN** AU000 000 HRR6

*Cover: Aerial of Woodlawn Zinc Copper Project looking south.*





# Highlights for FY2016

- Successful completion of the **Woodlawn Feasibility Study (FS)** with the 'Starter Case' providing:
  - Robust economics - Post Tax NPV A\$207M, Post Tax IRR 32%, Payback 2.3 years
  - Mineral Reserves providing a 9.3 year mine life
  - Steady state production base of 40ktpa Zn, 10ktpa Cu, 12ktpa Pb
  - Development timing that meets the forecasted strong zinc market
- Woodlawn **development funding** process commenced and targeted construction start 2017
- **Exploration** results continue to highlight the discovery potential of the Woodlawn mineralised system with shallow extensions identified at G Lens and northern extensions at B Lens
- Commencement of the spin-out of non-Woodlawn assets into **Ardea Resources**. Targeting an in-specie distribution of Ardea shares to Heron shareholders
- Completion of A\$6.8M placement to **Greenstone Resources**, becoming Heron's largest shareholder
- Improved **Zinc** market supported by supply demand fundamentals with forecasters projecting further strength in the near to medium term
- Heron remains well funded with **A\$22.8M in cash** and \$A1.7M in investments as at June 30 2016







## Forward Looking Statements

This report contains forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws, which are based on expectations, estimates and projections as of the date of this report. This forward-looking information includes, or may be based upon, without limitation, estimates, forecasts and statements as to management's expectations with respect to, among other things, the timing and amount of funding required to execute the Company's exploration, development and business plans, capital and exploration expenditures, the effect on the Company of any changes to existing legislation or policy, government regulation of mining operations, the length of time required to obtain permits, certifications and approvals, the success of exploration, development and mining activities, the geology of the Company's properties, environmental risks, the availability of labour, the focus of the Company in the future, demand and market outlook for precious metals and the prices thereof, progress in development of mineral properties, the Company's ability to raise funding privately or on a public market in the future, the Company's future growth, results of operations, performance, and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend", "may" and similar expressions have been used to identify such forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the information is given, and on information available to management at such time. Forward-looking information involves significant risks, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors, including, but not limited to, fluctuations in currency markets, fluctuations in commodity prices, the ability of the Company to access sufficient capital on favourable terms or at all, changes in national and local government legislation, taxation, controls, regulations, political or economic developments in Canada, Australia or other countries in which the Company does business or may carry on business in the future, operational or technical difficulties in connection with exploration or development activities, employee relations, the speculative nature of mineral exploration and development, obtaining necessary licenses and permits, diminishing quantities and grades of mineral reserves, contests over title to properties, especially title to undeveloped properties, the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drill results and other geological data, environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding, limitations of insurance coverage and the possibility of project cost overruns or unanticipated costs and expenses, and should be considered carefully. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Prospective investors should not place undue reliance on any forward-looking information. Although the forward-looking information contained in this report is based upon what management believes, or believed at the time, to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with such forward-looking information, as there may be other factors that cause results not to be as anticipated, estimated or intended, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of any such forward-looking information. The Company does not undertake, and assumes no obligation, to update or revise any such forward-looking statements or forward-looking information contained herein to reflect new events or circumstances, except as may be required by law.





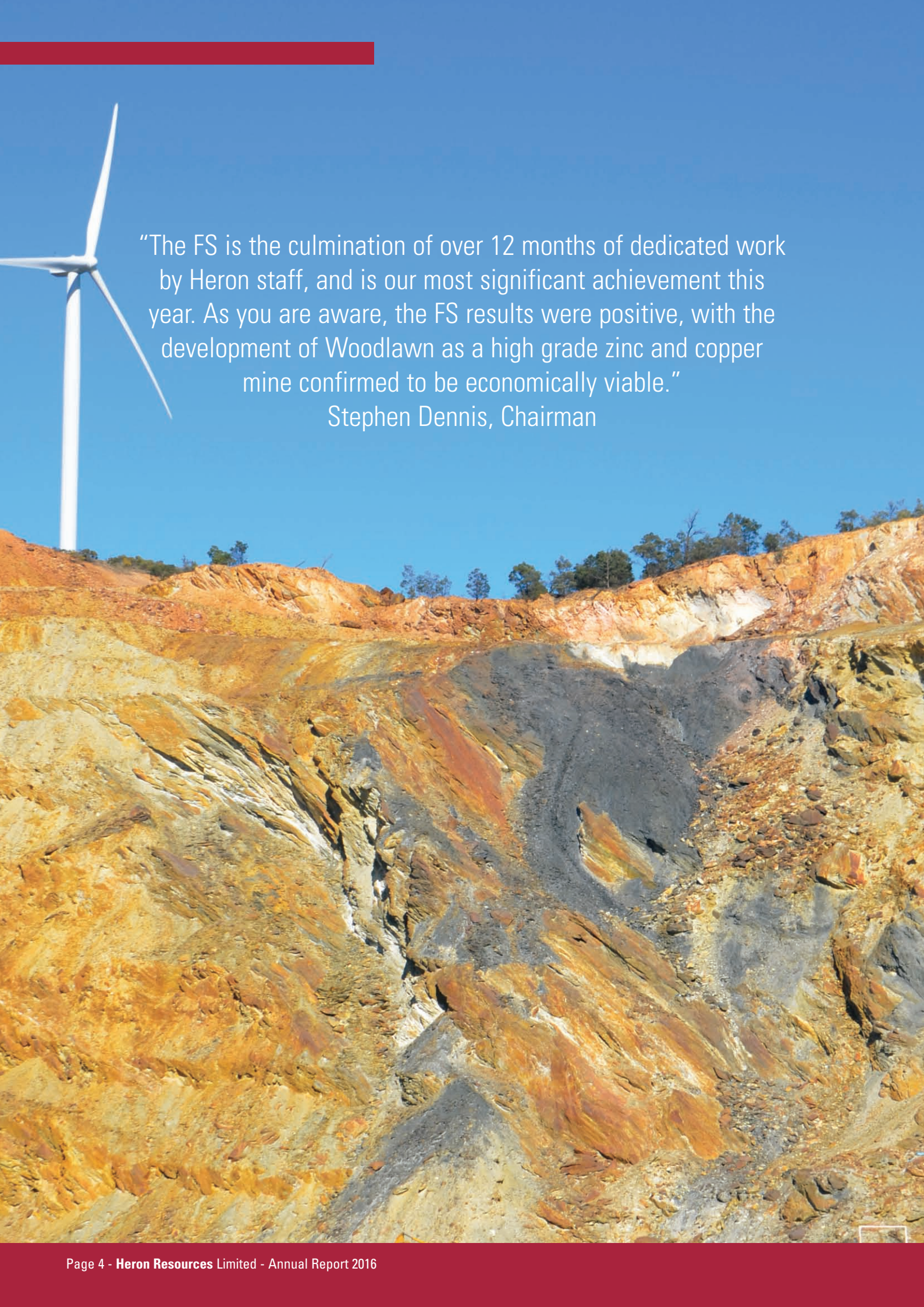
## **Heron Resources Limited**

ABN 30 068 263 098

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"The FS is the culmination of over 12 months of dedicated work by Heron staff, and is our most significant achievement this year. As you are aware, the FS results were positive, with the development of Woodlawn as a high grade zinc and copper mine confirmed to be economically viable."

Stephen Dennis, Chairman



# 1.1 Chairman's Letter

**Dear Shareholders,**

It is with great pleasure that I write to you as Chairman of Heron Resources in what has been a year of significant milestones for the Company.

I write this at a very exciting time for our Company, with the main priority being to develop the **Woodlawn Zinc-Copper mine** in New South Wales. I note that this year marks the 20th anniversary for Heron as an ASX-listed company. For shareholders who have been with us since the original IPO, the Board recognises and appreciates your continuing support and patience.

We began the year advancing the preparatory work required to transition the Woodlawn Preliminary Economic Assessment (PEA) into a comprehensive Feasibility Study (FS), which I am delighted to say we were able to complete on time and under budget in June. The FS is the culmination of over 12 months of dedicated work by Heron staff, and is our most significant achievement this year. As you are aware, the FS results were positive, with the development of Woodlawn as a high grade zinc and copper mine confirmed to be economically viable.

The FS provides us with the platform from which to raise sufficient project finance to progress the project into the construction phase. This process is advancing, and we aim to finalise project financing towards the end of 2016. These developments are taking place at a time when the outlook for higher zinc prices is particularly favourable.

Another significant achievement this year is the proposed spin out of Heron's non-Woodlawn assets into a new listed entity, called Ardea Resources Limited. We announced in August that the Company's non-Woodlawn exploration and early stage development projects would be transferred to Ardea, with Heron shareholders entitled to receive an in-specie distribution of shares in the new company.

Ardea will have a separate board and management team, and I am confident that through Ardea this excellent portfolio of projects and tenements will have the best opportunity of being advanced such that their value can be maximised for the benefit of our shareholders. I note that shareholders have overwhelmingly voted in favour of the transaction at the recent shareholder meeting and I look forward to Ardea listing on the ASX in late October or early November 2016.

I would like to take this opportunity to thank the other members of the Board who have provided excellent guidance and counsel to me and to the management team during the year.

On behalf of the Board, I wish to thank Wayne Taylor and his management team, in whom the Board has placed their confidence to provide the leadership and drive which is so essential to the successful delivery of a mining project such as Woodlawn. I would also like to acknowledge all of our employees and contractors, for their hard work over the last year.

Finally, thank you to all of our shareholders who continue to support us, both in North America through our Canadian TSX listing, and in Australia.

As Heron enters into its 21st year, the Board and management team are committed to transitioning Heron from an explorer to a developer and I look forward to providing you further reports of our progress during this period.

Sincerely



**Stephen Dennis**  
Chairman



## 1.2 Directors & Management



**STEPHEN DENNIS** BCom, LL.B., GDipAppFin (Finsia), CFTP  
CHAIRMAN (NON-EXECUTIVE)

Stephen Dennis has been actively involved in the mining industry for over 30 years. He has held senior management positions at CBH Resources Limited, MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited.



**WAYNE TAYLOR** B.Eng (Mining), MBA, MAusIMM  
MANAGING DIRECTOR (EXECUTIVE)

Wayne Taylor is a mining engineer with over 30 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. Prior to the merger with Heron he was MD & CEO of TriAusMin.



**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.



**BORDEN PUTNAM III** MSc, RPG  
DIRECTOR (NON-EXECUTIVE)

Mr Putnam is a geologist with over 38 years of experience in the mineral industry, with focus on exploration and asset evaluations. From 1976-1991 he worked as a project geologist and a district manager for AMAX Exploration and Newmont Exploration Limited respectively. He served as Vice-President and chief geologist for MRDI (now AMEC) from 1991-1996. Mr Putnam was vice-president and principal with Robertson Stephens Investment Management from 1996-2001, and from 2001-2009 was managing director of Eastbourne Capital Management. In 2009, Mr Putnam, established his mining industry consultancy business providing technical evaluations, due diligence audits and investment advice.



**FIONA ROBERTSON** MA (Oxon), MAusIMM, FAICD  
DIRECTOR (NON-EXECUTIVE)

Ms Robertson is a finance professional and practicing non-executive director and audit/risk committee chair with a background of 20 years as a chief financial officer in the emerging and mid-tier resources sector and 14 years as a corporate banker working in Sydney, New York and London with Chase Manhattan Bank. Current roles include the non-executive chair of One Asia Resources Limited; and National and NSW Committee Member of WIMnet (AusIMM's Women in Mining Network), former NSW Chair. Until recently she was non-executive director and chair of the Audit & Risk Committee of Drillsearch Energy Limited.



**MARK SAWYER** LL.B.  
DIRECTOR (NON-EXECUTIVE)

Mr Sawyer co-founded Greenstone Resources in 2013 after a 16 year career in the mining sector. Prior to establishing Greenstone, Mr Sawyer was GM and Co-Head Group Business Development at Xstrata plc where he was responsible for originating, evaluating and negotiating new business development opportunities for Xstrata. Prior to Xstrata Mr Sawyer held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and at Rio Tinto plc. Mr Sawyer is a resident of the United Kingdom.



**SIMON SMITH** B.Bus, CA.

GENERAL MANAGER FINANCE AND 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.



**ANDREW LAWRY** BAppSc (Metallurgy), FAusIMM, GAICD

CHIEF OPERATING OFFICER

Mr Lawry brings more than 28 years -experience in project management, engineering, construction, commissioning and operations, both in Australia and overseas. He has worked for several leading resource companies including Polymetals, Newcrest and engineering firms Bateman, Normet and Q-Proc. Notably, Mr Lawry managed, from construction through to operation, the successful retreatment of the Hellyer base metal tailings project in 2006 in western Tasmania. With this experience he is well qualified to lead the successful development of the Woodlawn Project.



**DAVID VON PERGER** BSc (Hons) MAusIMM (CP Geo)

GENERAL MANAGER EXPLORATION

David von Perger was appointed in 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, and has been leading the Woodlawn geology team.



**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). Mr Kempson is developing the financial models for Woodlawn and is instrumental in guiding the funding process.

“As Heron enters into its 21st year, the Board and Management team are committed to moving Heron from being an explorer into a developer” Stephen Dennis



## 1.3 Managing Director's Report

I am pleased to report on the Company's activities for the last 12 months which have seen a continued focus on advancing the Woodlawn Zinc-Copper Project. The Company has made solid progress in presenting the case for project development as well as taking significant steps to prepare the project for construction. This has been done within a market environment that has seen the continued strengthening of zinc supply/demand fundamentals, which we believe places Heron in a very fortunate position to not only realise the financial support for project development but also the potential to deliver early production into a strong marketplace.

The year commenced on a positive note with the Board's approval to advance the **Woodlawn Project Feasibility Study (FS)**. The Woodlawn Project Preliminary Economic Assessment was delivered in the first half of 2015 and provided the basis for committing to the FS and its completion earlier this year was a major milestone in the pathway to production.

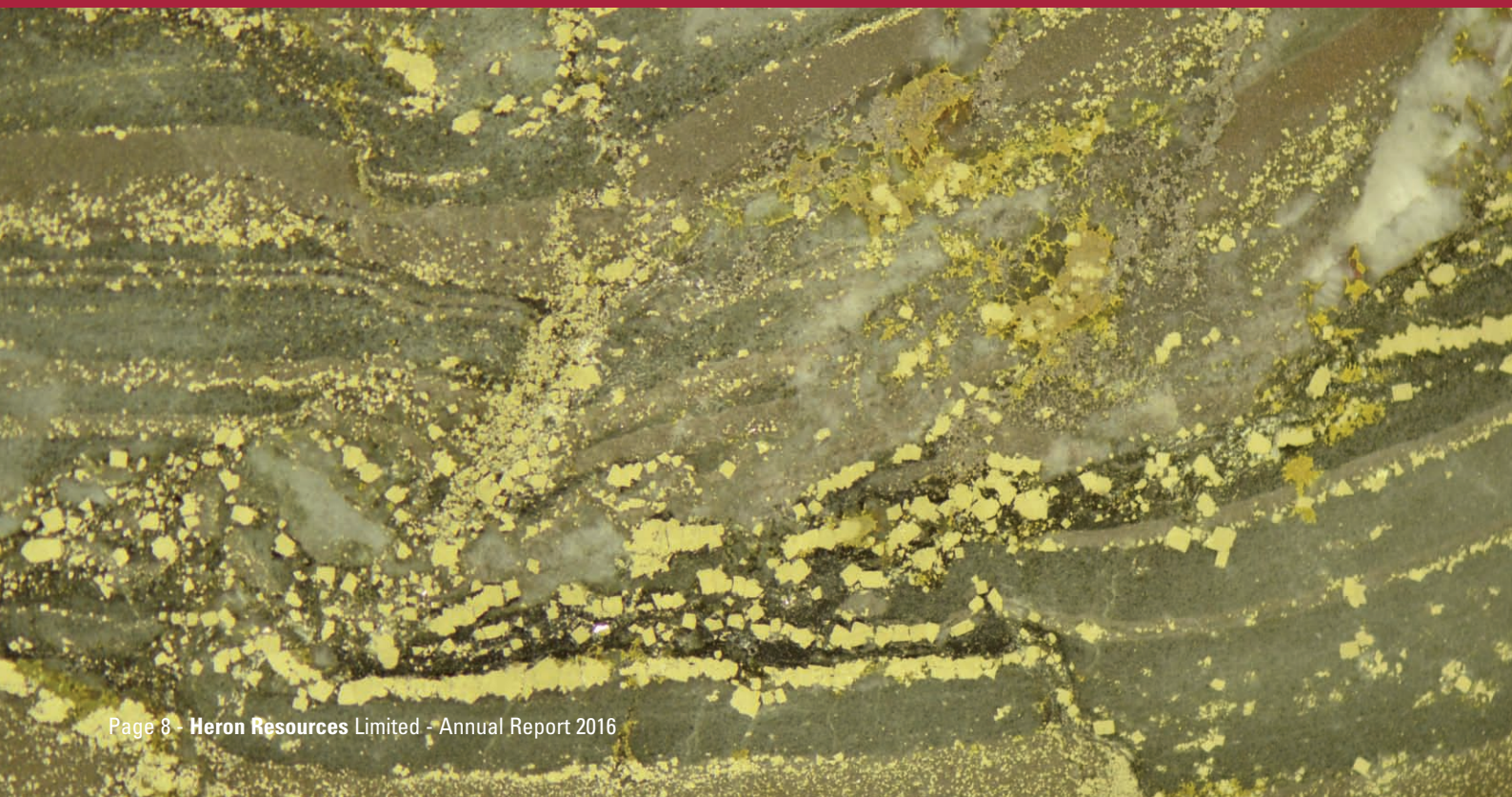
The scope of the FS saw further detailed work undertaken on the key technical areas of the project including an additional 19,000 metres of diamond drilling to improve the confidence of the Mineral Resource and permit the calculation of a Mineral Reserve (notably the first Mineral Reserve on the underground project since the mine ceased operations in 1998). We were very pleased to see the FS completed on time and under budget with underlying results confirming the project's robust economics and mine life.

Following the completion of this important study attention turned to project funding. As a single asset company this is never a simple, nor an easy process. However I feel we are well-placed to deliver on this front. Over the past few months we have engaged with a number of potential debt and equity providers, offtakers and engineering companies that all play a role in refining the quantum and setting the structure of the total funding package required to realise the project. This is somewhat of an iterative process and good progress is being made. In the coming months it is our objective to be in a position where we can confirm the availability of a structured financing package providing the commercial capacity to commit to construction.

In parallel with the funding process we are also continuing to prepare the project for a rapid construction start which has resulted in the creation of additional work streams covering mine optimisation, project engineering and recruitment of key site personnel. These areas of focus will further de-risk development and prepare the ground to ensure the transition to construction is smooth and efficient.

Turning to the search for the senior site management, we are very pleased to have recently recruited Mr Brian Hearne as the Woodlawn General Manager, who will join the Heron Executive Management Team in the next few weeks. Mr Hearne not only has extensive experience with Woodlawn, but also has considerable experience with some of the more challenging base metal mines in Australia in both operational management and senior executive roles. We believe he will be a valuable addition in the project realisation and look forward to the application of his experience and expertise as we progress to first production.

The early development of the Heron site team enables the retention of important corporate knowledge through the construction phase as well as the general oversight to ensure a fit for purpose result at the end of the construction phase.



The recent drilling post FS at Woodlawn again highlights the discovery potential that is inherent in this extensive mineral system. The shallow drilling targeting G Lens provides resource expansion potential that will, importantly, give early support to the underground mine production profile. Added to this is the massive sulphide intercept in the hangingwall of G lens which provides an early indicator of a possible new lens discovery. The B Lens north target was conceptual in nature and the drilling confirms the continuation of massive sulphides beyond what was historically considered to be the northern limit of the system. These results demonstrate the well-founded belief that Woodlawn will continue to add to mine life through further discovery.

In the last 12-months we have seen large variations in the price of our primary commodity, zinc, with the lowest price in over 7 years, US\$0.66/lb, recorded in December 2015 and followed by a rapid recovery to a recent high of US\$1.09/lb in October 2016. The zinc supply reduction resulting from mine reserve depletion and production curtailment has been well publicised and we continue to see an overall general trend in reducing zinc inventories. The fundamentals of lower primary metal supply, continued growth in global consumption and a shortage of readily available projects to contribute new supply provides a very favourable backdrop to an ongoing strengthening in the price of zinc. In addition, the recent pricing increase, along with the forecast market supply / demand balance has seen an early improvement in investor interest seeking exposure to the zinc market.

The Company has seen the direct benefit of the investor interest through the A\$6.8M placement to Greenstone Resources which was completed in August 2015. We welcome Greenstone onto the register and its nominee, Mr Mark Sawyer, to Heron's Board. We look forward to a strong relationship as we progress Woodlawn.

An exciting new development for the Company is the spin-out of **Ardea Resources Limited (Ardea)**. The underlying aim of the merger between Heron and TriAusMin in 2014 was to bring Heron's cash balance to support the advancement of the **Woodlawn Project**. While this has been very successful, the natural progression of Heron's core focus on developing Woodlawn has required a review of the strategy to advance the very prospective but earlier stage projects within the portfolio.

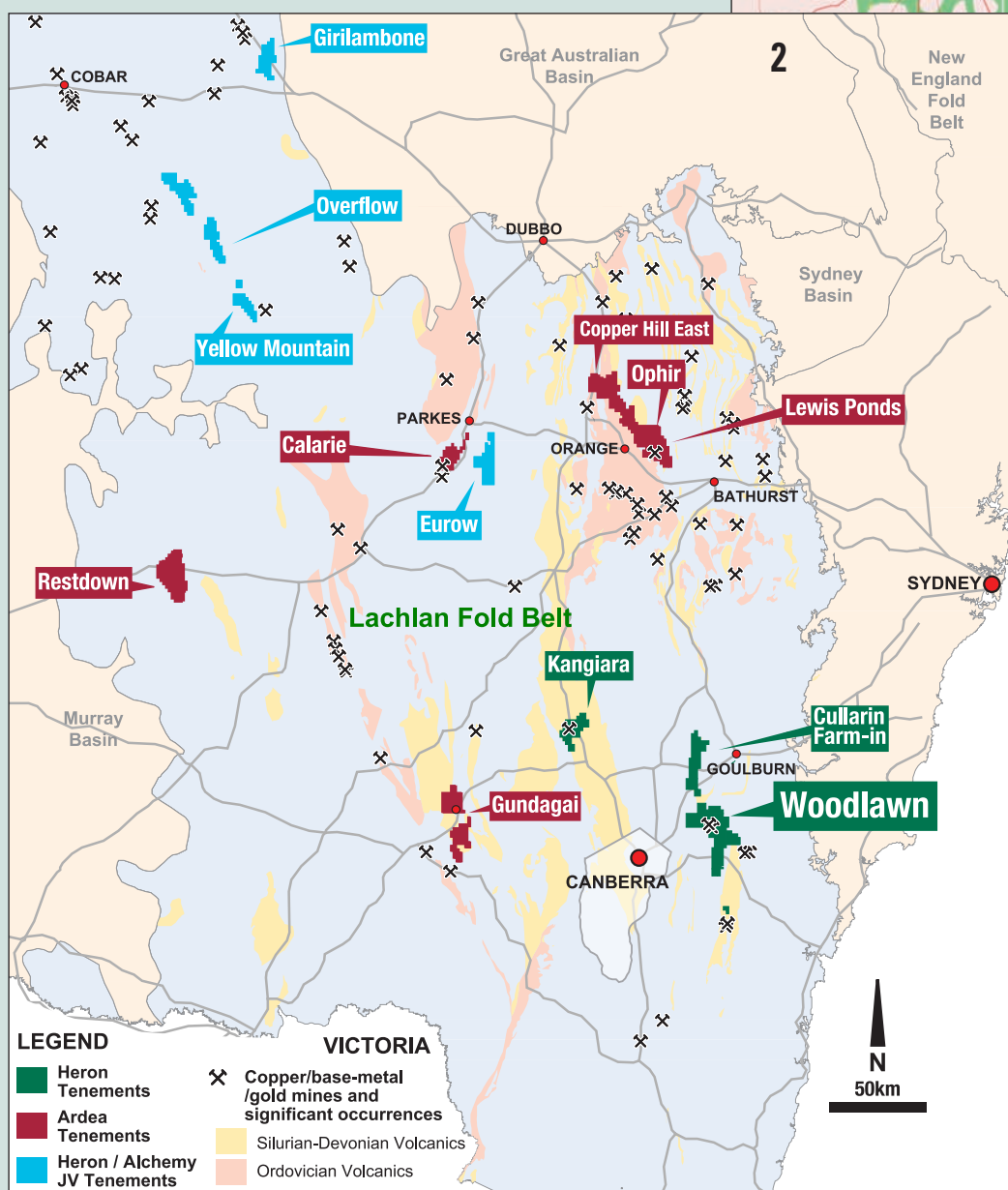
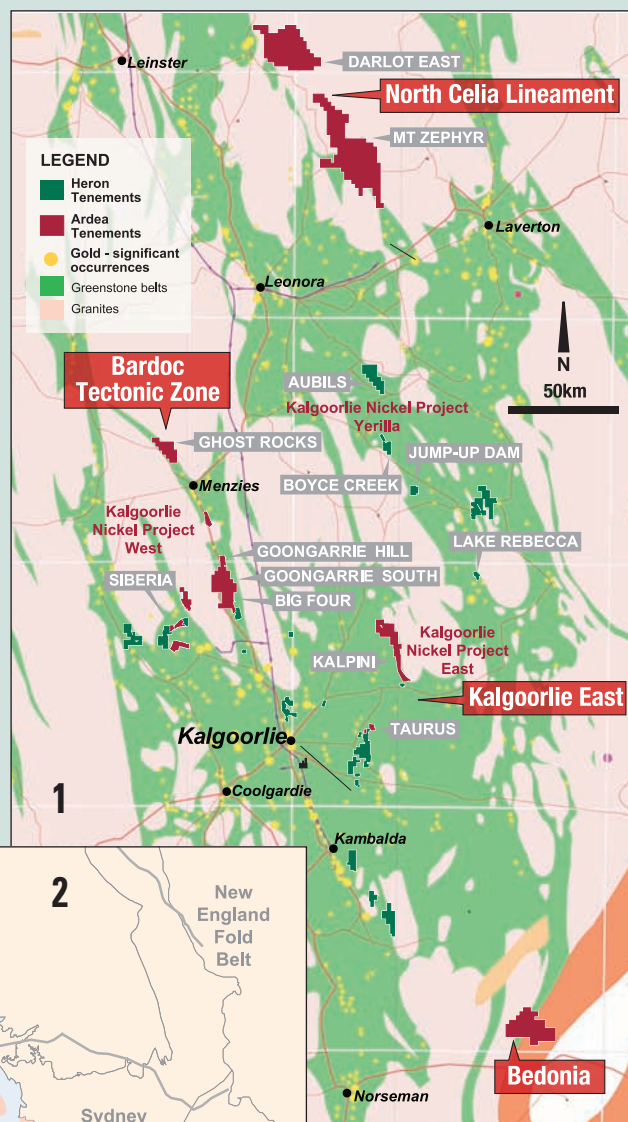
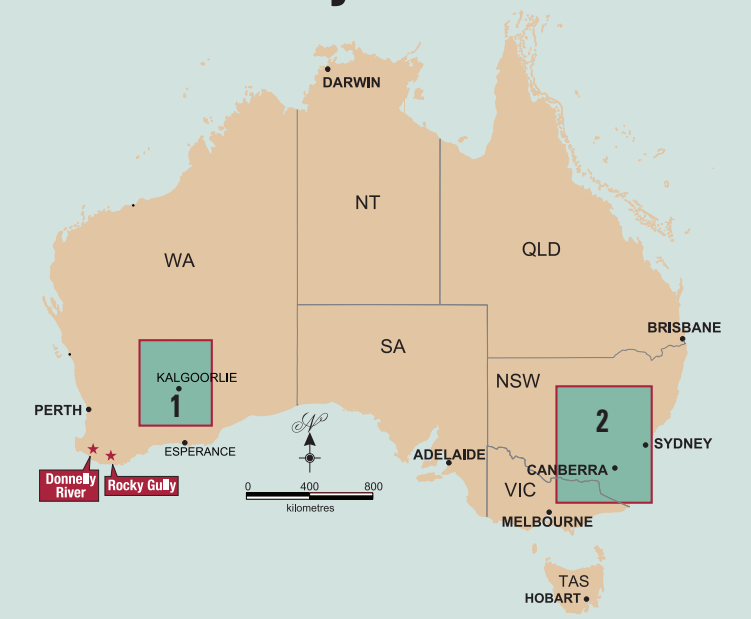
With a shift in improving sector confidence, the spin-out of these assets into Ardea will allow these projects to be advanced through a dedicated management team and budget. The in-specie distribution of the Ardea shares to Heron Shareholders is a great opportunity for Heron shareholders to realise value from these assets. We will look forward to the successful completion of the listing later this year and the advancement of the Ardea projects in 2017.

I would like to recognise the tireless efforts of our Board, Executive Management Team, employees and specialist consultants who have been instrumental in the orderly delivery of the milestones in the last year. It has been a pleasure to work with these individuals and teams who have all demonstrated through their actions a very clear understanding of what needs to be done as well as a strong drive to seek out ways to improve on results. I look forward to continuing these relationships in the coming year including with a number of important additions to the in-house team.

It stands to be another exciting year ahead for the Company with Woodlawn Project funding, the commencement of site construction and the spin-out of Ardea representing a few of the key milestones to be tackled. These all present their own challenges and we are well positioned and resourced to meet these. I look forward to providing regular updates on our progress throughout the year.



# Heron Projects



## Tenement Holdings

1. Above: Western Australian Tenements
2. Left: NSW Tenements including Woodlawn Zinc Copper Project

(for information on proposed Ardea Spin-off see p29)

## 2.0 Operations Report

### HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY (HSEC)

**Heron** continues to demonstrate its commitment to “Zero Harm” to the Company’s employees, contractors, the communities in which Heron works and to the environment.

#### HEALTH AND SAFETY

Heron had no Lost Time Injuries (LTI’s) during 2016 as was also the case in 2015. 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 and site activities are being undertaken safely. Continuing vigilance is required to maintain this performance, particularly now that work is focused on the Woodlawn mine development.

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.

#### 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 within regulatory compliance. Our activities continue to be reviewed 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

During 2015, the Company established a Community Consultation Committee comprising members of the local community, representatives from the Goulburn-Mulwaree Council and also Veolia Environmental Services, the operators of the landfill located at the Woodlawn site. This group met 4 times during the past year and the meetings provide an effective conduit to discuss matters of interest along with considering the areas by which Heron can best provide a constructive influence in the local area. During the year, the Company was actively involved with the annual Tarago show as well as supporting the Tarago Preschool.



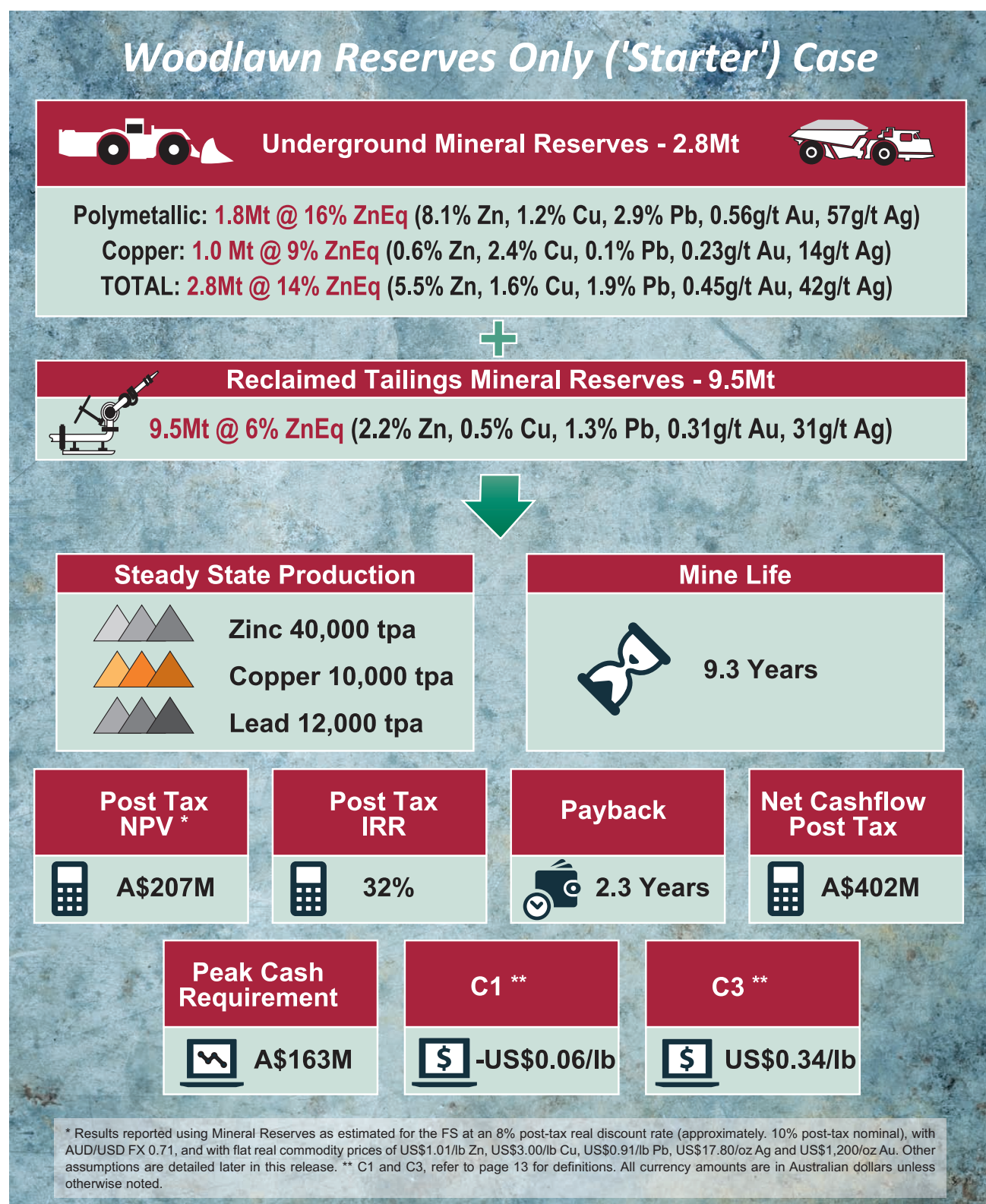


## DEVELOPMENT PROJECTS (100% HERON)

### WOODLAWN UNDERGROUND PROJECT

#### Release of Feasibility Statement

In June 2016 the Company announced the results of the Feasibility Study (FS) centred on its 100% owned and fully permitted high-grade Woodlawn Zinc-Copper Project in New South Wales, Australia. The A\$11 million study supports the viability of a Starter Case to deliver quality zinc, copper and lead concentrates to market over a significant Reserves-based mine life. This study underpins the Board's decision to advance an accelerated program to secure project finance and bring the Woodlawn Project into production in 2018.



## Key Outcomes:

### Attractive project characteristics

- Initial 9.3 year mine life based upon the combined underground and tailings Mineral Reserves ("Starter Case")
- Mineral Reserves-only life-of-mine (LOM) Production Target of 284kt Zn, 67kt Cu, 87kt Pb, 7.5Moz Ag and 28koz Au
- Campaign processing rate of up to 1.0Mtpa from underground mining, and up to 1.5Mtpa from reclaiming tailings, processed through a standard single-sulphide flotation facility
- Steady-state (2020-2023) annual Production Target of 40kt Zn, 10kt Cu, 12kt Pb, 900koz Ag and 4koz Au contained within zinc, copper, and lead concentrates
- Utilising existing local and regional infrastructure to achieve significant reductions in development costs
- Close proximity to large service and employment centres (Sydney, Wollongong, Canberra, Goulburn)
- Strong local community and regulator support
- Project is on granted Special Mining Lease SML20 – fully 'permitted' and 'mine ready'
- Inferred Mineral Resources defined in both the underground and tailings projects demonstrate excellent potential to extend mine life to more than 11.5 years

### Mineral Resources & Mineral Reserves

- Starter Case based on 51% Proven Reserves and 49% Probable Reserves
- Underground mine plan focused on the shallower areas of the deposit reflecting the success of the recent Preliminary Economic Assessment (PEA) & FS drilling programs. There is a high level of confidence based on historic data for extensions to this mineralisation both at-depth and along strike
- Conservative approach taken to the underground Mineral Reserve calculation, excluding all moderate- to higher-risk remnant mining areas. These remnant areas hold future potential which will be reconsidered post mine access with re-assessment from underground
- Two separate production sources (underground and tailings) provide operational flexibility and reduces risk
- 20 years of historical operational data removes 'greenfield' unknowns

### Robust economics

- C1\* costs of -US\$0.06/lb zinc and C3\* of US\$0.34/lb expected to place the Project firmly in the lower half of the cost curve
- Attractive capital cost metrics based on annual metal Production Targets and Reserves-based mine life
- Life extension case (PEA equivalent mine plan) shows excellent consistency with previously published PEA
- Significant leverage to the price outlook for zinc, which comprises approximately 48% of total payable metal value

### Expedited development and financing pathway to meet market opportunity

- Rapid development schedule of 15 months from commencement of construction to completion of wet commissioning
- First production targeted early 2018 to meet projected favourable zinc market conditions

### Excellent exploration upside

- Highly successful exploration drilling programs over the last 18 months
- Significant exploration potential on SML20 remains including near-surface targets that have the scope to materially increase the Mineral Resources
- Deeper underground extensions to be targeted with underground drilling post-commissioning
- Significant medium grade base metal stringer mineralisation identified
- Regional 'Massive Sulphide District' discovery potential within Heron's 623 square kilometres of regional tenure

\* C1 is defined as direct cash operating costs produced, net of by-products credits, divided by the amount of payable zinc produced. Direct cash operating costs include all mining and processing costs, mine site overheads and realisation costs (including transport costs, treatment and refining costs and smelter recovery deductions) through to refined metal, net of revenue credits from sale of by-products. C3 includes C1 costs, plus a depreciation charge and royalties. C1 and C3 are presented in this table based on Zn as primary product with all other saleable commodities treated as by-product credits.



**“The study presents a very compelling case for the development of the Woodlawn Project and confirms Heron’s position as one of the most advanced Australian near term zinc producers. The resource and embedded low operating and competitive development costs due to existing site infrastructure all combine to make Woodlawn a clear choice amongst its peers.**

**From the outset it has been our aim to deliver a Reserve base that allows us to bring the project online quickly to take advantage of the significant opportunity that exists due to favourable zinc market fundamentals. The resulting economics place us in an ideal position to secure funding and target first production in 2018 with significant project upside still to be quantified.**

**I would like to recognise the tireless efforts of our employees and consultants who have helped deliver this study on time and under budget. It has been an enormous task which has been met with hard work and enthusiasm and is a credit to the individuals involved.”**

**Wayne Taylor, Heron Resources Managing Director and CEO**



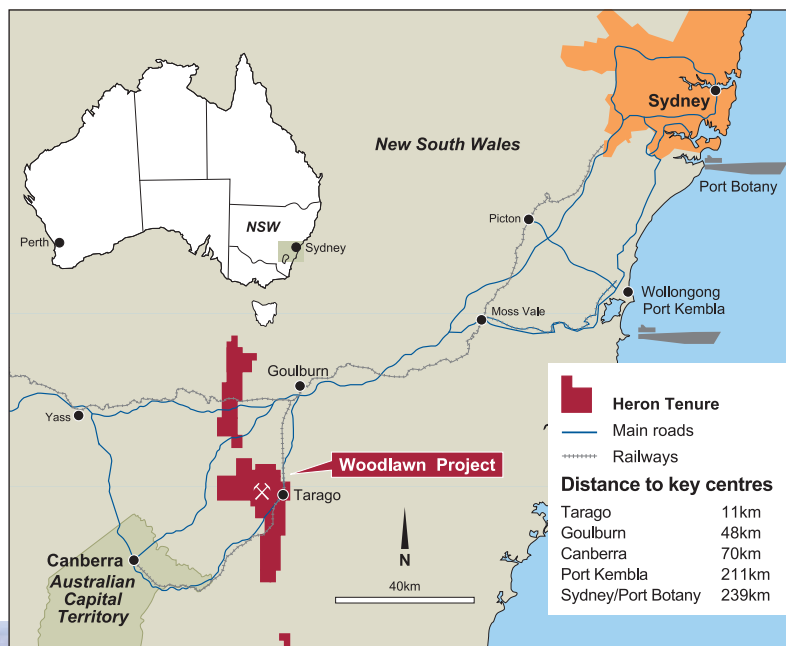
## Project Overview

The Woodlawn deposit is a high-grade, Volcanogenic Massive-Sulphide (VMS) deposit situated in New South Wales, Australia, approximately 50km northeast of Canberra, and 250km southwest of Sydney (Figure 1).

The Woodlawn deposit was discovered in 1970 with open-pit operations commencing in 1978 and underground operations in 1987. The operation was closed in March 1998 primarily due to corporate issues with the then owners, Denehurst Ltd. Between 1978 and 1998 the operation reported production of 13.8Mt @ 9.1% Zn, 1.6% Cu, 3.6% Pb, 0.5g/t Au and 74g/t Ag. In 1999, Tri Origin Exploration Ltd (subsequently becoming TriAusMin Ltd) acquired the mineral rights to the site from the Denehurst Administrator.

Heron acquired its interest in the Woodlawn Project through the merger with TriAusMin Ltd which was completed in August 2014. Since this time the Company has advanced the project through the completion of a Preliminary Economic Assessment (PEA) in April 2015 covering the combined development of the underground and reclaimed tailings projects. The PEA summary results provided the commercial basis for advancing the project through the FS.

**Figure 1: Woodlawn location map**



The Woodlawn Project consists of two production sources, comprising underground and tailings ore, which will be processed through a single sulphide flotation plant. The Woodlawn Project benefits from an existing granted mining lease (SML20) and major statutory project approvals. The mineral rights and production are 100%-owned by Heron. The Woodlawn site layout including location of the proposed plant is illustrated in Figure 2.

The Woodlawn mining lease and surrounding larger (179 sq km) exploration license, EL 7257, contain the previously producing Currawang Mine located 9km to the north-west of Woodlawn, and the Cowley Hills Mine located 2km to the north. A further 444 square kilometres are held by Heron under exploration licenses within the district covering the highly prospective Woodlawn felsic volcanics, the host of the VMS mineralisation.

**Figure 2: Woodlawn Site Layout**





## Mineral Resources

### Underground Mineral Resource

An updated underground Mineral Resource (Table 1) has been estimated in accordance with the JORC Code (2012) and the NI 43-101 guidelines which incorporates the results of the PEA and FS drilling programs and an extensive review of historic data. Two phases of Heron drilling comprised a total of 104 diamond core holes (DDH) for 26,690m and 11 reverse circulation (RC) holes for 1,200m. Detailed and high-quality underground geological mapping and 165,425m of historic surface and underground drilling data was also used in the estimate. Figure 3 provides an oblique view through the Mineral Resource block model with the block grades colour coded.

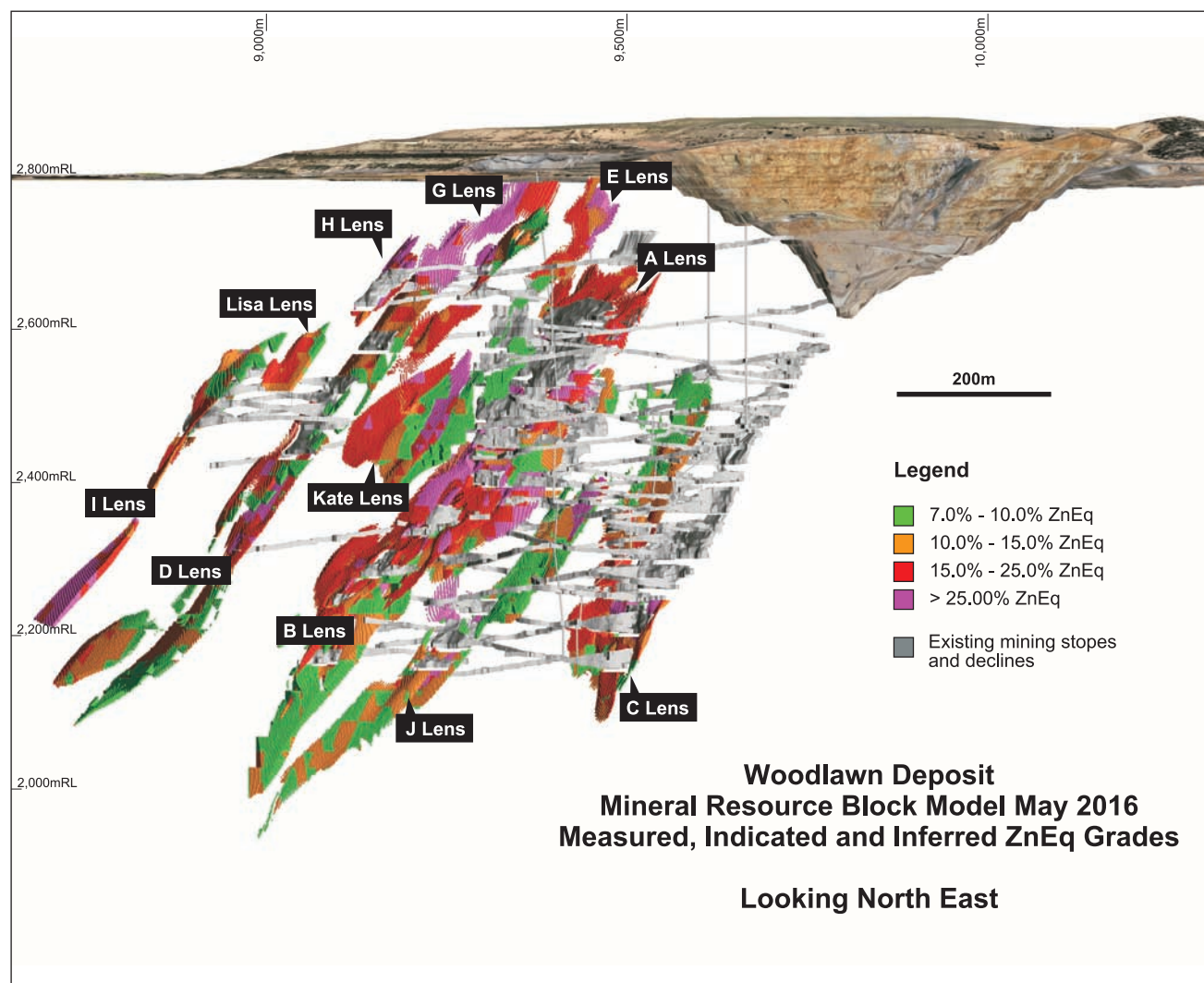
The PEA drilling program focused initially on the Kate Lens discovery before drilling key positions within the near-surface portions of other lenses. The deepest hole (WNDD0006) in this program was drilled to a depth of 940m and intersected multiple massive sulphides in the I and D Lens positions.

It became apparent that there was scope to expand the resource base within the upper 500m of the system, deferring the need to drill the deeper targets. While considerable resource potential exists in the deeper parts of the system, the FS focus has been on these shallower high-grade lens positions. The result of this is that the underground Mineral Resource used in the FS extends the depth of the mine to only 80m below previous workings, which reached approximately 650m below the land surface.

Heron has taken a deliberately cautious approach to areas considered remnant and accordingly higher risk, which have been removed from the mining inventory. Heron believes there is potential to re-incorporate some of these zones into the mine plan, and will conduct a detailed assessment once operations have commenced and underground access has been established.

The Mineral Resource has been reported undiluted to a lower cut-off grade of 7% ZnEq, a value that approximates the estimated lower cut-off grade for the mining and processing methods considered by the FS study.

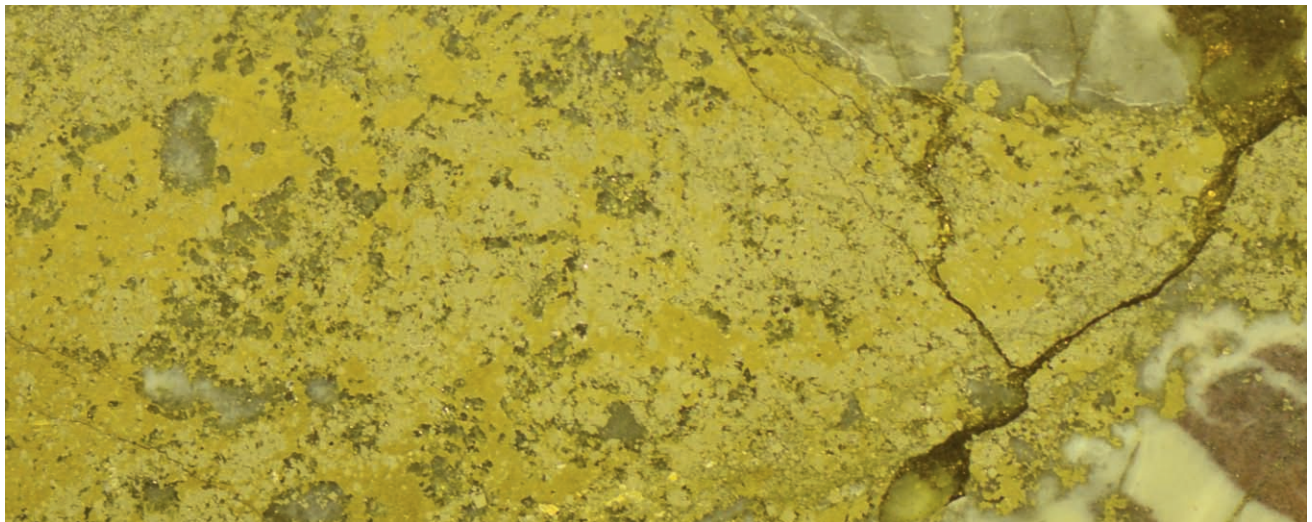
**Figure 3: Woodlawn underground Mineral Resource. Oblique sectional view looking north-east – block model coloured by ZnEq grades**



**Table 1: Woodlawn Underground Mineral Resource Estimate 2016***Reported at a 7% ZnEq lower cut-off grade*

Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Polymetallic	Measured	0.4	23	13.0	1.3	4.4	0.21	72
Polymetallic	Indicated	2.2	21	10.0	1.5	3.9	0.78	80
Polymetallic	Inferred	2.0	17	7.3	1.5	2.9	0.75	56
Copper	Indicated	1.5	10	0.8	2.8	0.2	0.23	15
Copper	Inferred	0.5	10	0.8	2.8	0.2	0.09	14
<b>All Total</b>	<b>Mea+Ind</b>	<b>4.1</b>	<b>18</b>	<b>7.2</b>	<b>2.0</b>	<b>2.6</b>	<b>0.52</b>	<b>55</b>
<b>All Total</b>	<b>Inferred</b>	<b>2.5</b>	<b>15</b>	<b>5.9</b>	<b>1.8</b>	<b>2.3</b>	<b>0.61</b>	<b>47</b>

Refer to Section 10: Statement of Mineral Resources and Mineral Reserves.



### Reclaimed Tailings Mineral Resource

The reclaimed tailings Mineral Resource estimate, Table 2 below, is summarised here as a combined total for the three tailings dams, namely Tailings Dam North (TDN), Tailings Dam South (TDS) and Tailings Dam West (TDW), shown in Figure 4. The tailings consist of fine grained sulphides and some silicate minerals derived from the processing of the Woodlawn open-pit and underground mineralisation from the late 1970's through to 1998.

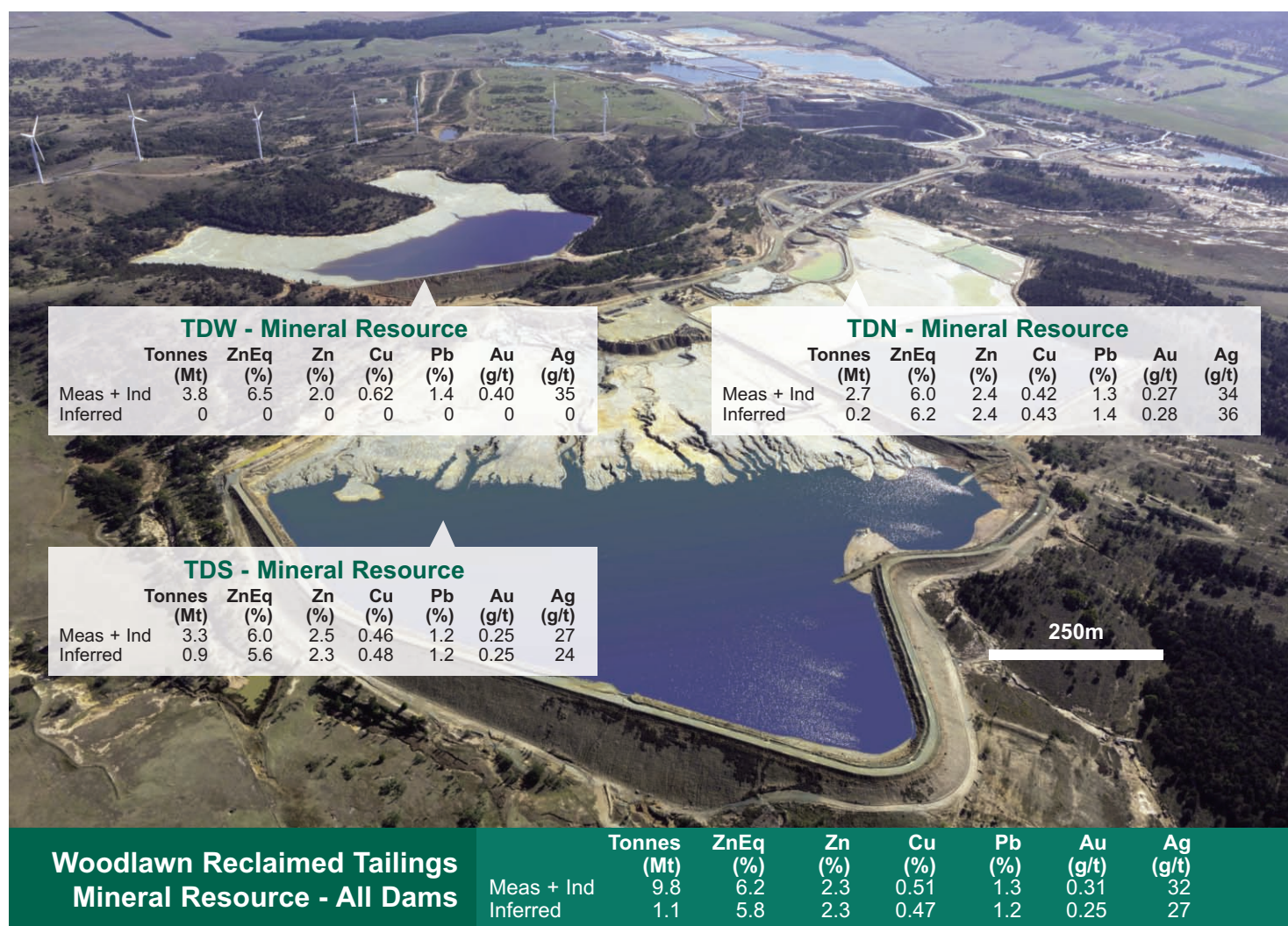
**Table 2: Woodlawn Reclaimed Tailings Mineral Resource Estimate 2015***Reported with no cut-off grade applied*

Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
All Dams	Measured	6.6	6.1	2.3	0.49	1.3	0.30	32
All Dams	Indicated	3.2	6.3	2.2	0.56	1.4	0.33	33
<b>All Dams</b>	<b>Mea+Ind</b>	<b>9.8</b>	<b>6.2</b>	<b>2.3</b>	<b>0.51</b>	<b>1.3</b>	<b>0.31</b>	<b>32</b>
<b>All Dams</b>	<b>Inferred</b>	<b>1.1</b>	<b>5.8</b>	<b>2.3</b>	<b>0.47</b>	<b>1.2</b>	<b>0.25</b>	<b>27</b>

Refer to Section 10: Statement of Mineral Resources and Mineral Reserves.



Figure 4: Woodlawn Reclaimed Tailings Mineral Resources (looking NW)



## Mineral Reserves

### Underground Mineral Reserves

The Mineral Reserves calculation undertaken by SRK Consulting (Australia) Pty Ltd (SRK) is based upon the Resource block model and incorporates stope designs, cut-off grades, geotechnical parameters, mine recovery and dilution (planned & unplanned). Particular attention was paid to the existing mine workings and areas were excluded if there were potential recovery concerns due to past operations. The Mineral Reserve is the basis of the Starter Case for the FS financial modelling. The Mineral Reserve is reported at cut-off grades determined by economic, mining and metallurgical factors.

Table 3: Woodlawn Underground Mineral Reserve Estimate 2016

Type	Reserve Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Polymetallic	Proven	0.0						
Polymetallic	Probable	1.8	16.0	8.1	1.2	2.9	0.56	57
Copper	Proven	0.0						
Copper	Probable	1.0	8.8	0.6	2.4	0.1	0.23	14
<b>Total</b>	<b>Probable</b>	<b>2.8</b>	<b>14.0</b>	<b>5.5</b>	<b>1.6</b>	<b>1.9</b>	<b>0.45</b>	<b>42</b>

Refer to Section 10: Statement of Mineral Resources and Mineral Reserves.

## Reclaimed Tailings Mineral Reserves

Mineral Reserves have been calculated for all three tailings storage dams; TDS, TDW and TDN. The conversion of Measured and Indicated Mineral Resources to Mineral Reserves (Table 4) has involved the inclusion of the following mining parameters:

- The loss of 400mm of retreatment tailings from the sides and base of all dams (recovery factor); and
- The addition of 200mm of zero grade material across the base of the dams as a dilution factor during recovery of the reclaimed tailings.

**Table 4: Woodlawn Tailings Mineral Reserve Estimate 2016**

*Reported with no cut-off grade applied*

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

Refer to Section 10: Statement of Mineral Resources and Mineral Reserves.

## Mining

### Underground

The deposit will be accessed via a box-cut located to the west of the existing open pit, allowing for the early development of shallow underground material. Stopping areas will be accessed predominantly through a new decline and new access drives; however, in some areas the existing workings are planned to be rehabilitated and utilised.

The mine access drives range in size from 3.0m x 3.0m to 5.5m x 5.5m, with gradients of up to 1-in-7 depending upon the intended use. Overall mine layout is consistent with standard practice within Australian underground mines reliant on decline access and vertical excavations for ventilation returns and second means of egress (escape way).

The mine plan for the underground developed by SRK utilises mining method selection work previously undertaken during the PEA and further developed as part of the FS. A summary of the applied mining methods is presented in Table 5 and their use in the mine plan illustrated in Figure 5. The mining method selection takes into consideration the location of the existing open pit above the deposit which is being used as a bioreactor by Veolia. The mine design plans for stopes to be filled with cemented paste fill.

**Table 5: Mining Methods**

Mining Method	Area / Location for implementation
<i>Underhand Transverse Open Stopping</i>	<ul style="list-style-type: none"> <li>• Stope width greater than 15m.</li> <li>• Sub level spacing is 20m as recommended by Beck Engineering.</li> <li>• These stopes are typically 10 - 20m along strike.</li> <li>• Double lift (40m tall) transverse stopes have been designed in the thicker parts of Kate Lens</li> </ul>
<i>Underhand Longitudinal Open Stopping</i>	<ul style="list-style-type: none"> <li>• Stope width less than 15m.</li> <li>• Sub level spacing is 20m as recommended by Beck Engineering.</li> <li>• These stopes are typically 10 - 20m along strike.</li> </ul>
<i>Drift and Fill Uppers</i>	<ul style="list-style-type: none"> <li>• Remnant areas of the A Lens, B Lens, D Lens, G Lens, H Lens and J Lens.</li> <li>• The stopes are typically 10 - 20m along strike and between 3 and 20m wide.</li> </ul>

The mining criteria in Table 5 have been applied to the stope designs for each of the mining methods. Modifying factors have also been applied to the stope designs to account for both recovery loss and dilution (planned and unplanned).

Ore and waste will be transferred to loading bays with LHD loaders and then loaded onto trucks to be hauled to the surface via the decline. The ore will be conveyed overland to the processing plant run-of-mine (ROM) pad located 1.2km to the east via a 2.1km haul road south of the open pit.



**Rock Mechanics** - Beck Engineering's (Beck) extensive analysis and rock mechanics modelling work has been incorporated into mine access design and stoping parameters along with the design of standard ground support patterns. A number of changes to historic work practices have been included into the proposed operations to improve the future management of the ground conditions including:

- Full-time geotechnical engineering staff on site to provide timely and day-to-day support to mine operations;
- Whole-of-mine structural and stress modelling to improve the predictive capacity for mine planning;
- Adoption of extraction techniques to minimise the creation of isolated sill pillars; and
- Implementation of cemented paste fill as a competent support medium that will enable significantly higher resource recovery whilst providing local and regional ground support to the mine excavations.

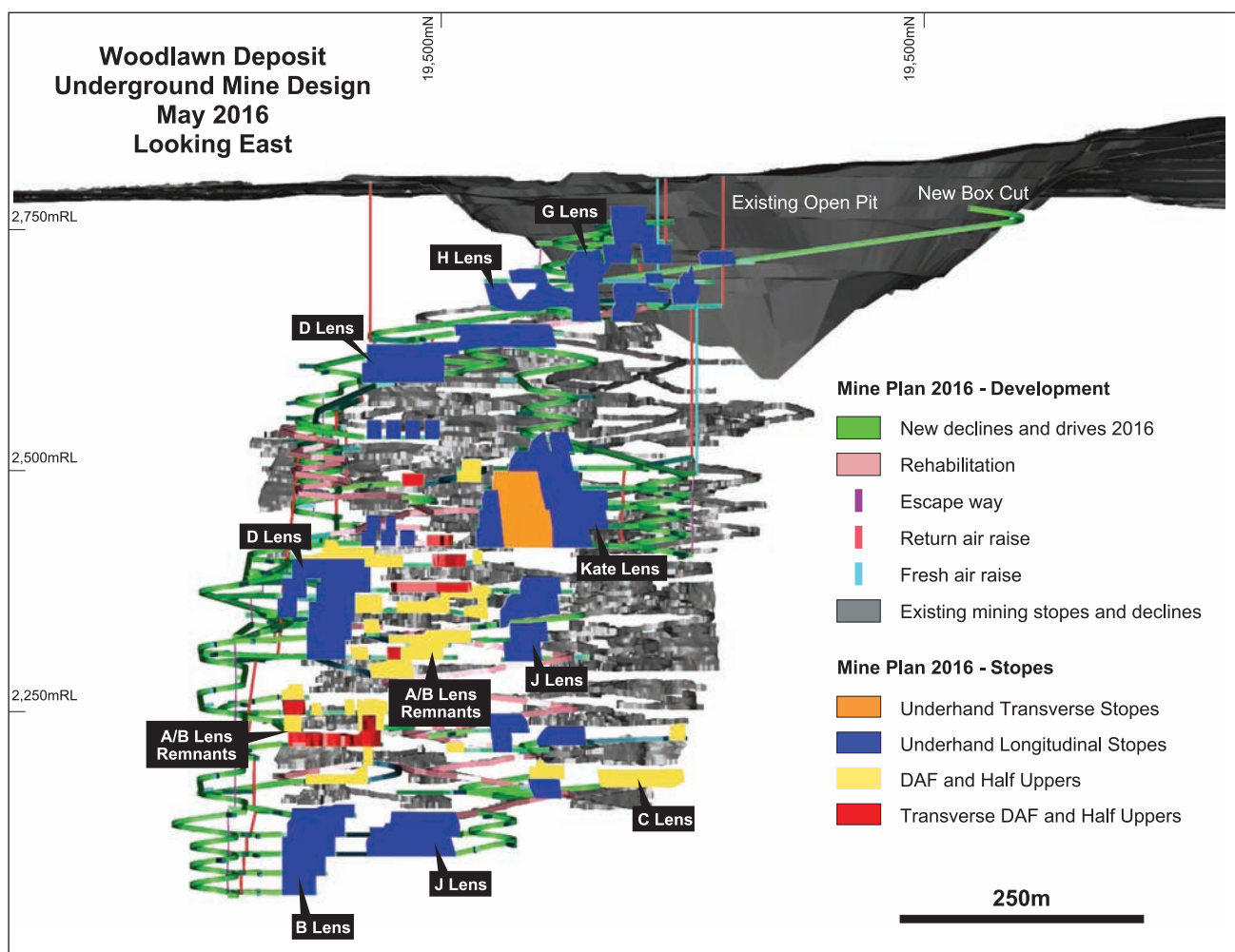
**Paste Backfill** – Independent consultant Outotec has completed further test work on the paste fill as part of the FS. This work included characterisation, cyclone de-sliming, dewatering (thickening / filtration), rheology and strength testing, using tailings samples from the metallurgical testing. Good results were achieved through the use of de-slimed tailings in process water and a paste plant and mine reticulation system has been included into the mine design.

**Mine Ventilation** - The primary mine ventilation system for the underground operation has been designed for a maximum rate of 270m<sup>3</sup>/sec and serviced by two return air rises with surface-mounted axial fans. This capacity is sufficient to support the scheduled activities and equipment levels. Secondary ventilation will be provided through a series of smaller, high pressure twin stage fans pulling air from the primary circuit.

**Mine Power & Dewatering** - A total of five electrical substations have been allowed for over the life of the underground. Power will be reticulated underground at 11kV to stepdown transformers to 1kV for an estimated peak demand of 3.2MW. Mine dewatering will be achieved through two rising mains with a designed capacity of 26L/sec and an estimated average demand of 4.5L/sec.

**Mining Equipment** - The mining equipment will be supplied by the mining contractor and will be typical for an underground mine of this scale. It is anticipated a fleet of up to 3x 40t capacity trucks, 3x LHDs, 2x development drills, 1x production drill and 2x ground support rigs along with service / support equipment will comprise the permanent mobile equipment base.

Figure 5: Underground mine design



**Mining Contractor** - The FS contemplates the use of mining contractors for both development and production activities working under the direction of Heron's technical and management staff. The mining contractor is scoped to supply operational labour, mobile equipment and consumables. Heron will supply limited consumables, electrical power (HV reticulation to 1kV take-off), primary ventilation equipment, paste fill generation and primary reticulation and primary mains pumping. Specialty contractors will also be sourced for activities such as diamond drilling and raise-boring.

## Reclaimed Tailings

Previous detailed mining studies undertaken on the tailings reclaim process concluded that there is no shortage of potential working faces around the dams and production rates of up to 2.0Mtpa are considered readily achievable. Economic considerations led to a determination that a mining rate of 1.5Mtpa provided the best return for the project and this was the rate adopted for the FS.

Mining of the reclaimed tailings ore will be undertaken using automated monitor-based hydraulic mining, which uses a high pressure water cannon to agitate the ore into a slurry. In consultation with hydraulic mining consultants, the mining approach has been revised from a top-down to a bottom-up mining method, which is considered to be safer, having lower environmental impacts, being easier to control and more cost effective.

Under the bottom-up method, the tailings ore will be mined using a channel and windrow system in a herringbone pattern to the full thickness of the tailings ore in a single pass advancing away from the collection sumps at the dam low points, with a mining face width of 20-25m. Working heights are nominally 10m, though these may be in excess of 12-14m locally.

A single production monitor (water cannon) is employed to achieve the required shift output. The tailings mining schedule is based on a value analysis and incorporates the mining of tailings in the sequence of TDS, TDW and TDN. Mining TDS first liberates a large storage capacity for future returned tailings not utilised for paste fill.

Two personnel per shift will be required, comprising an operator and a field technician. As the plant will campaign treat either underground or reclaimed tailings ore, but not both simultaneously, the retreatment mining personnel will perform additional duties within the plant site when reclaimed tailings mining is not being undertaken. Maintenance personnel will be drawn from the plant as required. During installation and commissioning of the system, consultants will be employed as supervisors and operators whilst local staff undergo training.

## Processing

### Metallurgical Test Work

Metallurgical test work for the Woodlawn Project commenced in 2006 and the major study programs included:

- 2008 WRP<sup>1</sup> BFS: Comprising four phases and used to establish the basic flowsheet;
- 2012 WRP FEED<sup>2</sup> Study: Focused on validation and optimisation of the 2008 WRP BFS outcomes using TDS material;
- 2015 PEA: Included testing of samples from underground and blend tests of tailing and underground samples to assess the concept of co-treatment;
- 2015/2016 FS: Confirmation and optimisation of reclaimed tailings and underground material.

The FS metallurgical test work program built on the successful PEA program, and was undertaken by Australian Mineral Metallurgical Laboratories Pty Ltd (AMML) in its Gosford, NSW testing facility with input from independent consultant GR Engineering Services Ltd (GRES) and was focused on the underground massive sulphides scheduled as plant feed from Woodlawn.

The overall results from this work have demonstrated better than historical operational performance and reflect the advancements made in the field of sulphide flotation, and in particular fine grinding technology. The test work demonstrated the ability to produce three readily saleable concentrates.

<sup>1</sup> Woodlawn Retreatment Project (WRP) <sup>2</sup> Front End Engineering Design (FEED)

## Process Design

GRES have designed a process plant to treat ore on a campaign basis with up to 1.0Mtpa for underground ore or 1.5Mtpa for reclaimed tailings ore. The design allows initial operations to treat 100% reclaimed tailings ore, whilst at the same time the development of the initial mine decline will be undertaken to provide access for mining of the higher margin underground ore. The contribution from underground peaks at an annualised 800kt during the middle years of the current Reserves-based mine life.

For underground ore, a two-stage crushing circuit has been incorporated into the plant design, together with a primary ball mill. For reclaimed tailings ore, a fine grind mill is planned that reduces the particle size down to 30 microns, a size which previous and current test work confirms maximises recovery performance from the flotation circuit. For the underground ore, the initial copper concentrate float is undertaken at a 75 microns, grind size, with a regrind of copper tails to 30 microns, being employed to maximise the subsequent recoveries from the lead and zinc flotation stages. Figure 6 next page shows a schematic flowsheet of the plant.



The flotation circuit comprises a gangue pre-float, copper, lead and zinc differential flotation sequence. The overall plant design is broadly consistent with the design of the original 1978-1998 plant that was previously used to successfully treat Woodlawn ore. A differential flotation circuit for copper, lead and zinc will be utilised with concentrate regrind stages in the copper, lead and zinc circuits to produce cleaner concentrates. The copper circuit will also utilise a rougher and scavenger tailings regrind circuit prior to the lead flotation stage.

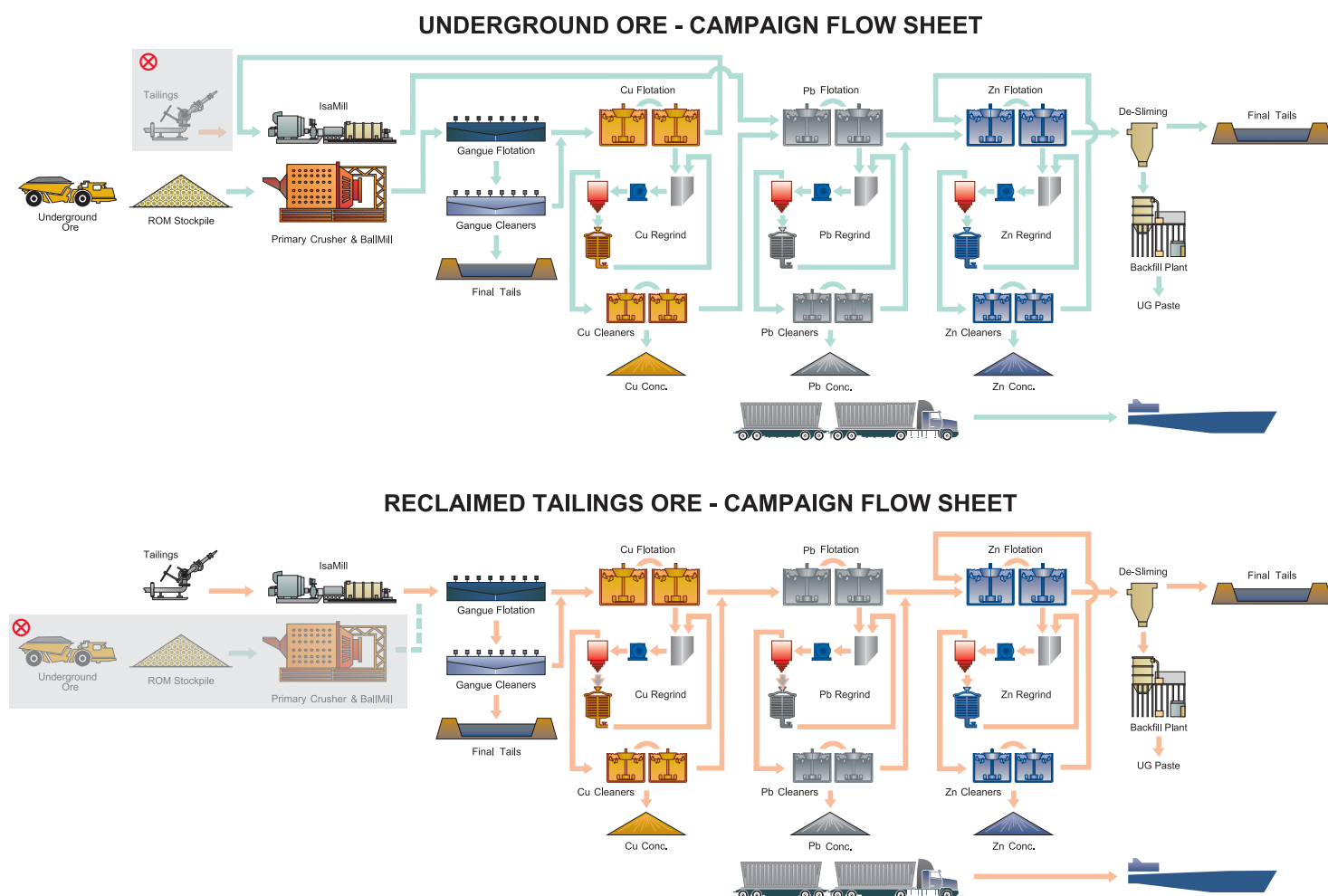
Concentrates from the three flotation circuits will be thickened and subsequently filtered for road transport.

Final flotation tailings will be de-slimed and used in the paste fill plant which will generate a cemented paste that will be reticulated underground and used to backfill mined stopes from both new and historic mining. The slime tailings component (approximately 50% of tailings produced) will be deposited initially into a new tailings storage facility TSF4, and later into the existing TDS. Process Design Criteria based on metallurgical test work is summarised in Table 6 below:

**Table 6: Process Design Criteria**

Ore Type	Concentrate Grade (%)			Metallurgical Recovery (%)		
	Zinc	Copper	Lead	Zinc	Copper	Lead
Underground	55	27	45	88	60	70
Tailings	55	20	36	76	39	42

**Figure 6: Campaign flow sheet – Underground & Reclaimed Tailings Processing**



## Infrastructure & Personnel

### Power

The Woodlawn mine site is supplied via Essential Energy's 66kV Woodlawn Zone Substation. This Zone Substation is currently being upgraded from a single 5MVA transformer substation to a single 10/16MVA transformer, with potential to be upgraded further to include a second 10/16MVA transformer, giving an ultimate emergency firm capacity of 16MVA.

There are savings in opting for a 66kV supply which form the basis for the FS costing estimates. For the 66kV option, current annual estimates for the supply cost are \$8.4 million per annum excluding a capital charge. Power will be reticulated around the site at 11kV with stepdown to 1000V for the underground operations and 415V/240V for surface installations.

### Water

The Woodlawn site operates under 'non-discharge' conditions. Infrastructure exists for site water management purposes and includes major storage capacity in TDS and two evaporation dams (ED1 and ED2). These dams adequately supported previous operations and water modelling has indicated that it will service Heron's intended requirements.

Heron has access to a water access license granted under the Water Management Act 2000 to use the Willeroo Borefield, with a maximum volume entitlement of 600 megalitres (ML)/year. Water sourced from this borefield would be used for make-up purposes. Detailed water balance modelling shows that there is adequate water available for operational requirements.

### Access

Access to the site is gained from the sealed Collector Road located approximately 350m north of the proposed plant site. This road to the east is heavy haulage rated (25/26m B-Double) and provides access to a road network linking all major regional centres including Sydney, Canberra, Wollongong and Goulburn.

In addition, access to the Sydney to Canberra rail line is located approximately 6km east of the site at Veolia's Crisp Creek intermodal. This rail line has direct connections to the major N/S and E/W Australian rail infrastructure. The closest major, deep water import / export berth is located at Port Kembla, 211km from the site by road. The closest international airport is Canberra Airport located 64km by road to the south of the site.

### Personnel

The majority of operational labour will be sourced from surrounding population centres which have in excess of 430,000 people residing within a 55 km radius of the Woodlawn site. The site is well placed to offer the operational workforce the opportunity to reside in rural, village, regional township or city settings and is expected to be a significant drawcard in attracting skilled personnel.

The proposed site organisational structure will be typical of an Australian underground mining operation. The management, administrative, technical functions, processing, surface plant maintenance and hydraulic mining functions will be directly employed by the operation. Contractors will be utilised for underground mining, concentrate haulage and other specialty roles and functions.

Total site personnel numbers are expected to reach approximately 250 during construction and 157 at full production, comprising 30 Management/ Supervisory/Technical staff, 40 Operational staff and 87 Mining Contractors.

## Funding and Zinc Market

Following the completion of the FS Heron commenced a process to secure a funding structure that would pave the way for the development of Woodlawn. This process is ongoing with good progress being made in sourcing both the debt and equity components. Further updates will be provided to shareholders as this process advances.

Zinc continues to be one of the best performing base metals, up more than 50% since the start of the year. A combination of market influences have led to zinc's rallying price including the closure of a number of key mines in China, Peru, Australia and Ireland.

It is within the current supply deficit that the opportunity exists for Heron, with the Woodlawn Zinc Copper Project ideally positioned to meet the shortfall. The market dynamics are creating an attractive price outlook with forecasters indicating zinc will rise in 2017 and further again in 2018. The lack of an advanced project pipeline further provides support to sustain strong prices over the medium term. With fundamentals set to remain attractive and our project finance discussions progressing well, Heron's timing and position as one of very few near term production projects across the entire zinc market leaves it in an enviable position.



## In-Mine Extensional Exploration

### Drilling Programs Post FS Completion

In July 2016, the Company commenced drilling on the B Lens North extension target at Woodlawn.

The primary target was the northern strike extension to the 4.8Mt<sup>3</sup> “B” Lens with secondary targets being the strike extensions to the 1.3Mt<sup>3</sup> “D” Lens and 0.5Mt<sup>3</sup> “I” Lens (Figure 7). The B Lens was one of the main mining areas of the former underground, presenting good widths and grades. The target area had remained untested due to an evaporation dam dating from the 1980s preventing access to a suitable drill position; however, the level of water within this dam had fallen low enough to allow pad construction and drill rig access. Secondary targets for the program were the shallow G2 Lens position and the Cowley Hills prospect, 2.5 kilometres north of Woodlawn.

The program was completed in early September with eight holes for 2,527m drilled. The two holes drilled into the B Lens position have confirmed a significant extension to this lens, key results are:

- **4.5m @ 5.8% ZnEq from 538m** (2.3% Zn, 0.8% Cu, 0.5% Pb, 0.2g/t Au, 13.1g/t Ag) WNDD0105
- **11m @ 8.4% ZnEq from 569m** (3.4% Zn, 0.94% Cu, 1.5% Pb, 0.12g/t Au, 18g/t Ag) WNDD0108
- **2.5m @ 19.5% ZnEq from 552m** (7.7% Zn, 1.3% Cu, 3.9% Pb, 1.8g/t Au, 100g/t Ag) WNDD0108

DHEM surveys on these two holes have indicated a substantial zone of sulphide mineralisation with an Exploration Target<sup>4</sup> of between 0.6Mt to 1.1Mt at grades between 7.0% and 14% ZnEq being estimated.

Four holes were drilled to test the shallow G2 lens position with number of significant sulphide intersections. Significant results include:

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

These results along with a number of new DHEM plates will provide significant extensions to the G2 Lens position which will be mined in the first year of production.

A single hole was drilled at the Cowley Hills prospect testing a DHEM plate below the old workings:

- **6.6m @ 4.7% ZnEq from 200m** (1.8% Zn, 0.4% Cu, 0.6% Pb, 0.5g/t Au, 25g/t Ag) CHDD0001

<sup>3</sup> Total approximate pre-mining tonnages of the lenses combining mined material and current resources -

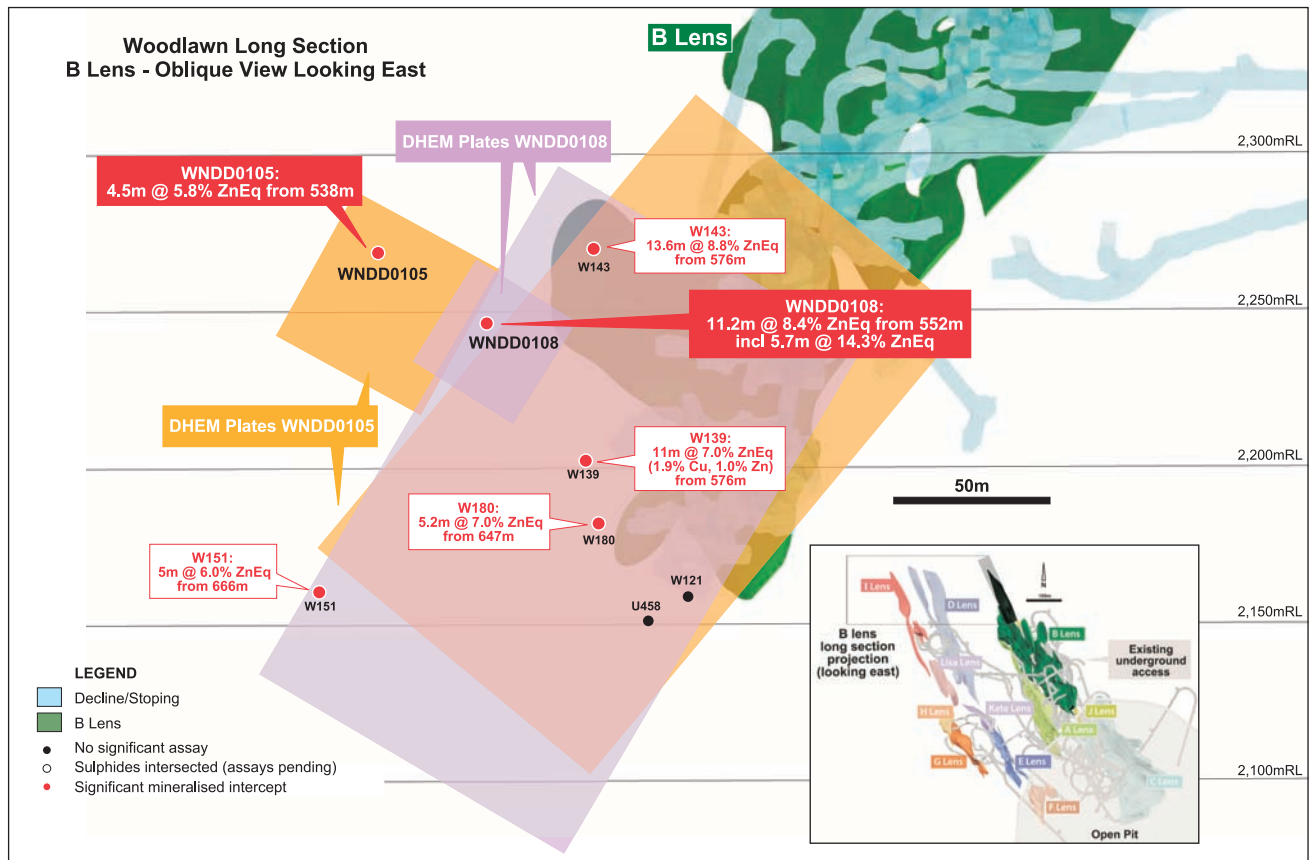
<sup>4</sup> An Exploration Target is a term used within the JORC2012 Code for an estimate of the exploration potential of a mineral deposit. As used in this report the stated exploration target is based upon the parameters from the known drillholes and the DHEM survey results, however, the potential quantity and grade is conceptual in nature and there is insufficient information to estimate a Mineral Resource and it remains uncertain if further exploration will result in the estimation of a Mineral Resource in this area of recent drilling.

### Woodlawn Exploration - Key Targets

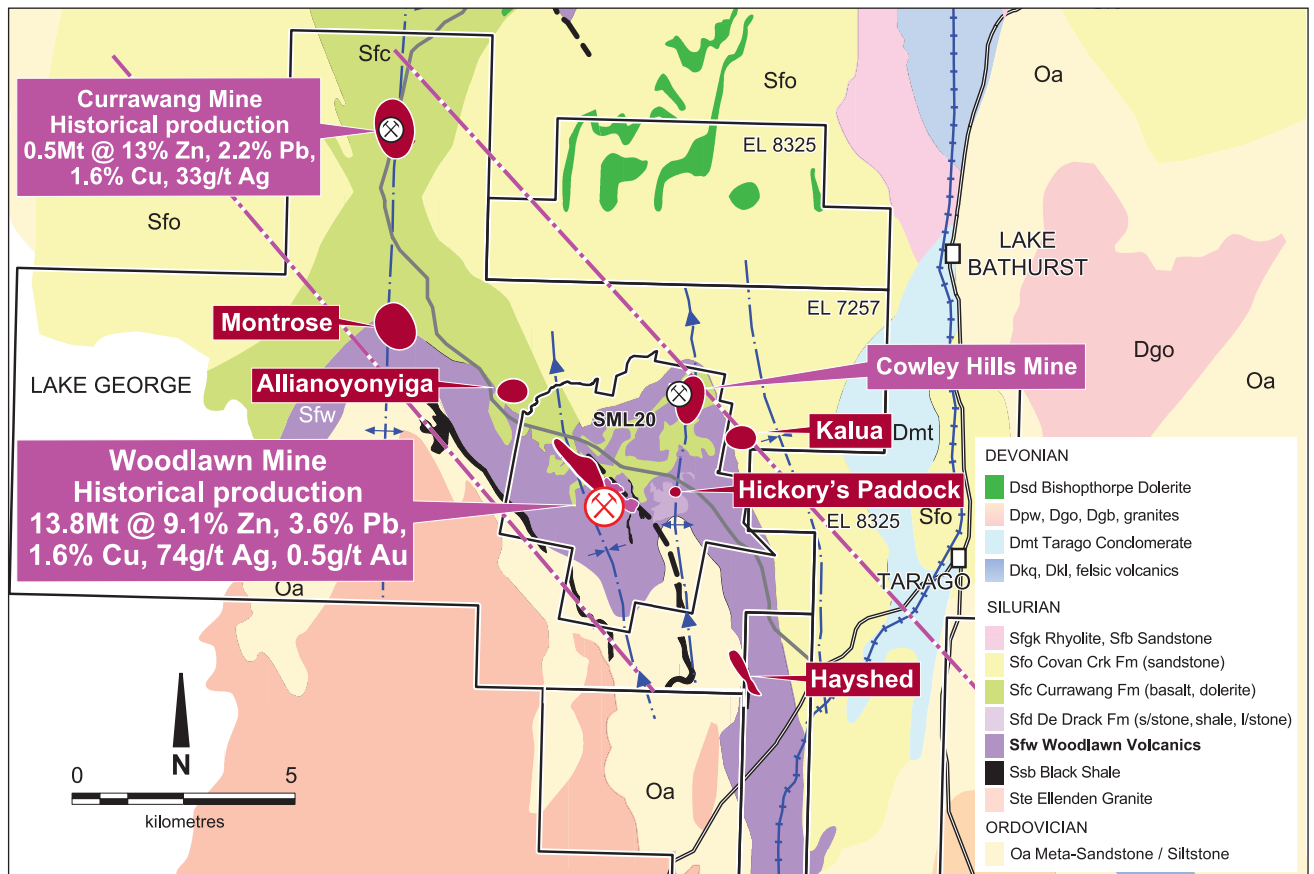
Heron continues to maintain a strategic tenement package over the prospective Silurian volcanic rocks around the Woodlawn Mine (Figure 8). The key regional prospects are:

1. **Cowley Hills:** Approximately 2.5km north of the Woodlawn Mine, VMS mineralisation is present in Woodlawn Volcanics which are intruded by dolerites – a setting analogous to Woodlawn. Good potential exists to locate extensions to known mineralisation through targeted drilling and DHEM surveys. A recent DHEM survey on one of the deeper earlier holes from the 1980's (W158) down to a depth of 250m has generated a broad off-hole conductor. Given the shallow nature of the mineralisation, the potential for an open-pitabile resource is currently being considered.
2. **Currawang Mine:** 10km to the NW of the Woodlawn mine is the former Currawang Mine where approximately 0.5Mt of ore, at similar grades to the Woodlawn deposit, was mined from underground and trucked to the Woodlawn processing plant in the early 1990's. Two promising targets exist to the north and south of known mineralisation. The southern target is in-part related to re-modelling of a DHEM conductor detected from down-hole surveys completed in the early 1990's; the northern target relates to a drill hole which intersected a broad zone of chlorite+sericite+talc alteration containing some massive sulphides. No drilling has been done on this prospect since the early 1990s and an excellent opportunity exists to find additional high-grade lenses within the Currawang structural corridor.
3. **Montrose Prospect:** 6km WNW of Woodlawn, broad zones of intense pyrite-sericite alteration in Woodlawn Volcanics are present and limited drilling in the 1980's and 1990's intercepted zones of modest grade mineralisation which received only limited follow-up work. Remodelling of the numerous fixed- and moving-loop EM geophysical anomalies has provided clear targets for follow-up testing.
4. **Other Prospects:** The Allianoyonyiga and Kalua prospects are both grassroots prospects defined by pre-Heron moving loop EM surveys along strike, west and east respectively, from the Cowley Hill deposit. Moderate silica/pyrite alteration in rhyolitic volcanic rocks has been mapped at Kalua along strike from the EM anomalies, whereas the Allianoyonyiga prospect is wholly covered by alluvium of the Allianoyonyiga creek and will require drilling to test further. At Hickory's Paddock a recent soil program has defined a 300m long Cu/Pb/Zn anomaly associated with gossanous black shale horizon. A follow-up moving loop EM survey is planned to better define a potentially mineralised zone for future drill testing.

**Figure 7: Oblique long-section (looking east) for the northern end of the B Lens position, showing location of WNDD0108, DHEM plates and earlier drilling.**



**Figure 8: Woodlawn Exploration Project – Key Regional Targets**





## EXPLORATION PROJECTS

Heron maintains significant tenement holdings in New South Wales and in Western Australia. Refer to the tenement map on page 10 and tenement listing in Section 11 for further details and Heron tenements and proposed Ardea tenements.

As described below the majority of non-Woodlawn tenements in NSW and WA are being spun-out to Ardea.

### NEW SOUTH WALES – EXPLORATION

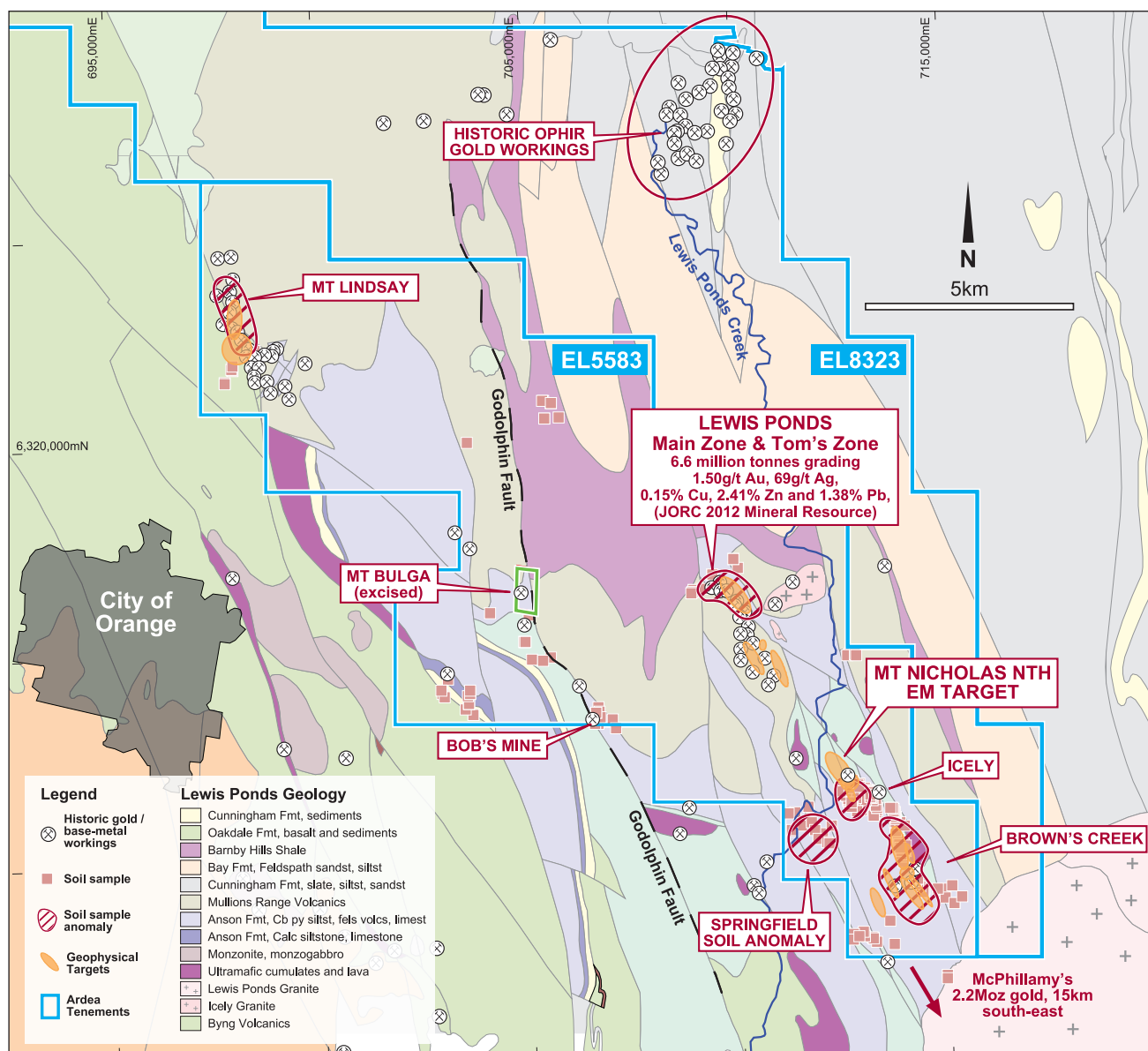
Heron maintains a significant tenement holding in the Lachlan Fold Belt with some 3,739km<sup>2</sup> under tenure. A significant farm-out of four project areas was completed this year with Alchemy Resources. Heron's focus for the regional NSW exploration has been on the Lewis Ponds Project.

#### Lewis Ponds Gold-Zinc Project (EL5583 100% Heron)

Lewis Ponds is located 15km east of Orange, in central NSW and contains the Lewis Ponds VMS deposit (6.6 million tonnes grading 2.4% Zn, 0.2% Cu, 1.4% Pb, 1.5g/t Au and 69g/t Ag JORC 2004 Mineral Resource ) – made up of Main Zone and Tom's Zone which occur in a sequence of deformed Silurian felsic to intermediate volcanic and sedimentary rocks.

Refer to Section 10.0 for Lewis Ponds Mineral Resource details.

Figure 9: Lewis Ponds Project – Key Targets



### **Calarie Copper-Gold Project (EL7023 and ML739, Heron 100%)**

Calarie is located 25km south-southwest of Parkes in central Lachlan Fold Belt of NSW. The area is prospective for gold mineralisation associated with the old Lachlan gold workings where several encouraging drill intercepts have been returned in recent years.

### **Joint Venture with Alchemy Resources Ltd (Overflow, Girilambone, Eurow and Yellow Mountain)**

In May 2016 calendar year, the Company entered into a Farm-In Agreement with Alchemy Resources Limited (Alchemy) covering a portfolio of Heron's NSW exploration tenements. The Farm-In Agreement covers 674 km<sup>2</sup> of the central Lachlan Orogen in NSW, including the following exploration tenements: EL5878 Overflow, EL7941 Overflow, EL8267 Overflow, EL8192 Eurow, EL8318 Girilambone and EL8356 Yellow Mountain.

Under the headline terms of the Farm-In, Alchemy is to spend A\$1M over 3 years to earn 51% and a further A\$1M within the 2 subsequent years to earn an additional 29% interest in the tenements. Once Alchemy reaches the 80% interest in the tenements, a Joint Venture (JV) will be formed with Heron free carried to completion of a pre-feasibility study. During the term of the JV, should Heron's interest reduce to less than 5%, Heron's interest will revert to a 1.5% NSR. In addition, Alchemy has issued 2 million Alchemy shares (escrowed for 12 months) and 2.5 million, 3 year, 10c options to Heron as initial consideration.

A priority RC-diamond drilling program is being planned by Alchemy, targeting up and down-plunge positions of the mineralisation zones at the Overflow mining centre, commencing in the second half of 2016 and subject to completion of landholder access agreements and statutory approvals.

## **WESTERN AUSTRALIA – EXPLORATION**

The Company has consolidated and retains a substantial portfolio of tenements in the Eastern Goldfields of Western Australia that are prospective for Archean-style nickel and gold mineralisation.

### **Emu Lake Project (100% Heron)**

The Emu Lake Project is located some 65km north-east of Kalgoorlie and work by previous companies (including Xstrata Nickel Ltd) has identified a prospective nickel sulphide horizon that extends for some 8km through the Heron tenure. Historical drill results include ELD015: 2m at 6.2% Ni and 1.8% Cu from 336m depth and demonstrate the potential for high grade nickel sulphide mineralisation in the area.

### **Kalgoorlie Nickel Project (100% Heron) (KNP)**

The KNP provides significant potential exposure to long-term, low cost nickel production in a highly stable and mining-orientated jurisdiction. The project is located in the Eastern Goldfields of Western Australia, 50-100km north and east from Kalgoorlie with a tenement holding covering 850km<sup>2</sup>. The nickel laterite rights are 100% held by Heron on unencumbered tenure.

With the combination of a large resource base and screen beneficiation of siliceous material, a potential leach feed grade of 1.1-1.5% Ni is possible over a long mine life. The project is also well supported by gas, road and rail infrastructure that is suitably located to support the development of the KNP plant site. To date more than A\$50 million has been spent on the resource drill-out (mainly by Vale Inco between 2005-2009), with the most recent scoping studies focused on the use of Simulus' Carbon Friendly Nickel Production process, which demonstrated that the KNP has the potential to provide a source of long-term, low capital intensity nickel concentrates to the market.

### **Rocky Gully Nickel-Copper Prospect (10% Heron, 90% Metallicity Ltd)**

Metallicity Ltd (ASX:MCT) have acquired a 90% interest in the Rocky Gully Project comprising the three tenements: E70/2801, E70/4543 and E70/4437. Heron retains a 10% interest in the tenements through to the completion of a pre-feasibility study. In consideration for the 90% interest MCT has issued Heron 14,375,000 MCT shares.

### **Bulong Gold Project (Heron 20%, Southern Gold Ltd 80%; Heron 100% nickel laterite rights Bulong East)**

The Bulong Gold Project is located 30km east of Kalgoorlie with Southern Gold (ASX:SAU) managing the joint venture as part of their exploration efforts around the producing Cannon Gold Mine. Work completed by SAU included:

- 1) Drilling at Tooting Bec on the tenement adjacent to E25/250 that has intersected gold mineralisation associated with strong magnetite alteration. This mineralisation appears to continue onto E25/0250.
- 2) Regional re-interpretation of the geology on E25/250 that has highlighted the potential for gold mineralisation along a 5.5 km trend between the Tooting Bec and Railway South gold prospects. The potential for Tooting Bec style, magnetite associated, mineralisation along this trend is also being investigated.





A selection of gold nuggets recovered from Heron's Western Australian tenements.

## ARDEA SPIN-OUT

On the 29th September Heron shareholders approved the restructuring of its non-Woodlawn asset portfolio in New South Wales (NSW) and Western Australia (WA), with a focus on gold and nickel, through the proposed listing of its wholly owned subsidiary, Ardea Resources Limited (Ardea).

Ardea's development focus will be the Lewis Ponds Gold-Zinc project in central NSW, and its exploration focus will be the Mt Zephyr and the Bardoc Tectonic Zone gold projects in the Eastern Goldfields of WA.

The rationale for this proposed spin-out is Heron's dedicated focus on bringing Woodlawn to development. Accordingly, in this corporate environment, it was considered that the value of the non-Woodlawn assets was not properly reflected within Heron, and they were unlikely to attract the focus and budgets which they warranted and require for advancement.

There is a desire to unlock the significant value in these non-Woodlawn assets, and the Company believes that this can be best achieved through the ASX listing of a focused, standalone gold and nickel exploration and development company, with a dedicated board and management team.

The spin-out will allow for the creation of two distinct companies:

- Heron, with its existing Board and senior executive team, as a project developer solely focused on fast tracking the Woodlawn Zinc-Copper Project towards production; and
- Ardea as a gold and nickel exploration/development company with a 100% interest in the Lewis Ponds Gold-Zinc Project, several high quality gold exploration plays with advanced drill targets and, importantly, ownership of the substantial Kalgoorlie Nickel Project.

Heron will be issued new fully paid ordinary shares in Ardea for the non-Woodlawn assets and, subject to jurisdictional compliance, these Ardea shares will then be distributed at nil cost to Heron shareholders on an entitlements basis. Ardea will simultaneously undertake a public offer concurrent with ASX listing.

This model is similar to past corporate initiatives undertaken by Heron, notably the successful Avoca Resources Limited spin-out in 2002.

Euroz Securities Limited and Azure Capital Limited have been mandated to manage the listing of Ardea as lead manager and corporate adviser, respectively. Independent experts have been appointed, documentation preparation commenced, and a search underway to appoint a suitably qualified board and managing director for Ardea.



## 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. The Company is focused on the development of the high grade Woodlawn Project located 250km south-west of Sydney in New South Wales (NSW). Heron also owns the Kalgoorlie Nickel Project located north of Kalgoorlie in Western Australia (WA), and holds a number of other quality base metal and copper-gold exploration properties located in the Lachlan Fold Belt of New South Wales.

### WOODLAWN ZINC-COPPER PROJECT

Heron holds a direct 100% ownership of the mineral rights at the Woodlawn Mine site situated 40km south of Goulburn and 250km south-west of Sydney, in southern NSW, Australia. 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. Heron also holds a portfolio of advanced stage exploration tenements adjacent to the Woodlawn site covering the same prospective felsic volcanic units that host the Woodlawn Volcanogenic Massive Sulphide (VMS) deposit.

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.

Prior operators closed the mine in March 1998 due to prevailing low metal prices and external corporate issues. Post mine closure the mineral rights contained within the Woodlawn Mining Licence SML20 were purchased by TriAusMin Ltd. Since that time, work has focused on evaluating the potential to re-process tailings from previous mining operations (termed the Woodlawn Retreatment Project – WRP), and to re-develop the underground mine (the Woodlawn Underground Project – WUP). Regional exploration has also been undertaken in the vicinity of Woodlawn with the objective of discovering new, high grade satellite deposits (Woodlawn Exploration Project – WEP) which are common in these districts.

The brownfields drilling and down-hole Electro-Magnetic (DHEM) exploration surveys undertaken by Heron at the Woodlawn site continues to extend the known VMS systems and generate new targets, as expected from Australia’s second largest historic VMS system (second only to Rosebery, Tasmania).

#### Release of Feasibility Statement

On 29 June 2016 the Company announced the results of the Woodlawn Feasibility Study (FS). The complete NI 43-101 Technical Report in support of the FS study was published on Heron’s website and lodged on SEDAR [www.sedar.com](http://www.sedar.com) (TSX:HER) on 26 July 2016. The key outcomes of this study include:

#### *Attractive project characteristics*

- Initial 9.3 year mine life based upon the combined underground and tailings Mineral Reserves (“Starter Case”)
- Campaign processing rate of up to 1.0Mtpa from underground mining, and up to 1.5Mtpa from reclaiming tailings, processed through a standard single-sulphide flotation facility
- Steady-state (2020-2023) annual Production Target of 40kt Zn, 10kt Cu, 12kt Pb, 900koz Ag and 4koz Au contained within zinc, copper, and lead concentrates
- Project is totally contained upon granted Special Mining Lease SML20 – Woodlawn is fully ‘permitted’ and ‘mine ready’
- Utilising existing local and regional infrastructure to achieve significant reductions in development costs
- Close proximity to large service and employment centres (Sydney, Wollongong, Canberra, Goulburn)
- Strong local community and regulator support
- Inferred Mineral Resources defined in both the underground and tailings projects demonstrate excellent potential to extend mine life to more than 11.5 years

#### *Mineral Resources & Mineral Reserves*

- Underground mine plan focused on the shallower areas of the deposit reflecting the success of the recent Preliminary Economic Assessment (PEA) & FS drilling programs. There is a high level of confidence based on historic data for extensions to this mineralisation both at-depth and along strike
- Two separate production sources, mining from underground and reclaiming of tailings, provides operational flexibility and reduces risk
- 20 years of historical operational data removes ‘greenfield’ unknowns

**Robust economics**

- C1 costs of US\$-0.06/lb zinc and C3 of US\$0.34/lb are expected to place Woodlawn firmly in the lower half of the cost curve
- Attractive “peer project” capital cost metrics based on annual metal Production Targets and Reserves-based mine life
- Life extension case (PEA equivalent mine plan) shows excellent consistency with previously published PEA
- Significant leverage to the price outlook for zinc, which comprises approximately 48% of total payable metal value

**Expedited development and financing pathway to meet market opportunity**

- The Company has commenced a structured project funding process with the assistance of Azure Capital and is targeting finalisation in the later part of 2016
- A number of optimisation opportunities that have the potential to further enhance the project outcomes were identified during the FS program. A number of these options are being pursued in parallel to the funding and include aspects such as equipment sourcing alternatives and additional shallow mineralised positions
- Rapid development schedule of 15 months from commencement of construction until completion of wet commissioning
- First production targeted first half 2018 to meet projected favourable zinc market conditions

**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.

In accordance with Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly the following information about the Company's Corporate Governance practices is set out on the Company's website at **[www.heronresources.com.au](http://www.heronresources.com.au)**:

- Board of Directors Charter;
- Audit & Governance Committee Charter;
- Remuneration & Nomination Committee Charter
- Policy on Share trading and conflicts of interest;
- Policy on continuous disclosure;
- Policy regarding communication with Shareholders;
- Policy on the Company's risk management;
- Policy on Employee Diversity;
- Policy on HSEC;
- Policy on Whistleblowers;
- Code of Conduct; and
- Policy on External Communication.



## 4.0 Directors' Report

The Directors submit their Report on the Company and its controlled entities for the year ended 30 June 2016.

### 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** Stephen Dennis - BCom BLLB GDipAppFin(Finsia) CFTP.  
**Appointed** 05 December 2006  
**Position** Chairman (Non-Executive) of the Board, Member of Audit and Corporate Governance Committee, Member of Remuneration and Nomination Committee  
Stephen Dennis has been actively involved in the mining industry for 30 years. He has held senior management positions at Toho Zinc, MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited.

**Other current directorships**

Non-executive Chairman of Cott Oil and Gas Limited; Non-executive Chairman of Rox Resources Limited and Non-executive Chairman of Graphex Mining Limited.

**Former directorships in last 3 years**

Managing Director of CBH Resources Limited.

**Director** Wayne Taylor - BEng (Mining), MBA, MAusIMM

**Appointed** 11 August 2014

**Position** Managing Director and CEO

Mr. Taylor is a mining engineer with over 30 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 Ltd until August 2014.

**Director** Ian 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.

**Former directorships in last 3 years**

Non-executive Director of Golden Cross Resources Limited.

**Director** Borden Putnam III - MSc, RPG  
**Appointed** 12 December 2014  
**Position** Director (Non-Executive), Member of Audit & Governance Committee, Member of Remuneration and Nomination Committee  
 Mr. Putnam is a professional geologist with over 38 years of experience in the mineral industry, with focus on exploration and asset evaluations in the mineral investment business. From 1976-1991 he worked as a Project Geologist and a District Manager for AMAX Exploration and Newmont Exploration Limited respectively. He served as Vice-President and Chief Geologist for MRDI (now AMEC) an internationally recognized mining consultancy firm from 1991-1996. Mr. Putnam was Vice-President and Principal with Robertson Stephens Investment Management from 1996-2001, and from 2001-2009 was Managing Director of Eastbourne Capital Management; both firms which were engaged in mineral investment management principally as private hedge funds. In 2009, Mr Putnam, established his mining industry consultancy business providing technical evaluations, due diligence audits and investment advice to clients in the mineral resource industry.

**Other current directorships**

Director of Mirasol Resources Ltd.

**Former directorships in last 3 years**

None.

**Director** Fiona Robertson - MA (Oxon) (Geology), MAusIMM, FAICD  
**Appointed** 9 April 2015  
**Position** Director (Non-Executive), Chairman of Audit & Governance Committee, Member of Remuneration and Nomination Committee  
 Ms Robertson is a finance professional and practicing non-executive director and audit/risk committee chair with a background of more than 20 years as a chief financial officer in the emerging and mid-tier resources sector and 14 years as a corporate banker working in Sydney, New York and London with Chase Manhattan Bank. Ms Robertson's executive experience includes CFO roles with Petsec Energy Ltd; Climax Mining Ltd and Delta Gold Ltd; as well as various corporate banking roles with Chase Manhattan Bank.

**Other current directorships**

Non-executive Chair of One Asia Resources Ltd; and National and NSW Committee member of WIMnet (AusIMM's Women in Mining Network).

**Former directorships in last 3 years**

Non-Executive Director of Drillsearch Energy Limited.

**Director** Mark Sawyer - LL.B.  
**Appointed** 19 August 2015  
**Position** Director (Non-Executive)  
 Mr Sawyer co-founded Greenstone Resources in 2013 after a 16 year career in the mining sector. Prior to establishing Greenstone, Mr Sawyer was GM and Co-Head Group Business Development at Xstrata plc where he was responsible for originating, evaluating and negotiating new business development opportunities for Xstrata. Prior to Xstrata Mr Sawyer held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and at Rio Tinto plc. Mr Sawyer is a solicitor and a resident of the United Kingdom.

**Other current directorships**

North River Resources Plc, Metro Mining Limited.

**Former directorships in last 3 years**

None.



## SENIOR EXECUTIVE OFFICERS

### Chief Operating Officer

The Chief Operating Officer (COO) is Andrew Lawry B App Sc (Metallurgy). Mr Lawry brings more than 28 years' experience in project management, engineering, construction, commissioning and operations, both in Australia and overseas. He has worked for several leading resource companies including Polymetals, Newcrest and engineering firms Bateman, Normet and Q-Proc. Notably, Mr Lawry managed, from construction through to operation, the successful retreatment of the Hellyer base metal tailings project in 2006 in western Tasmania. With this experience he is well qualified to lead the successful development of the Woodlawn Project which comprises the retreatment of tailings in combination with an underground mining development.

### General Manager – Finance and Administration and Company Secretary

The GM - Finance and Company Secretary is Simon Smith B.Bus CA. Mr. Smith has been a Chief Financial Officer of both private and public companies in Australia and the USA. He brings 20 years' experience in the business world 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 - Exploration and Geology

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.

### General Manager - Strategy & Business Development

Charlie Kempson MEng (Oxon), MBA, GAICD 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. During the year the Company's focus has been on completing the Woodlawn Feasibility Study (FS). This was completed in June 2016. The Company has also explored on its other tenements in New South Wales and Western Australia. The Company also announced its intention to spin out the non Woodlawn assets into the new IPO entity named Ardea Resources Ltd.

## OPERATING RESULTS

The loss of the consolidated entity for the 2016 financial year after income tax of nil (2015: nil) was \$4,252,525 (2015: \$5,429,844).

## 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 the final printed Annual Report. Management's discussion and analysis for the three and twelve month period ending 30 June 2016 can be found in Appendix 2 of this report.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity during the year.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 10 August 2016, the Company announced that its Board had committed to restructuring its non-Woodlawn asset portfolio in NSW and WA (the Assets), with a focus on gold and nickel (Proposed Transaction), through the proposed listing of its wholly owned subsidiary, Ardea Resources Limited (Ardea).

Ardea's focus will be on the potential development of the Lewis Ponds gold project in central NSW and targeted exploration of the Mt Zephyr and the Bardoc Tectonic Zone gold projects in the Eastern Goldfields of WA. The proposed transaction is subject to various conditions, including approval by Heron's shareholders (received on 29 September 2016).

Other than noted above, at the date of this Report there is no matter or circumstance which has arisen since 30 June 2016 that has significantly affected or may significantly affect:

- The operations, in the financial years subsequent to 30 June 2016, of the Consolidated Entity;
- The results of those operations; or
- The state of affairs, in the financial years subsequent to 30 June 2016, of the Consolidated Entity.

## OPTIONS

Options issued during the year are noted below and were issued under the Employee Share Ownership Plan (ESOP) approved by Shareholders at the 2015 AGM. There were no options exercised during the year.

Number Issued	Expiry Date	Exercise Price
20,700,000	4 December 2020	\$0.092

The following Options expired during the year:

Number Issued	Expiry Date	Exercise Price
2,500,000	23 June 2016	\$0.31
333,333	16 January 2016	\$0.27
1,000,000	05 March 2016	\$0.22
42,918	27 June 2016	\$0.27
21,459	22 February 2018	\$0.17
21,459	31 January 2019	\$0.09
21,459	13 June 2017	\$0.22
21,459	13 March 2018	\$0.15
858,369	19 March 2016	\$0.37
400,000	4 December 2020	\$0.092
<b>5,220,456</b>		

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

Date Options Granted	Expiry Date	Number Issued	Exercise Price
5 October 2012	16 January 2017	333,334	\$0.31
3 April 2013	5 March 2017	1,000,000	\$0.27
3 April 2013	5 March 2018	1,000,000	\$0.31
5 August 2014	23 October 2017	21,459	\$0.14
5 August 2014	20 November 2018	858,369	\$0.09
5 August 2014	4 February 2017	21,459	\$0.27
5 December 2015	4 December 2020	20,300,000	\$0.092
	<b>TOTAL</b>	<b>23,534,621</b>	

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
I Buchhorn	2,518,241	44,272,718	3,000,000	5,000,000 <sup>(1)</sup>
S Dennis	-	1,350,000	1,000,000	-
W Taylor	268,618	1,595,905	4,858,369	-
B Putnam	-	-	1,000,000	-
F Robertson	-	500,000	1,000,000	-
M Sawyer	-	-	-	1,000,000
<b>Key Management Personnel</b>				
A Lawry	-	170,000	1,650,000	-
D von Perger	478,136	130,000	1,650,000	-
S Smith	72,961	60,000	1,650,000	-
C Kempson	-	3,508,474	3,650,000	-

<sup>(1)</sup> The 5,000,000 options expired un-exercised in September 2016

## DIRECTORS MEETINGS

During the year the Company held 7 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	Remuneration and Nomination Committee meetings
S Dennis	7	7	4	1
I Buchhorn	7	7	-	-
W Taylor	7	7	-	-
B Putnam	7	6	3	1
F Robertson	7	7	4	1
M Sawyer <sup>(1)</sup>	6	6	-	-

<sup>(1)</sup> Mr Sawyer was appointed on 19 August 2015

## REMUNERATION REPORT (AUDITED)

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 options.

Remuneration levels and other terms of employment for Mr Taylor, Mr Smith, Mr Buchhorn, Mr Lawry, 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;
- Eligible to receive a discretionary Short Term Incentive approved by the Board; 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 payable in accordance with the formula prescribed by section 200G of the Corporations Act. The length of notice to be given by both parties on termination is six months.

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;
- Eligible to receive a discretionary Short Term Incentive approved by the Board; 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 (7 years annual salary) in accordance with the provisions of the Corporations Act at the time the contract was entered into in 2009. 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 General Manager – Finance and Administration and Company Secretary of the Company and contains the following major provisions:

- No fixed term;
- Current base salary of \$261,000 exclusive of superannuation;
- Eligible to receive a discretionary Short Term Incentive approved by the Board; and
- Termination can be made by either Mr Smith or the Company by giving not less than three months' notice.

The agreement with **Mr Lawry** requires the provision of his services as Chief Operating Officer of the Company and contains the following major provisions:

- No fixed term;
- Current base salary of \$310,000 exclusive of superannuation;
- Eligible to receive a discretionary Short Term Incentive approved by the Board; and
- Termination can be made by either Mr Lawry or the Company by giving not less than three months' notice.

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 \$261,468 exclusive of superannuation plus car;
- Eligible to receive a discretionary Short Term Incentive approved by the Board; 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 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 \$261,468 exclusive of superannuation;
- Eligible to receive a discretionary Short Term Incentive approved by the Board; and
- Termination can be made by either Mr Kempson or the Company by giving not less than three months' notice.

Non-executive Directors, Stephen Dennis, Borden Putnam, Fiona Robertson and Mark Sawyer, 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 are no termination or retirement benefits for non-executive Directors (other than statutory superannuation).

In July 2016 year-end Bonuses were approved by the remuneration committee for W Taylor (\$55,000), D Von Perger (\$40,000), A Lawry (\$40,000), S Smith (\$40,000) and C Kempson (\$40,000). These were granted based on an assessment of their performance in the year in achieving key milestones and deliverables. They are disclosed as 'Short-term benefits'; in the table below.

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.

2016	Short-term			Post-employment		Termination payments	Share- based payment options	Total
	benefits			benefits				
	Cash salary	Non-cash	Short Term	Super-	Retirement			
	& fees	(1)	Incentive	annuation				
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>								
I J Buchhorn	321,000	2,266	-	30,495	-	-	61,664	415,425
S B Dennis	90,000	-	-	8,550	-	-	20,554	119,104
W Taylor	367,000	-	55,000	63,300	-	-	104,318	589,618
B Putnam <sup>(2)</sup>	76,650	-	-	-	-	-	20,554	97,204
F Robertson	70,000	-	-	6,650	-	-	20,554	97,204
M Sawyer <sup>(2)</sup>	70,262	-	-	-	-	-	20,554	90,816
<b>Key Management Personnel ("KMP")</b>								
D von Perger	261,468	10,041	40,000	28,639	-	-	33,915	374,063
A Lawry	310,000	-	40,000	33,250	-	-	33,915	417,165
C Kempson	261,468	-	40,000	28,639	-	-	51,650	381,757
S Smith	261,000	-	40,000	28,595	-	-	33,915	363,510
<b>Total</b>	2,088,848	12,307	215,000	228,118	-	-	401,593	2,945,866

(1) Non cash benefits include the use of a Company owned car and fuel reimbursement

(2) Mr Putnam and Mr Sawyer are not paid superannuation as they are non-residents of Australia

2015	Short-term			Post-employment		Termination payments	Share- based payment options	Total
	benefits-----			benefits-----				
	Cash salary & fees	Non-cash (1)	Short Term Incentive	Super- annuation	Retirement			
	\$	\$	\$	\$	\$			
<b>Directors</b>								
I J Buchhorn	321,101	2,589	-	30,505	-	-	-	354,195
S B Dennis	76,333	-	-	7,252	-	-	-	83,585
W Taylor	306,227	-	50,000	45,875	-	-	78,998	481,100
B Putnam (2)	38,298	-	-	-	-	-	-	38,298
F Robertson	14,848	-	-	1,411	-	-	-	16,259
M Sawyer (2)	-	-	-	-	-	-	-	-
<b>Key Management Personnel (“KMP”)</b>								
D von Perger	261,468	8,108	30,000	24,839	-	-	-	324,415
A Lawry	3,584	-	-	340	-	-	-	3,924
C Kempson	261,468	-	40,000	24,839	-	-	50,763	377,070
S Smith	236,976	-	-	-	-	-	-	236,976
<b>Total</b>	1,520,303	10,697	120,000	135,061	-	-	129,761	1,915,822

(1) Non cash benefits include the use of a Company owned car and fuel reimbursement

(2) Mr Putnam and Mr Sawyer are not paid superannuation as they are non-residents of Australia

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 both the Directors and Key Management Personnel vest upon the achievement of milestones related to the development, construction and performance of the Woodlawn mine and are therefore considered to be performance related.

Shares	Held at 1 July 2015	Purchased on market	Sold	Held at 30 June 2016
<b>Directors</b>				
I Buchhorn	46,790,959	-	-	46,790,959
S Dennis	1,000,000	350,000	-	1,350,000
W Taylor	1,267,944	596,579	-	1,864,523
B Putnam	-	-	-	-
F Robertson	-	500,000	-	500,000
M Sawyer	-	-	-	-
<b>Key Management Personnel</b>				
A Lawry	50,000	120,000	-	170,000
D von Perger	608,136	-	-	608,136
C Kempson	3,283,491	224,983	-	3,508,474
S Smith	132,961	-	-	132,961



Options	Expiry Date	Exercise Price	Held at 1 July 2015	Issued	Expired /lapsed	Held at 30 June 2016
<b>Directors</b>						
I Buchhorn	7 September 2016	\$0.70	5,000,000	-	-	5,000,000 <sup>(1)</sup>
	23 June 2016	\$0.31	1,000,000	-	(1,000,000)	-
	4 December 2020	\$0.092	-	3,000,000	-	3,000,000
W Taylor	19 March 2016	\$0.37	858,369	-	(858,369)	-
	20 November 2018	\$0.09	858,369	-	-	858,369
	4 December 2020	\$0.092	-	4,000,000	-	4,000,000
S Dennis	4 December 2020	\$0.092	-	1,000,000	-	1,000,000
F Robertson	4 December 2020	\$0.092	-	1,000,000	-	1,000,000
B Putnam	4 December 2020	\$0.092	-	1,000,000	-	1,000,000
M Sawyer	4 December 2020	\$0.092	-	1,000,000	-	1,000,000
<b>Key Management Personnel</b>						
D von Perger	23 June 2016	\$0.31	1,000,000	-	(1,000,000)	-
	4 December 2020	\$0.092	-	1,650,000	-	1,650,000
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
	4 December 2020	\$0.092	-	1,650,000	-	1,650,000
A Lawry	4 December 2020	\$0.092	-	1,650,000	-	1,650,000
S Smith	4 December 2020	\$0.092	-	1,650,000	-	1,650,000
			11,716,738	17,600,000	(3,858,369)	25,458,369

<sup>(1)</sup> The 5,000,000 options expired un-exercised in September 2016

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
S Dennis	5-Dec-15	n/a	4-Dec-20	0.092	1,000,000	No	0.059	0%
F Robertson	5-Dec-15	n/a	4-Dec-20	0.092	1,000,000	No	0.059	0%
B Putnam	5-Dec-15	n/a	4-Dec-20	0.092	1,000,000	No	0.059	0%
M Sawyer	5-Dec-15	n/a	4-Dec-20	0.092	1,000,000	No	0.059	0%
I Buchhorn	5-Dec-15	n/a	4-Dec-20	0.092	3,000,000	No	0.059	0%
D Von Perger	5-Dec-15	n/a	4-Dec-20	0.092	1,650,000	No	0.059	0%
C Kempson	5-Dec-15	n/a	4-Dec-20	0.092	1,650,000	No	0.059	0%
	3-Apr-13	5-Mar-15	5-Mar-17	0.27	1,000,000	n/a	0.07	100%
	3-Apr-13	5-Mar-16	5-Mar-18	0.31	1,000,000	n/a	0.076	100%
W Taylor	5-Aug-14	20-Nov-14	20-Nov-18	0.09	286,123	n/a	0.1034	100%
	5-Aug-14	20-Nov-15	20-Nov-18	0.09	286,123	n/a	0.1034	100%
	5-Aug-14	20-Nov-16	20-Nov-18	0.09	286,123	n/a	0.1034	0%
	5-Dec-15	n/a	4-Dec-20	0.092	4,000,000	No	0.059	0%
A Lawry	5-Dec-15	n/a	4-Dec-20	0.092	1,650,000	No	0.059	0%
S Smith	5 Dec 15	n/a	4 Dec 20	0.092	1,650,000	No	0.059	0%

## EMPLOYEE DIVERSITY

Women currently represent 31% of employees in the Company as a whole. There is currently one woman on the Board.

## 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. Following guidance from the ASX the Corporate Governance policy can be found on our website in line with Listing Rule 4.10.3.

## **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.

## **INDEMNITY AND INSURANCE OF OFFICERS**

The company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## **INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## **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 Mr Scott Jarrett of Ernst & Young as auditor of the Company.

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).

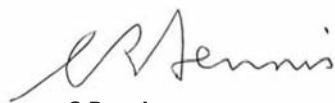
## **ROUNDING OFF**

The Company is of a kind referred to in ASIC Class Order 2016/191 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.

## **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of Directors



**S Dennis**

Chairman

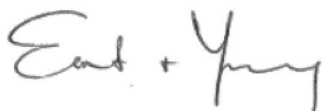
Sydney, 24 August 2016

## Auditor's Independence Declaration to the Directors of Heron Resources Limited


As lead auditor for the audit of Heron Resources Limited for the financial year ended 30 June 2016, I declare 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 financial year.



Ernst & Young



Scott Jarrett  
Partner  
Sydney  
24 August 2016



## 5.0 Consolidated Financial Statements

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

		<b>Consolidated Entity</b>	
	<b>Notes</b>	<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
OTHER INCOME	2	1,081	1,137
Accountancy fees		(11)	(12)
Audit fees		(18)	(40)
Consultants expense		-	(99)
Depreciation expense	3(a)	(57)	(55)
Directors fees		(310)	(232)
Employee benefits expense		(1,034)	(993)
Insurance expense		(75)	(139)
Legal fees		(166)	(129)
Equity settled share based payments	15(b)	(457)	(173)
Rental Expenses		(340)	(323)
Other expenses from ordinary activities	3(b)	(892)	(789)
Exploration expenditure expensed as incurred	9	(1,714)	(2,092)
Exploration expenditure written off	9	(1,181)	-
Investment gain/(loss)	6	921	(1,490)
(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(4,253)	(5,429)
INCOME TAX EXPENSE	4	-	-
(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(4,253)	(5,429)
(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(4,253)	(5,429)
OTHER COMPREHENSIVE INCOME			
Changes in market value of financial assets		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(4,253)	(5,429)
		<b>\$</b>	<b>\$</b>
Basic earnings per Share	22	(0.0104)	(0.0162)
Diluted earnings per Share	22	(0.0104)	(0.0162)

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** AS AT 30 JUNE 2016

	Notes	Consolidated Entity 2016 \$'000	2015 <sup>(1)</sup> \$'000	1 July 2014 Re-stated <sup>(1)</sup>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	16(c)	22,891	24,015	32,915
Trade and other receivables	5	522	362	337
Investments		-	-	1,359
<b>TOTAL CURRENT ASSETS</b>		<b>23,413</b>	<b>24,377</b>	<b>34,611</b>
<b>NON-CURRENT ASSETS</b>				
Trade and other receivables	7	35	35	35
Investments	6	1,907	2,328	3,321
Property, plant and equipment	8	436	493	58
Exploration and evaluation costs carried forward	9	31,068	27,119	4,578
<b>TOTAL NON-CURRENT ASSETS</b>		<b>33,446</b>	<b>29,975</b>	<b>7,922</b>
<b>TOTAL ASSETS</b>		<b>56,859</b>	<b>54,352</b>	<b>42,603</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	10	893	1,461	281
Provisions	11	840	740	560
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,733</b>	<b>2,201</b>	<b>841</b>
<b>NON-CURRENT LIABILITIES</b>				
Provisions	12	42	-	-
<b>TOTAL LIABILITIES</b>		<b>1,775</b>	<b>2,201</b>	<b>841</b>
<b>NET ASSETS</b>		<b>55,084</b>	<b>52,151</b>	<b>41,762</b>
<b>EQUITY</b>				
Contributed equity	13	138,409	131,680	116,035
Option reserve	15(b)	935	522	582
Accumulated losses	15(a)	(84,260)	(80,051)	(74,855)
<b>TOTAL EQUITY</b>		<b>55,084</b>	<b>52,151</b>	<b>41,762</b>

<sup>(1)</sup> Re-stated - refer to Note 1 (y)

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Issued Capital \$'000	Accumulated Losses \$'000	Option Reserve \$'000	Total \$'000
<b>As at 30 June 2015 <sup>(1)</sup></b>		131,680	(80,051)	522	52,151
Total comprehensive income for the year		-	(4,253)	-	(4,253)
Issue of share capital	13	6,729	-	-	6,729
Option reserve write back	15(a) & (b)	-	44	(44)	-
Cost of share based payments	15(b)	-	-	457	457
<b>As at 30 June 2016</b>		<b>138,409</b>	<b>(84,260)</b>	<b>935</b>	<b>55,084</b>
<b>As at 30 June 2014 <sup>(1)</sup></b>		116,035	(74,855)	582	41,762
Total comprehensive income for the year		-	(5,429)	-	(5,429)
Issue of share capital	13	15,645	-	-	15,645
Option reserve write back	15(a) & (b)	-	233	(233)	-
Cost of share based payments	15(b)	-	-	173	173
<b>As at 30 June 2015</b>		<b>131,680</b>	<b>(80,051)</b>	<b>522</b>	<b>52,151</b>

<sup>(1)</sup> Re-stated. Refer to Note 1 (y)

The accompanying notes form part of these financial statements



**CONSOLIDATED STATEMENT OF CASHFLOWS** FOR THE YEAR ENDED 30 JUNE 2016

	<b>Notes</b>	<b>Consolidated Entity</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		717	1,005
Payments to suppliers		(2,765)	(2,930)
NET CASH USED IN OPERATING ACTIVITIES	16(a)	(2,048)	(1,925)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Exploration expenditure		(7,456)	(6,882)
Purchase of investments	6	-	(427)
Sale of investments	6	1,656	128
Acquisition of plant and equipment		(18)	(122)
Proceeds from sale of plant and equipment		12	13
NET CASH USED IN INVESTING ACTIVITIES		(5,806)	(7,290)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		6,821	-
Cost of share issue		(91)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		6,730	-
NET INCREASE / (DECREASE) IN CASH HELD		(1,124)	(9,215)
Cash acquired via TriAusMin acquisition		-	315
Cash at the beginning of the reporting period		24,015	32,915
CASH AT THE END OF THE REPORTING PERIOD	16(c)	22,891	24,015

The accompanying notes form part of these financial statements

**NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2016****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 Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

In the application of AIFRS, 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.

The financial report has been prepared on a historical cost basis, except for financial assets designated as fair value through profit and loss.

An additional statement of financial position as at 1 July 2014 is presented in these consolidated financial statements due to the correction of an error retrospectively. Refer to Note 1 (y).

**b) Basis of consolidation**

Subsidiaries are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 five main categories and this information is presented on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The CODM reviews segmental information on a monthly basis vs budget. The accounting policies adopted for internal reporting are consistent with those adopted in the financial statements.

**Woodlawn** – Tenements related to the Woodlawn Underground Project (WUP), Woodlawn Retreatment Project (WRP) and Woodlawn Exploration Project (WEP).

**Lewis Ponds** – Tenements relating to the Lewis Ponds Project.

**KNP** - Tenements related to the Kalgoorlie Nickel Project.

**Exploration** - Tenements not KNP, Lewis Ponds or Woodlawn related.

**Corporate** – Corporate activity.

**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 using the effective interest rate method.

**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 statement of profit or loss and other comprehensive income 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. During 2016 all expenses capitalised relate to the Woodlawn project.

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**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, ie the date that the Group commits to purchase or sell the asset.



#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

#### **i) 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.

#### **j) 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 statement of financial position.

#### **k) 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

During the year, the Company decided to write down the carrying value of the KNP by \$1,181,000. This written down value reflects the recoverable amount value of KNP immediately prior to its transfer into Ardea (see Note 24 Subsequent Events for more information).

#### **l) Employee benefits**

##### *(i) Wages and salaries, annual leave*

Liabilities for wages and salaries and annual leave are recognised as employee benefits in respect of employees' 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.

#### **m) Share-based payment transactions**

The Company provides benefits to the Directors and employees 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").

An Employee Share Option Plan ("ESOP") 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.

**n) 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.

**o) Trade and other payables**

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

**p) Dividends**

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

**q) 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.

**r) 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.

**s) 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.

**t) 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 outlined in note 1 (g).

*Impairment of non-current assets*

Non-current assets are 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 of disposal'.

*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.

**New accounting standards and interpretations**

The Australian Accounting Standards Board has published various pronouncements that are not mandatory for the 30 June 2016 reporting period. The Company has reviewed all these pronouncements and assessed their applicability and the likely impact on the Company's accounting policies. All new, revised or amended standards that are mandatory for the current period have been adopted and that none have had a material impact. 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 its consequential amendments. The consolidated entity will adopt this standard and the amendments from 1 July 2018 and it is unlikely to affect the Company.

AASB 15 Revenue from Contracts with Customers. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

**u) 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 2016 the Group's strategy, which was unchanged from 2015, was to maintain a current account balance sufficient to meet the Company's day to day expenses with the balance held in term deposits.

**v) Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**y) Correction of prior year error**

As at 30 June 2016, the Company has concluded that the 5,000,000 options issued to Mr I Buchhorn will never be vested and the adjustment should have been made during the year ended 30 June 2014. Accordingly the Share Based payment expense relating to these options has been reversed as a credit to Accumulated Losses. This has been adjusted through the Options Reserve (\$244,918) and the Accumulated Losses (\$1,859,364) as at 1 July 2014. This adjustment does not have an impact on the current year Loss.

	<b>Consolidated Entity</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Gain / (Loss) on disposal of fixed assets	(6)	5
Gain / (Loss) on sale of investments	35	30
Interest received - other persons/corporations	717	945
Bonus issue of AYC options	-	110
Proceeds from disposal of interest in Rocky Gully <sup>(1)</sup>	288	-
Proceeds from disposal of interest in Overflow <sup>(2)</sup>	26	-
Sundry income	21	47
Total revenues from continuing activities	1,081	1,137

<sup>(1)</sup> On 2 July 2015, the shareholders of Metalicity (formerly PLD Corporation Ltd) voted in favour of the company acquiring 90% of Heron's Rocky Gully Project. In consideration, Heron were issued 14,375,000 Metalicity shares valued at 2 cents per share which are escrowed for 1 year.

<sup>(2)</sup> On 30 May 2016, the company announced it had entered into a Farm in agreement with Alchemy Resources Ltd over its Overflow, Eurow and Girilambone projects. In consideration, Heron received 2,000,000 shares in Alchemy which are escrowed for 1 year and 2,500,000 options with a 3 year term and an exercise price of \$0.10.

**NOTE 3. OPERATING EXPENSES**

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

a) Depreciation expense		
Plant & equipment	(7)	(16)
Office equipment & furniture	(46)	(36)
Motor vehicles	(4)	(3)
	(57)	(55)



	<b>Consolidated Entity</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
b) Other expenses includes the following:		
Payroll tax	(31)	(21)
Stock exchange (ASX and TSX)	(94)	(229)
Travel & accommodation	(122)	(137)
Office expenses and supplies	(106)	(98)
Computer support services	(88)	(81)
Report expenses and printing	(67)	(34)
Conferences and seminars	(22)	(38)
Investor Research and Relations	(284)	(96)
Miscellaneous expenses	(78)	(55)
Total other expenses	(892)	(789)

#### NOTE 4. INCOME TAX

a) Temporary differences carried forward	-	-
Current Tax	-	-
Deferred tax	-	-

The Heron Resources Limited group of companies was tax consolidated on 1 July 2003 and during the year the Company entered into a tax sharing and/or tax funding agreements with its members.

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.

	<b>Consolidated Entity</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
b) Numerical reconciliation of income tax expense to prima facie tax payable is as follow:		
Profit (loss) from operations before income tax expense	(4,253)	(5,429)
Tax at Australian tax rates of 28.5% (2015 30%)	(1,212)	(1,628)
Tax effect of permanent differences	(119)	557
Tax effect of equity raising costs debited to equity	(6)	-
Over or under provision from previous years	-	-
Tax effect of tax losses and temporary differences not recognised	1,337	1,071
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	97,218	89,721
Potential tax benefit at 30%	29,165	26,916

	<b>Consolidated Entity</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
e) Unrecognised temporary differences		
Non deductible amounts as temporary differences	881	(7,183)
Accelerated deductions for book compared to tax	(1,002)	7,555
Total at 100%	(121)	372
Potential effect on future tax expense for temporary differences at 30%	(36)	(112)
f) There are no franking credits available for future years.		

#### NOTE 5. TRADE AND OTHER RECEIVABLES – CURRENT

Prepayments	75	13
Accrued interest	56	96
Goods & services tax paid	82	86
Sundry Debtors	309	167
	522	362

#### NOTE 6. INVESTMENTS IN ENTITIES - NON CURRENT

**A1 Consolidated Gold Limited** (AYC) is an Australian listed public exploration company with 552,689,252 fully paid ordinary shares on issue. Heron holds 30,366,666 fully paid shares at 30 June 2016, which have been valued at the closing price of \$0.02 on that day. Heron also holds 10,955,556 options exercisable for \$0.03 expiring 30 November 2019 which have been valued at the closing price of \$0.006 per option as at 30 June 2016 (refer Note 2).

**Golden Cross Resources Limited** (GCR) is an Australian listed public exploration company with 101,613,227 fully paid ordinary shares on issue. During the year Heron sold its entire holding of 19,047,529 fully paid shares realising cash proceeds of \$1,571,000.

**Metalicity Limited** (MCT) is an Australian listed public exploration company with 430,669,654 fully paid ordinary shares on issue. Heron holds 14,375,000 fully paid shares at 30 June 2016, which have been valued at the closing price of \$0.07 on that day.

During the year, the company sold 1,875,000 shares in Metalicity at an average price of \$0.03 per share.

**Alchemy Resources Ltd** (ALY) is an Australian listed public exploration company with 230,788,035 shares on issue. During the year, the Company entered into a Farm in agreement with Alchemy Resources Ltd over its Overflow, Eurow and Girilambone projects. In consideration, Heron received 2,000,000 shares in Alchemy which are escrowed for 1 year and 2,500,000 options with a 3 year term and an exercise price of \$0.10 (nil value ascribed). The Alchemy shares that the Company owns have been initially recognised at the price of \$0.013 on the date of issued (30 May 2016) and then re-valued at closing price of \$0.025 as at 30 June 2016.

**Newamu IP Holdings Pty Ltd** is a subsidiary of The Stimulus Group Pty Ltd in which Ardea Resources Pty Ltd formerly (Kalgoorlie Nickel Project Pty Ltd) has invested \$178,000. The investment is carried at cost which is deemed to equal fair value. The investment in Newamu will be transferred into Ardea Resources Ltd.

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Investments in other entities at fair value</b>		
A1 Consolidated Gold Limited	673	1,122
Golden Cross Resources Limited	-	953
Metalicity Limited	1,006	75
Newamu Pty Ltd	178	178
Alchemy Resources Ltd	50	-
	1,907	2,328

	2016 \$'000	2015 \$'000
<b>Movement in investments</b>		
<b>A1 Consolidated Gold Limited</b>		
Opening carrying value 30 June 2015 (shares and options)	1,122	1,441
Investment - Shares	-	200
Mark to market - Shares	(304)	(644)
Sold on market - Shares	(47)	(39)
Opening value – Options	-	110
Mark to market - Options	(98)	54
Closing carrying value 30 June 2016	673	1,122
<b>Golden Cross Resources Limited</b>		
Opening carrying value 30 June 2015	953	1,880
Sold on market - Shares	(1,571)	-
Investment – Shares	-	15
Mark to market - Shares	-	(942)
Gain on market sale	618	-
Closing carrying value 30 June 2016	-	953
<b>Metalicity Limited</b>		
Opening carrying value 30 June 2015	75	34
Proceeds from issue of shares for Rocky Gully	288	-
Sold - Shares	(38)	-
Mark to market - Shares	681	41
Closing carrying value 30 June 2016	1,006	75
<b>Newamu Pty Ltd</b>		
Opening carrying value 30 June 2015	178	-
Investment	-	178
Closing carrying value 30 June 2016	178	178
<b>Alchemy Resources Limited</b>		
Opening carrying value 30 June 2015	-	-
Proceeds from issue of shares for Overflow Farm In	26	-
Mark to market - Shares	24	-
Closing carrying value 30 June 2016	50	-
<b>Summary</b>		
Opening carrying value 30 June 2015	2,328	3,321
Investment - cash	-	427
Proceeds from sale of tenements/Farm-ins	314	-
Bonus issue of options	-	110
Sold – Shares	(1,656)	(39)
Mark to market - Shares and options	921	(1,491)
Closing carrying value 30 June	1,907	2,328
	<b>Consolidated Entity</b>	
	2016 \$'000	2015 \$'000
<b>NOTE 7. TRADE AND OTHER RECEIVABLES - NON CURRENT</b>		
Employee loans	35	35
	35	35



**NOTE 8. PROPERTY, PLANT AND EQUIPMENT**

	2016 \$'000	2015 \$'000
Plant and equipment at cost	333	327
Accumulated depreciation	(311)	(305)
	22	22
Office equipment & furniture at cost	911	901
Accumulated depreciation	(841)	(795)
	70	106
Motor vehicles at cost	229	229
Accumulated depreciation	(210)	(205)
	19	24
Land and buildings at cost	325	341
Accumulated depreciation	-	-
	325	341
Total property, plant and equipment	436	493
Reconciliation <sup>(1)</sup>		
<b>Plant and equipment:</b>		
Carrying amount at 1 July 2015	22	24
Additions	7	14
Disposals	-	-
Depreciation Expense	(7)	(16)
Carrying value at 30 June 2016	22	22
<b>Office equipment and furniture:</b>		
Carrying amount at 1 July 2015	106	34
Additions	9	110
Disposals	(2)	-
Depreciation Expense	(43)	(36)
Carrying value at 30 June 2016	70	108
<b>Motor vehicles:</b>		
Carrying amount at 1 July 2015	24	-
Additions	-	34
Disposals	-	(7)
Depreciation Expense	(4)	(3)
Carrying value at 30 June 2016 <sup>(1)</sup>	19	24
<b>Land and buildings:</b>		
Carrying amount at 1 July 2015	341	-
Additions	2	341
Disposals	(18)	-
Depreciation Expense	-	-
Carrying value at 30 June 2016	325	341

<sup>(1)</sup> Minor rounding required within reconciliation.

	30 June 2016 \$'000	30 June 2015 \$'000
<b>NOTE 9. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS CARRIED FORWARD</b>		
Balance brought forward	27,119	4,578
Acquisition costs	-	29
Exploration and evaluation costs incurred - Woodlawn	7,432	5,906
Exploration and evaluation costs incurred – other projects	1,714	2,618
Exploration and evaluation expensed as incurred	(1,714)	(2,092)
Exploration and evaluation costs from TriAusMin merger	-	16,730
Exploration and evaluation impairment <sup>(1)</sup>	(1,181)	-
R&D Tax incentive received	(2,302)	(650)
Balance carried forward	31,068	27,119

<sup>(1)</sup> On 10 August 2016, the Company announced the spin-out of the non Woodlawn assets into a separate company called Ardea. The Capitalised exploration assets that are to be spun-out of the Company into the Ardea IPO are Lewis Ponds and KNP. The value of the Ardea assets immediately prior to the IPO capital raise is expected to be approximately \$8.3M. This value is equivalent to the number of Ardea shares that existing Heron shareholders will receive under the proposed 1 for 10 "in specie distribution" being 41.5M shares multiplied by the IPO price of \$0.20 cents per share. Accordingly the KNP asset has been impaired by \$1.181M, thereby giving a valuation of \$8.3M when combined with the carrying value of Lewis Ponds. Lewis Ponds has not been impaired as it is considered to be the premier asset in Ardea. The proposed IPO price of \$0.20 per share is subject to change depending upon market conditions.

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. Refer to Note 24 - Subsequent Events for more information.

	Woodlawn \$'000	Lewis Ponds \$'000	KNP \$'000	Exploration \$'000	Total \$'000
Balance brought forward	17,638	4,903	4,578	-	27,119
Exploration expenditure	-	169	927	618	1,714
Capitalised Exploration expenditure	7,432	-	-	-	7,432
Exploration and evaluation expensed as incurred	-	(169)	(927)	(618)	(1,714)
Exploration and evaluation impairment	-	-	(1,181)	-	(1,181)
R&D refund received	(2,302)	-	-	-	(2,302)
Balance carried forward	22,768	4,903	3,397	-	31,068

	Consolidated Entity	
	2016 \$'000	2015 \$'000
<b>NOTE 10. TRADE AND OTHER PAYABLES – CURRENT</b>		
Trade creditors and accruals - Exploration activities	329	1,187
Trade creditors and accruals - Other	564	274
	893	1,461

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

**NOTE 11. PROVISIONS – CURRENT**

Employee entitlements		
Annual Leave	426	377
Long Service Leave	384	333
Provision for rehabilitation	30	30
	840	740

	Consolidated Entity	
	2016	2015
	\$'000	\$'000

**NOTE 12. PROVISIONS – NON CURRENT**

Employee entitlements

Long Service Leave

42	-
42	-

**NOTE 13. 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.

Issue of ordinary shares	30 June 2016 Shares	30 June 2015 Shares	30 June 2016 \$'000	30 June 2015 \$'000
Opening balance	360,877,723	252,985,787	131,680	116,035
Issue of shares <sup>(1)</sup>	54,131,658	107,891,936	6,729	15,645
Closing balance	415,009,381	360,877,723	138,409	131,680

<sup>(1)</sup> On 17 August 2015, the company issued shares to Greenstone Resources via a placement.

Refer to Note 23 for further information on Options issued by the Company.

**NOTE 14. SEGMENT REPORTING**

Segmental information for consolidated statement of comprehensive income:

Year ended June 2016	Corporate \$'000	Woodlawn \$'000	Lewis Ponds \$'000	KNP \$'000	Exploration \$'000	Total \$'000
Sale of fixed assets (loss)	-	(6)	-	-	-	(6)
Sale of investments	35	-	-	-	-	35
Interest received - other persons/corporations	717	-	-	-	-	717
Proceeds from Rocky Gully	288	-	-	-	-	288
Proceeds from Overflow	26	-	-	-	-	26
Sundry Income	21	-	-	-	-	21
Total revenues	1,087	(6)	-	-	-	1,081
Depreciation	(40)	(17)	-	-	-	(57)
Exploration expenditure expensed as incurred	-	-	(169)	(927)	(618)	(1,714)
Impairment of Exploration expenditure	-	-	-	(1,181)	-	(1,181)
Other expenses	(2,382)	-	-	-	-	(2,382)
Profit / (loss)	(1,335)	(23)	(169)	(2,108)	(618)	(4,253)

<b>Year ended June 2015</b>	<b>Corporate \$'000</b>	<b>Woodlawn \$'000</b>	<b>Lewis Ponds \$'000</b>	<b>KNP \$'000</b>	<b>Exploration \$'000</b>	<b>Total \$'000</b>
Sale of fixed assets	-	5	-	-	-	5
Sale of investments	30	-	-	-	-	30
Interest received - other persons/corporations	945	-	-	-	-	945
Option fee	110	-	-	-	-	110
Sundry Income	41	-	-	6	-	47
Total revenues	1,126	5	-	6	-	1,137
Depreciation	(30)	(11)	-	-	(14)	(55)
Exploration expenditure expensed as incurred	-	-	(205)	(586)	(1,301)	(2,092)
Impairment of exploration expenditure	-	-	-	-	-	-
Other expenses	(4,419)	-	-	-	-	(4,419)
Profit / (loss)	(3,323)	(6)	(205)	(580)	(1,315)	(5,429)

Segmental information for consolidated statement of comprehensive income:

<b>Balance at June 2016</b>	<b>Corporate \$'000</b>	<b>Woodlawn \$'000</b>	<b>Lewis Ponds \$'000</b>	<b>KNP \$'000</b>	<b>Exploration \$'000</b>	<b>Total \$'000</b>
Total current assets	23,413	-	-	-	-	23,413
Property, plant and equipment	26	56	325	-	29	436
Exploration and evaluation costs carried forward	-	22,768	4,903	3,397	-	31,068
Investment	1,907	-	-	-	-	1,907
Other non-current assets	35	-	-	-	-	35
Total non-current assets	1,968	22,824	5,228	3,397	29	34,446
Total assets	25,381	22,824	5,228	3,397	29	56,859
Total liabilities	1,248	246	-	-	281	1,775
<b>Balance at June 2015</b>	<b>Corporate \$'000</b>	<b>Woodlawn \$'000</b>	<b>Lewis Ponds \$'000</b>	<b>KNP \$'000</b>	<b>Exploration \$'000</b>	<b>Total \$'000</b>
Total current assets	24,377	-	-	-	-	24,377
Property, plant and equipment	95	44	325	-	29	493
Exploration and evaluation costs carried forward	-	17,638	4,903	4,578	-	27,119
Other non-current assets	2,363	-	-	-	-	2,363
Total non-current assets	2,458	17,682	5,228	4,578	29	29,975
Total assets	26,835	17,682	5,228	4,578	29	54,352
Total liabilities	1,014	1,039	61	-	87	2,201



	Consolidated Entity	
	2016	2015
	\$'000	\$'000

**NOTE 15. ACCUMULATED LOSSES AND RESERVES**

a) Accumulated Losses		
Balance at the beginning of the year	(80,051)	(74,855)
Write back of expense for expired/lapsed options	44	233
Net profit/(loss)	(4,253)	(5,429)
Balance at end of the year	(84,260)	(80,051)

The Company has retained a loss as at 30 June 2016.

b) Option Reserve		
Balance at the beginning of the year	522	582
Cost of share based payments	457	173
Write back lapsed options expense	(44)	(233)
Balance at end of the year	935	522

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.

**NOTE 16. CASH FLOW STATEMENTS**

a) Reconciliation of operating loss after income tax to the net cash flows from operations:		
Operating loss after income tax	(4,253)	(5,674)
Add/(less)		
Exploration and evaluation costs written off	1,714	2,092
Depreciation	57	55
Impairment of Exploration expenses	1,181	-
Share based payments	457	418
Non cash proceeds from disposal of interest in Rocky Gully and Overflow	(314)	-
(Profit)/loss on sale of shares	(35)	(30)
(Profit)/loss on sale of fixed assets	6	(5)
(Profit)/loss on option	-	(110)
Investment (gain)/loss	(921)	1,490
Increase/(decrease) in prepayments and debtors	204	24
Increase/(decrease) in accrued interest and GST receivable	(43)	1
(Increase)/decrease in creditors, accruals and provisions	(101)	(186)
	(2,048)	(1,925)

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

c) Reconciliation of Cash		
Cash on hand and at bank	22,891	24,015
Closing cash balance	22,891	24,015

Cash security for environmental bonds of \$114,000 (2015 : \$114,000) is included in cash on hand and at bank. This is not available to the Company for ordinary activities.

Property bonds of \$48,865 (2015: \$48,865) 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 17. RELATED PARTY TRANSACTIONS**

The Directors of the Company during the financial year were:

**Non-Executive Directors**

Stephen Bruce Dennis  
 Fiona Robertson  
 Borden Putnam III  
 Mark Sawyer (appointed 19 August 2015)

**Executive Directors**

Wayne Taylor  
 Ian James Buchhorn

The Key Management Personnel other than Executive Directors for the financial year were (for full year unless stated):

**Chief Operating Officer**

Andrew Lawry

**General Manager - Finance and Company Secretary**

Simon Smith

**General Manager - Exploration Manager**

David von Perger

**General Manager - Strategy and Business Development**

Charlie Kempson

	Short-term -----benefits-----			Post-employment -----benefits-----		Termination payments	Share- based payment options	Total
	Cash salary & fees \$	Non-cash (1) \$	Short Term Incentive \$	Super- annuation \$	Retirement \$	\$	\$	\$
<b>Directors &amp; KMP 2016</b>	2,088,848	12,307	215,000	228,118	-	-	401,593	2,945,866
<b>Directors &amp; KMP 2015</b>	1,520,303	10,697	120,000	135,061	-	-	129,761	1,915,822

Other related party transactions during the financial year were:

- Payment of \$69,364 (2015 : \$114,135) to an entity related to Mr IJ Buchhorn for the provision of office accommodation 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 21.

**NOTE 18. FINANCIAL INSTRUMENTS**

- a) The carrying value of financial assets and liabilities approximates fair value.
- b) 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 statement of financial position either as available-for-sale or at fair value through profit or loss. The Company is not directly exposed to commodity price risk although the potential economics of projects it is exploring and evaluating are affected by commodity prices.

*(ii) Foreign exchange risk*

The Company has a limited number of suppliers that invoice in foreign currencies and therefore foreign exchange risk is minimal.

*(iii) Credit risk*

The maximum credit risk is total current assets of which the vast majority is cash which is all A1+ rated.

*(iv) 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.

*(v) 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.

*(vi) Determination of fair values*

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

	<b>Consolidated Entity</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>

**NOTE 19. AUDITORS' REMUNERATION**

Amounts received or due and receivable for:

Butler Settineri (Audit) Pty Ltd - Audit services	-	40
Ernst & Young – Audit services	49	-

**NOTE 20. 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	2,435	2,920
-----------------------	-------	-------

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position 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.

If the Company is able to successfully spin out the non Woodlawn assets into Ardea, this number will reduce to \$432K.

		<b>Consolidated Entity</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
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. The Company's Perth office moved in July 2016 and the Company's Sydney office lease is due to expire in September 2016.			
	Not later than 1 year	13	294
	Later than 1 year but not later than 5 years	-	13
	Later than 5 years	-	-
c)	Capital Commitments		
The Company has no capital commitments at 30 June 2016.			

#### NOTE 21. 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	
			2016	2015	2016	2015
					\$	\$
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
Ardea Resources Pty Limited	Australia	Ordinary	100%	100%	100	100
Woods Point Gold Mines Pty Limited	Australia	Ordinary	100%	100%	100	100
TriAusMin Pty Ltd	Australia	Ordinary	100%	100%	15,644,000	15,644,000
Tarago Operations Pty Ltd	Australia	Ordinary	100%	100%	100	100
Tri Origin Mining Pty Ltd	Australia	Ordinary	100%	100%	100	100
Woodlawn Mine Holdings Pty Ltd	Australia	Ordinary	100%	100%	10	-

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. Kalgoorlie Nickel Project Pty Ltd changed its name to Ardea Resources Pty Ltd on 8 July 2016.

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

TriAusMin Pty Ltd was acquired on 5 August 2014 along with its 100% owned subsidiaries, Tarago Operations Pty Ltd and Tri Origin Mining Pty Ltd. These entities hold the tenements owned by TriAusMin Ltd prior to the merger with Heron on 5 August 2014, in particular the Woodlawn Underground Project and the Woodlawn Retreatment Project. Heron issued 15,645,000 shares as consideration to acquire TriAusMin.

Woodlawn Mine Holdings Pty Ltd was incorporated on 27 May 2016 to act as a holding company for Tarago Operations Pty Ltd, the principal owner of the Woodlawn mine assets.



	Consolidated Entity	
	2016	2015
	\$	\$

**NOTE 22. EARNINGS PER SHARE**

Basic earnings per Share	(0.0104)	(0.0162)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	407,890,207	350,207,092
Diluted earnings per Share	(0.0104)	(0.0162)
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share.	407,890,207	350,207,092
Earnings profit/(loss) used in calculating basic and diluted earnings profit/(loss) per share	(4,252,525)	(5,673,844)

The 28,534,621 (2015: 13,055,077) options are not considered to be dilutive.

**NOTE 23. EMPLOYEE ENTITLEMENTS**

## a) Employee Entitlements

The aggregate employee entitlement is comprised of:

Provisions Annual Leave	426	377
Provisions		
Long Service Leave - Current	384	333
Long Service Leave – Non Current	42	-

## b) Employee Share Scheme

An Employee Share Option Plan (ESOP) 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 17 November 2015, shareholders approved a new ESOP. Under the Plan, the options vest upon the successful achievement of a number of key milestones at Woodlawn.

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

During the year 5,220,456 options expired under the Employee Options Plan.

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

Grant date	Expiry date	Exercise price	Number of Options at the beginning of the year	Options expired / lapsed this year	Options issued in the year	Number of Options at the end of the year	Options exercisable at the end of the year
<b>2016 Consolidated and parent entity</b>							
19-Nov-11	23-Jun-16	\$0.31	2,500,000	(2,500,000)	-	-	-
05-Oct-12	16-Jan-16	\$0.27	333,333	(333,333)	-	-	-
05-Oct-12	16-Jan-17	\$0.31	333,334	-	-	333,334	333,334
03-Apr-13	05-Mar-16	\$0.22	1,000,000	(1,000,000)	-	-	-
03-Apr-13	05-Mar-17	\$0.27	1,000,000	-	-	1,000,000	1,000,000
03-Apr-13	05-Mar-18	\$0.31	1,000,000	-	-	1,000,000	1,000,000
5-Aug-14	27-Jun-16	\$0.27	42,918	(42,918)	-	-	-
5-Aug-14	13-Jun-17	\$0.22	21,459	(21,459)	-	-	-
5-Aug-14	13-Mar-18	\$0.15	21,459	(21,459)	-	-	-
5-Aug-14	04-Feb-17	\$0.27	21,459	-	-	21,459	21,459
5-Aug-14	23-Oct-17	\$0.14	21,459	-	-	21,459	21,459
5-Aug-14	19-Mar-16	\$0.37	858,369	(858,369)	-	-	-
5-Aug-14	20-Nov-18	\$0.09	858,369	-	-	858,369	858,369
5-Aug-14	22-Feb-18	\$0.17	21,459	(21,459)	-	-	-
5-Aug-14	31-Jan-19	\$0.09	21,459	(21,459)	-	-	-
5-Dec-15	4-Dec-20	\$0.092	-	(400,000)	20,700,000	20,300,000	-
			8,055,077	(5,220,456)	20,700,000	23,534,621	3,234,621
Weighted average exercise price			0.271	0.291	0.092	0.112	0.238

The Black Scholes valuation methodology has been used to value the options issued during the reporting period. The following table lists the inputs used to value the options issued for the period ended 30 June 2016.

Number of options	20,700,000
Method adopted	Black Scholes
Average volatility (%)	75
Average risk free interest rate (%)	2.38
Average expected life of option (years)	5
Average exercise price	\$0.092
Average deemed share price at grant date	\$0.094
Average value per option	\$0.059

#### NOTE 24. SUBSEQUENT EVENTS

Other than noted below there is no matter or circumstance which has arisen since 30 June 2016 that has significantly affected or may significantly affect:

- The operations, in the financial years subsequent to 30 June 2016, of the Company; or
- The results of those operations.

On 10 August 2016, the Company announced that its Board has committed to restructuring its non-Woodlawn asset portfolio in NSW and WA (the Assets), with a focus on gold and nickel (Proposed Transaction), through the proposed listing of its wholly owned subsidiary, Ardea Resources Limited (Ardea).

Ardea's focus will be on the potential development of the Lewis Ponds Gold-Zinc project in central NSW and targeted exploration of the Mt Zephyr and the Bardoc Tectonic Zone gold projects in the Eastern Goldfields of WA. The Proposed Transaction is subject to various conditions, including approval by Heron's shareholders (subsequently received 29 September 2016).

The Proposed Transaction would allow for the creation of two distinct companies:

- Heron, with its existing Board and senior executive team, as a project developer solely focused on fast tracking the Woodlawn Zinc-Copper Project towards production and evaluation of adjacent prospects which have the potential to extend the mine life at Woodlawn; and
- Ardea as a gold and nickel exploration company with a 100%-owned unencumbered interest in the Lewis Ponds gold-zinc JORC 2004 Indicated Mineral Resource, several high quality gold exploration plays with advanced drill targets and importantly, ownership of the substantial Kalgoorlie Nickel Project.

It is proposed that Heron be issued new fully paid ordinary shares in Ardea for the Assets, and subject to jurisdictional compliance, these Ardea shares will be distributed at nil cost to Heron shareholders.

#### NOTE 25. CONTINGENT LIABILITIES

- Performance bonds and rental bond commitment

The Company has entered into performance bonds with the National Australia Bank Limited in relation to environmental rehabilitation of the previous TriAusMin NSW tenements (30 June 2015: \$153,000) and a rental bond commitment (\$12,969) over its office in Sydney. The performance bonds and rental bond commitment are secured by a way of mortgage against the Company's Lewis Ponds freehold land. The Company also has performance bonds with Westpac Banking Corporation in relation to environmental rehabilitation of the WA tenements (30 June 2015: \$114,000) and a rental bond commitment (\$46,545) over its Perth office. The Westpac bonds are secured by term deposits.

- Agreement with Veolia Environmental Services (Australia) Pty Ltd ("Veolia")

In 2011, the Company and Tarago Operations Pty Ltd ("TOP"), a wholly owned subsidiary of the Company, entered into an agreement with Veolia, under which the Company agreed:

- To assume the environmental liabilities associated with the Woodlawn site, excluding Veolia's area of operation. The Company will be required to provide a performance bond with the NSW Division of Resources and Energy (DRE) as surety against completion of environmental rehabilitation once mining on the site is complete. The amount of the bond is \$3,577,000.
- Subject to certain approvals being received by Veolia and the Company, the Company will receive "free-on-board" compost from Veolia to be utilised in the rehabilitation of the site.
- To fully indemnify Veolia for all direct and or consequential loss and damage suffered by Veolia as a result of or caused by or contributed to by any act or omission or default of the Company, or TOP, connected with its operations at the Woodlawn site.

c) Other contingent liabilities

Native title claims have been made with respect to areas which include tenements in which the Company has interests. The Company 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.

Rehabilitation of the Jump Up Dam tenements would be approximately \$400,000 if the Company were to surrender the tenements.

None of these contingent liabilities has been provided for in the financial report.

**NOTE 26. PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Heron Resources Limited, at 30 June 2016. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
a) Financial Position		
Current assets	24,411	24,077
Non-current assets	16,047	28,226
Total assets	40,458	52,303
Current liabilities	1,243	1,183
Non-current liabilities	42	-
Total liabilities	1,285	1,183
Contributed equity	122,765	131,680
Option reserve	935	522
Accumulated losses	(84,527)	(81,082)
Total equity	39,173	51,120
Loss for the year	(3,490)	(3,914)
Other comprehensive income	-	-
Total comprehensive loss for the year	(3,490)	(3,914)

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 disclosed in note 25.

d) Capital commitments of the Parent

Heron Resources Limited's capital commitments are nil as disclosed in note 20c.

# 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 2016 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;
- 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



**S Dennis**  
Chairman

Sydney, 24 August 2016



## 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 and its controlled entities ("Heron Resources Limited"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 about 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion:

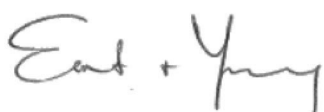
- a. the financial report of Heron Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

## Report on the remuneration report

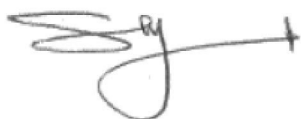
We have audited the Remuneration Report included in pages 36 to 39 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Heron Resources Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Scott Jarrett  
Partner  
Sydney  
24 August 2016

## 7.0 Shareholder Information

AT 16 AUGUST 2016

### 1. Issued Shares and Options

a) Distribution of Shareholders:

Size of Holding	Number of Holders	Shares Held
1 - 1,000	316	174,303
1,001 - 5,000	798	2,474,773
5,001 - 10,000	533	4,249,975
10,001 - 100,000	1,189	42,996,799
100,001 -	318	365,113,531
	3,154	415,009,381

b) The twenty largest shareholders hold 59.5% of the issued fully paid capital of the Company.

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

Holder	Number of Shares	%
Greenstone Management (Delaware) LLC	54,131,658	13.04
I Buchhorn & related parties	46,790,959	11.27

d) There were 755 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 16 August 2016

	Number of Shares	%
1 CANADIAN REGISTER	67,154,357	16.18%
2 GREENSTONE MGT (DEL) LLC	54,131,658	13.04%
3 HAZURN PL	23,732,480	5.72%
4 KURANA PL	16,576,556	3.99%
5 CITICORP NOM PL	14,233,360	3.43%
6 MBM CORP PL	10,200,000	2.46%
7 COPPER INV PL	8,266,334	1.99%
8 HSBC CUSTODY NOM AUST LTD	6,564,437	1.58%
9 CHAOS INV PL	5,515,783	1.33%
10 JETOSEA PL	5,350,000	1.29%
11 ZERO NOM PL	5,000,000	1.20%
12 DUPUY OLIVIER + JULIE	4,785,000	1.15%
13 FREMONT CAT PL	4,205,476	1.01%
14 WARDLE DAVID JAMES + J L	4,070,000	0.98%
15 NATIONAL NOM LTD	3,709,730	0.89%
16 KEMPSON TRUDI ANN	3,208,474	0.77%
17 KOLTAI HLDGS PL	2,973,179	0.72%
18 BUCHHORN IAN JAMES	2,518,241	0.61%
19 TOPWEAL PL	2,460,000	0.59%
20 BGK INV PL	2,452,445	0.59%
TOTAL	247,107,510	59.52%

## f) Distribution of Option holders

1	20,300,000	Exercisable on or before 4 December 2020 for a payment of \$0.092 per option
2	333,334	exercisable on or before 16 January 2017 for a payment of \$0.31 per option
3	1,000,000	exercisable on or before 5 March 2017 for a payment of \$0.27 per option
4	1,000,000	exercisable on or before 5 March 2018 for a payment of \$0.31 per option
5	21,459	exercisable on or before 4 February 2017 for a payment of \$0.27 per option
6	21,459	exercisable on or before 23 October 2017 for a payment of \$0.14 per option
7	858,369	exercisable on or before 20 November 2018 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**

-
-
-
-
17
17

**Options Held**

-
-
-
-
23,534,621
23,534,621

## Summary of option holders as at 16 August 2016

	<b>Number of Options</b>	<b>% of Issued Options</b>
1 Employees & directors	23,534,621	100%
TOTAL	23,534,621	100%



## 8.0 Appendix 1

### UNAUDITED QUARTERLY FINANCIAL STATEMENTS FOR THE 3 MONTH PERIOD ENDED 30 JUNE 2016

#### Management Comments on Unaudited Consolidated Financial Statements

24 August 2016

To the Shareholders of Heron Resources Limited,

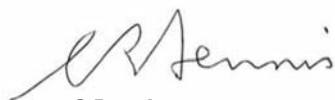
The accompanying unaudited Financial Statements of Heron Resources Limited for the 3 month period ended 30 June 2016 have been prepared by management and have been approved by the Board of Directors of the Company as an appendix to the Financial Report for the year ended 30 June 2015.

The attached appendix relates to the 3 months ended 30 June 2016 and the corresponding comparative period ended 30 June 2015.

The financial statements relating to the year ended 30 June 2016 and the comparative period have been subject to Audit by Ernst & Young. The financial statements for the 3 month period ended 30 June 2016 and the comparative period have been approved by the Board of Directors of the Company and have not been subject to Audit or Audit Review and no opinion has been provided on those statements.

For further commentary on the operations of Heron during the quarter ended 30 June 2016, please refer to the Management Discussion and Analysis report and to the Quarterly Activities report lodged on the ASX and TSX on 29 July 2016 and posted on the Heron website at [www.heronresources.com.au](http://www.heronresources.com.au).

Heron Resources Limited



**S Dennis**  
Chairman



**F Robertson**  
Chairman- Audit Committee

# **UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE THREE MONTHS ENDED 30 JUNE 2016

All amounts shown are expressed in Australian dollars

	<b>Three Months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Continuing operations</b>		
Revenue from Continuing Activities	164	191
Accounting & Audit Fees	(1)	(27)
Depreciation expense	(15)	(17)
Directors Fees	(85)	(63)
Employee benefits expense	(467)	(175)
Insurance expense	(13)	(25)
Legal fees	(34)	(5)
Equity share based payments	(294)	(163)
Rental Expenses	(85)	(85)
Other expenses from ordinary activities	(242)	(138)
Exploration expenditure expensed as incurred	(1,016)	118
Exploration expenditure written off	(1,181)	-
Impairment of investment	(332)	(390)
<b>Loss from ordinary activities before income tax expense</b>	<b>(3,601)</b>	<b>(779)</b>
Income tax expense	-	-
<b>Loss from ordinary activities after income tax expense for the period</b>	<b>(3,601)</b>	<b>(779)</b>
<b>Other comprehensive income</b>		
Changes in market value of financial assets	-	-
<b>Total comprehensive loss for the period attributable to members</b>	<b>(3,601)</b>	<b>(779)</b>
<b>Loss per share attributable to the ordinary equity of the company (on a weighted average equity basis)</b>	<b>\$</b>	<b>\$</b>
Basic loss per share (in dollars)	(0.0086)	(0.0022)
Diluted loss per share (in dollars)	(0.0086)	(0.0022)

# **UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE THREE MONTHS ENDED 30 JUNE 2016

All amounts shown are expressed in Australian dollars

	<b>Contributed Equity \$'000</b>	<b>Option Reserve \$'000</b>	<b>Accumulated Losses \$'000</b>	<b>Total Equity \$'000</b>
<b>Balance at 1 April 2016</b>	138,409	642	(80,659)	58,392
Option reserve write back	-	-	-	-
Cost of share based payments	-	293	-	293
Total comprehensive loss for the quarter	-	-	(3,601)	(3,601)
<b>Balance at 30 June 2016</b>	<b>138,409</b>	<b>935</b>	<b>(84,260)</b>	<b>55,084</b>

## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 30 JUNE 2016

All amounts shown are expressed in Australian dollars

	<b>Three Months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(471)	(483)
Interest received	143	221
Net cash used in operating activities	(328)	(262)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and development expenditure	(2,112)	(1,597)
Proceeds from sale of shares	-	39
Purchase of shares	-	(34)
Purchase of plant and equipment	-	(39)
Proceeds from sale of plant and equipment	-	13
Net cash used in investing activities	<b>(2,112)</b>	<b>(1,618)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	-
Net cash provided by financing activities	-	-
Net increase/(decrease) in cash & cash equivalents held	(2,440)	(1,880)
Cash & cash equivalents at the beginning of the reporting period	25,331	25,895
Cash acquired from TriAusMin acquisition	-	-
Cash & cash equivalents at the end of the reporting period	<b>22,891</b>	<b>24,015</b>



## 9.0 Appendix 2

### MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTH PERIOD AND YEAR ENDED 30 JUNE 2016

#### INTRODUCTION

The following is management's discussion and analysis of the financial condition and the results of operations of Heron Resources Limited, ("Heron" or the "Company") for the three month period and year ended 30 June, 2016, and its financial position as at 30 June, 2016 and should be read in conjunction with the Company's audited financial statements as at 30 June, 2016 and half yearly financial statements as at 31 December, 2015 which have been subject to audit review, including the accompanying notes thereto.

The Company's audited Financial Statements and Notes to the Financial Statements have been prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Additional information relating to the Company, including press releases, has been filed electronically with the Australian Securities Exchange ("ASX") and through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at [www.sedar.com](http://www.sedar.com).

The date of this management's discussion and analysis is 24 August, 2016. Unless otherwise indicated all amounts discussed herein are denominated in Australian dollars. The relevant exchange rates applicable to the three and twelve month periods ended 30 June, 2016 are as follows.

	Three Months ended 30 June 2016	Year ended 30 June 2016
AUD/CDN \$ Closing Rate	.9994	.9994
Average Rate	.9987	.9905

The Company's common shares trade on the Australian Stock Exchange (the "ASX") under the trading symbol "HRR", and on the Toronto Stock Exchange (the "TSX") under the trading symbol "HER".

#### Cautionary Note Regarding Forward-Looking Information

Certain information included in this management's discussion and analysis may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "believe", "plan", "scheduled", "intend", "estimate", "forecast", "predict", "potential", "continue", "anticipate" or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of the Company. Without limitation, statements about the Company's planned activities related to exploration or development activities carried out in Australia, constitute forward-looking information. Actual results may vary. See "Risk Factors and Uncertainties".

Forward-looking information is based on certain factors and assumptions regarding, among other things, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, metal prices, the timing and amount of future exploration expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing and materials, including financing to conduct any future drilling program and the other activities necessary to continue to explore and develop the Company's properties in the short and long term, the receipt of necessary regulatory approvals, and assumptions with respect to environmental risks, title disputes or claims, weather conditions, climate change and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Without limitation, in estimating expenditures the Company has assumed, among other things, that metal prices will not change materially from the prices used in its current financial forecasts or those of its affiliate, that it will obtain in a timely fashion all of the financing, regulatory approvals and other authorizations required to enable the continued exploration and development of its properties, and that such activities will proceed in the ordinary course without undue disruption. See "Risk Factors and Uncertainties".

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what management currently expects. These factors include risks inherent in the exploration and development of mineral deposits, risks relating to changes in metal prices and the worldwide demand for and supply of metal, uncertainties inherent in the estimation of mineral reserves and resources, risks relating to the remoteness of the Company's properties including access and supply risks, reliance on key

personnel, construction and operational risks inherent in the conduct of mining activities, including the risk of increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the construction and development process, the risk of fluctuations in the Canadian/Australian and U.S./Australian dollar exchange rates, regulatory risks, including risks relating to the acquisition of the necessary licences and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities of the Company may not be available on satisfactory terms, or at all, environmental risks, including risks relating to climate change and the potential impact of global warming on project timelines and on construction and operating costs, and insurance risks. See "Risk Factors and Uncertainties".

You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, the Company is under no obligation and does not undertake to update this information at any particular time, except as required by law.

### Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has completed an evaluation of the design effectiveness of the Company's internal control over financial reporting. Based on this assessment, management has concluded that as at 30 June 2016, the Company's design for internal control over financial reporting was effective. Management has also evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of 30 June 2016. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed in reports filed or submitted by the Company under Australian and Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

### Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three month period ended 30 June 2016 that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

## OVERVIEW

**HERON RESOURCES LIMITED** ("Heron" or "the Company") is engaged in the exploration and development of base and precious metal deposits in Australia. The Company is focused on the development of the high grade Woodlawn 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.

### Selected Annual Financial Information

Set forth below is certain selected financial information expressed in Australian dollars in respect of the seven most recently completed financial years of the Company. This audited data is derived from the Company's full year financial statements which are prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All numbers below are in '000s except for the number of shares outstanding and Net Loss per share information.

Financial Year Ended:	Working Capital <sup>(1)</sup>	Total Assets <sup>(2)</sup>	Shareholders Equity	Common Shares Outstanding	Net Gain (Loss)	Net Gain (Loss) per Common Share (in dollars)
June 30, 2016	22,891	56,859	55,084	415,009,381	(4,253)	(0.010)
June 30, 2015	24,015	54,352	52,151	360,877,723	(5,429)	(0.016)
June 30, 2014	32,915	42,603	41,762	252,985,787	(6,389)	(0.025)
June 30, 2013	39,597	48,506	47,702	252,985,787	(10,483)	(0.039)
June 30, 2012	43,171	57,910	56,863	252,985,787	(5,356)	(0.022)
June 30, 2011	46,973	61,292	60,162	252,985,787	(14,056)	(0.055)
June 30, 2010	56,663	75,123	72,730	252,985,787	(7,442)	(0.029)

(1) See Capital Resources and Liquidity for a further discussion of working capital.

(2) See Critical Accounting Policies and Estimates.

### Quarterly Financial Information

Set forth below is certain selected financial information expressed in Australian dollars in respect of the most recently completed quarter and previous six quarters of the Company. This unaudited data is derived from the Company's interim financial statements which are prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All numbers below are in '000s except for the number of shares outstanding and Net Loss per share information.

Quarter Ended::	Working Capital <sup>(1)</sup>	Total Assets <sup>(2)</sup>	Shareholders Equity	Common Shares Outstanding	Net Gain (Loss)	Net Gain (Loss) per Common Share (in dollars)
June 30, 2016	22,891	56,859	55,084	415,009,381	(3,601)	(0.0086)
March 31, 2016	25,175	59,725	58,393	415,009,381	(37)	(0.0001)
December 31, 2015	23,634	59,385	58,430	415,009,381	(444)	(0.0011)
September 30, 2015	27,177	60,713	58,711	415,009,381	(170)	(0.0004)
June 30, 2015	24,015	54,352	52,151	360,877,723	(779)	(0.0022)
March 31, 2015	25,895	53,993	52,767	360,877,723	(1,114)	(0.0031)
December 31, 2014	28,316	55,560	53,882	360,877,723	(2,036)	(0.0055)

(1) See Capital Resources and Liquidity for a further discussion of working capital.

(2) See Critical Accounting Policies and Estimates.

## RESULTS OF OPERATIONS FOR THE THREE AND TWELVE MONTH PERIODS ENDED 30 JUNE 2016 (all financial numbers in '000s)

The Company is principally involved in the exploration and evaluation of mineral properties. It had no revenues from operations in either the last quarter or twelve month period to 30 June, 2016. Exploration expenditures on mineral properties are expensed as incurred in the Income Statement, unless there is a reasonable probability that the mineral property may become a productive mine, in which case the expenditure is capitalised onto the Balance Sheet. During the three month period the Company incurred \$1,836 in exploration expenditure of which \$1,684 was capitalised onto the Balance Sheet. All of the capitalised expenditure was incurred on the Woodlawn property.

Corporate and administrative expenses are charged to the Income Statement as incurred. Interest income consists of interest on short-term invested funds. The Company reported a loss from operations in the three month period and year ended 30 June, 2016. Retained earnings are in a deficit position. The Company has not paid any dividends since inception.

The Company recorded a loss for the year ended 30 June 2016 of \$4,253 (\$0.010 per share) compared to a net loss of \$5,429 (\$0.016 per share) for the corresponding year ended 30 June 2015. The Company recorded a loss for the three months ended 30 June 2016 of \$3,601 (\$0.0086 per share) compared to a net loss of \$779 (\$0.0022 per share) for the corresponding period ended 30 June, 2015. The significant variance in the three month figures is predominantly due to capitalised exploration expenditure impairment in the 2016 quarter of \$1,181, arising from the spin-out of the KNP into Ardea. Refer to Note 9 in the Annual Financial Statements.

The Company's general and administration expenses (including share based payments) of \$3,361 in the year to 30 June 2016 compared with the \$3,229 in year to 30 June, 2015 which is in-line with expectations.

The Company recorded an impairment on its listed investments of \$332 in the three months to 30 June, 2016 (\$390 in the corresponding three months to 30 June 2015) and a gain of \$922 for the year ended 30 June 2016 (\$1,490 for the corresponding year to 30 June 2015). These gains and impairments are due to fluctuations of the underlying share price of the listed investments.

## EXPLORATION EXPENDITURES (all financial numbers in '000s)

Expenditures on exploration and evaluation in the three month period ended 30 June 2016 of \$1,836 (of which \$1,684 was capitalised) were lower when compared to expenditures in the three month period ended 30 June 2015 of \$2,124. This small decrease was due to the Woodlawn drilling program as part of the Woodlawn Feasibility Study which was ongoing during the quarter ended 30 June 2015.

Exploration expenditure requirements to maintain all the Companies exploration licences in good standing total \$2,690 per annum.

Below is a summary table of the exploration expenditures by tenement group for the three months ended 30 June 2016 (all numbers in '000s).

Quarter ended 30 June 2016	Woodlawn	KNP Project <sup>(1)</sup>	Lewis Ponds <sup>(1)</sup>	Other WA <sup>(1)</sup>	Other NSW <sup>(1)</sup>	Total
Drilling	-	-	-	-	-	-
Other exploration	\$1,684	\$41	\$22	\$14	\$75	\$1,836
<b>TOTAL</b>	<b>\$1,684</b>	<b>\$41</b>	<b>\$22</b>	<b>\$14</b>	<b>\$75</b>	<b>\$1,836</b>

(1) Expenditure expensed as incurred

### Exploration Properties in Australia

The Company's main exploration properties are located in the Kalgoorlie region of Western Australia and in the Lachlan Fold Belt of New South Wales. The projects on these land holdings are more fully described in the Company's Annual Report which is available from the Company on request or which may be accessed from the Company's website, [www.heronresources.com.au](http://www.heronresources.com.au).

## CAPITAL STOCK AND DEFICIT (all financial numbers in '000s)

The authorised capital of the Company consists of an unlimited number of common shares without par value. The increase in shares during the year is due to the issue of 54,131,658 shares to complete the Greenstone transaction in August 2015.

At 30 June 2016 the Company had 415,009,381 issued and outstanding common shares, (30 June 2015: 360,877,723).

As at 30 June 2016 there were 23,534,621 stock options outstanding (30 June 2015: 13,055,077), bringing the fully diluted share position of the Company to 443,544,002.

The Company's accumulated deficit at 30 June 2016 is \$84,260 compared to \$80,051 at 30 June 2015. See "Results of Operations".

## FINANCIAL CONDITION (all financial numbers in '000s)

The Company's total assets at 30 June 2016 increased to \$56,859 from \$54,352 at 30 June, 2015. This increase is due to the increased capitalised exploration expenditure incurred in completing the Feasibility Study at Woodlawn.

Assets at 30 June 2016 include cash and cash equivalents of \$22,891 (30 June 2015: \$24,015). Cash not on account at a bank has been invested in bank guaranteed, term deposits.

Cash of \$2,112 was spent on exploration and evaluation during the three month period ended 30 June 2016 compared to \$1,597 during the corresponding period ended 30 June 2015. This increased outflow was due to the Woodlawn Feasibility Study which was completed in the June 2016 quarter.

The Company had current liabilities including trade payables and employee provisions of \$1,733 at 30 June 2016 (\$2,201 at 30 June 2015). The Company has no off balance sheet financing arrangements or material contingent liabilities or contractual obligations other than that disclosed in the financial statements for the year ended 30 June 2016.



## CAPITAL RESOURCES AND LIQUIDITY

The Company's mineral properties are at the exploration and pre-development stage. At this time the Company has no operating revenue and does not anticipate earning any operating profits until the Company is able to place a project into production, or acquire a mining asset with operating cash flow. Until such time, the Company will be required to raise funds through equity financing, possibly supplemented by the exercise of options and warrants, or by other means in order to continue its exploration and development activities.

In the past, the Company has successfully raised capital through issuance of equity or sale of assets. There can be no assurance that the Company will be able to raise more capital or obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to raise capital or obtain financing could result in the postponement of further exploration or project development activities. Any additional financing or capital raised by the Company could result in substantial dilution to the shareholders of the Company. See "Risk Factors and Uncertainties".

## TRENDS (all numbers in '000s)

Due to the nature of its projects, the Company has a history of incurring operating losses. These losses will continue until a profitable project is developed and operating or a cash generating operating asset is acquired.

The net loss in the three month period ended 30 June, 2016, of \$3,601 was higher than the loss incurred in the three month period ended 30 June, 2015 of \$779, primarily due to significant capitalised exploration expenditure impairment of \$1,181 in 2016.

The Company's current staff headcount is 16 compared to 23 at the beginning of the financial year. The decrease in headcount is due to a higher number of drilling staff required for the Woodlawn drilling program in 2015.

## CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of properties for minerals.

The properties in which the Company currently has an interest are at the exploration and/or development stage and as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. In some circumstances, the Company may enter into farm in /joint venture agreements whereby a third party earns an interest in a specific property by incurring an agreed amount of exploration expenditures. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that given the relative size of the Company this approach is reasonable.

## COMMITMENTS

The Company is required to undertake expenditures of \$2,690,000 per year to keep exploration properties in good standing in the normal course of business. These obligations are subject to renegotiation when application for a mining lease is made and at other times.

The Company is contracted to non-cancellable operating leases in relation to its office premises at Level 1, 7 Havelock St, West Perth and at Suite 702, 191 Clarence Street, Sydney. The lease in Perth expires in July 2017 and the lease in Sydney expires in September 2016. A performance bond of \$15,623 and \$12,969 for the Perth and Sydney offices respectively has been lodged as surety against performance of the leases.

## RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

During the quarter, the Company paid \$66,924 for the provision of office accommodation on normal terms and conditions from an entity related to Mr. I J Buchhorn.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

### **New Accounting Policies and Accounting Standards and Interpretations issued, but some not yet applicable at 30 June, 2016.**

The Australian Accounting Standards Board has published various pronouncements that are not mandatory for the 30 June 2016 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 its consequential amendments. The consolidated entity will adopt this standard and the amendments from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

IFRS 15 Revenue from Contracts with Customers. The consolidated entity will adopt this standard from 1 January 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

The Company continues to assess the impact of these new accounting standards on its consolidated financial statements.

### **Future Accounting Changes**

Other than those noted above, the Company is unaware at this time of any future changes to accounting standards that are contemplated by the Australian Accounting Standards Board and are relevant to the Company and which might impact future accounting reporting periods.

### **Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies used by the Company in the preparation of its financial statements. For a complete description of the significant accounting policies used by the Company in the preparation of its financial statements, please review the notes to the June 30, 2016 audited financial statements included in the Company's Annual Report. This Management's Discussion and Analysis should also be read in conjunction with the Company's quarterly financial statements and the notes thereto.

#### *Going concern basis of accounting (all numbers in '000s)*

The interim financial statements for the three month period ended 30 June 2016 have been prepared on the basis of a Going Concern, notwithstanding the fact that the Company incurred a loss for the 3 month period. The Company incurred a loss for the 3 month period after tax of \$3,601 (2015: \$779) and a net cash out flow from operating activities for the year of \$2,048 (2015: out flow \$1,925).

The Financial Report has been prepared on the basis of a going concern, as the Directors believe that the Company has adequate funding to pay its debts as and when they become due for a period of twelve months from the date of approving this report.

#### *Remuneration of Directors and Key Management Personnel Including Share Based Payments*

The cost to the Company of share options granted to Directors and Key Management Personnel is included at fair value as part of the Directors' and Key Management Personnel's aggregate remuneration in the financial year the options are granted.

The fair value of the share option is calculated using the Black Scholes option pricing model, which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The cost of these options is expensed in the Income Statement on a pro rata basis to the vesting dates. Unvested options are cancelled upon termination of service with the Company.

#### *Income tax*

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognized to the extent that there is convincing evidence that it is probable that future tax profits will be available against which deductible temporary differences can be utilized.

The amount of benefits brought to account or which may be realized in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by the law.

#### *Earnings per share*

Basic earnings per share are determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share adjusts the figures used in determining earnings per share by taking into account non anti-dilutive options outstanding during the quarter. The diluted earnings per share are capped at the basic earnings per share in circumstances of losses and anti-dilutive options.

#### *Exploration expenditure and mineral leases*

Exploration expenditures on mineral properties are expensed as incurred in the Income Statement, unless there is a reasonable probability that the mineral property may become a productive mine, in which case the expenditure is capitalised onto the Balance Sheet. These capitalised costs are only carried forward if the rights to the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

#### *Restoration, rehabilitation and environmental expenditure*

Restoration, rehabilitation and environmental expenditure to be incurred during the production phase of operations is accrued when the need for such expenditure is established, and then written off as part of the costs of production of the mine property concerned. Significant restoration, rehabilitation and environmental expenditures to be incurred subsequent to the cessation of production at each mine property are accrued, in proportion to production, when its extent can be reasonably estimated.

#### *Business undertakings – joint ventures*

The Company has certain exploration activities conducted through joint ventures with other parties. Where relevant, the Company's interest in these joint ventures is shown in the notes to the financial statements under the appropriate heading.

## **RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS**

The Company's major mineral properties are the KNP project in WA and the Woodlawn and Lewis Ponds Properties in NSW (the "Properties"). Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon its existing Properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's Properties would have a material adverse effect on the Company's financial condition and results of operations.

Other risk factors and the impact on the Company's financial instruments are summarized below:

#### **Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand with reputable financial institutions. Financial instruments included in accounts receivable consist of sales tax receivable from government authorities in Australia and deposits held with vendors. Management believes that credit risk with respect to financial instruments included in cash and accounts receivable is low.

#### **Liquidity risk (all financial numbers in '000s)**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at 30 June 2016, the Company had cash of \$22,891 (30 June 2015: \$24,015) to settle current liabilities of \$1,733 (30 June 2015: \$2,201). Apart from provision for employee entitlements (e.g. Annual Leave), most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices. The Company continues to monitor the long term assets and assesses the value of the asset on a regular basis.

### **Interest rate risk**

The Company has cash balances. The Company's current policy is to invest excess cash in term deposits with banks.

### **Foreign currency risk**

The Company's functional reporting currency is the Australian dollar and major purchases are transacted in Australian dollars. The Company funds its exploration and administrative expenses using Australian dollars.

In addition, management believes the foreign currency risk derived from currency conversions related to its operations is negligible and therefore does not hedge its foreign exchange risk.

### **Commodity price risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to valuable minerals to determine the appropriate course of action to be taken by the Company. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of nickel, zinc, lead and copper and certain other metals.

### **Fair value**

AIFRS accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying values for short-term investment, sundry receivables and prepaid expenses, subscription receivable, and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

The Company has designated its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

### **Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next year:

- (i) Interest rate risk is immaterial.
- (ii) The Company holds all of its cash in low risk, secure Australian dollar term deposits at Australian banks. Foreign exchange risk related to required payments is perceived as negligible.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of valuable minerals may be produced in the future, a profitable market will exist for them.

As of 30 June 2016, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.



## RISK FACTORS AND UNCERTAINTIES

The Company is in the business of acquiring, exploring and developing mineral properties and is exposed to a number of risks and uncertainties that are common to other exploration companies in the same business. The industry is capital intensive at all stages and must rely on equity financing to fund exploration and development activities.

The ability of the Company to realize and profit from a property development is dependent upon its ability to define and delineate an ore body, to finance development costs, adhere to government and environmental regulations, and/or be able to realize the costs incurred on disposition of a property.

The future prospects of the Company are subject to a variety of risks that may cause actual results to differ materially from projected outcomes. Factors that could cause such differences include: world commodities markets, foreign exchange markets, equity markets, access to sufficient working capital, the ability to attract mining partners, the loss of or inability to hire key personnel, as well as government and environmental restrictions. Most of these factors are beyond the control of the Company which consequently cannot guarantee future results, levels of activity or ensure that a mineral discovery can be developed into a profitable mining operation. In addition, prices for the commodities contained in the Company's mineral resources at its exploration properties have fluctuated significantly over the last few years and may continue to do so. Such volatility may affect the timing and magnitude of funds which the Company may seek to raise to support further exploration and development.

The Company has taken steps to verify the title to its mineral properties, in accordance with industry standards for the current stage of exploration of such properties but these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

## ADDITIONAL INFORMATION

Additional information relating to the Company can be found at [www.heronresources.com.au](http://www.heronresources.com.au) or on the SEDAR website at [www.sedar.com](http://www.sedar.com), or on the website of the ASX, [www.asx.com.au](http://www.asx.com.au).

## APPROVAL

The Board of Directors of Heron Resources Limited has approved the disclosure contained in this Management Discussion and Analysis dated 24 August, 2016.

## CORPORATE DIRECTORY

### DIRECTORS

#### **Chairman (Non-Executive)**

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

#### **Managing Director (Executive)**

Wayne Taylor BE (Min.), MBA, MAusIMM

#### **Director (Executive)**

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

#### **Director (Non-Executive)**

Borden Putnam III MSc, RPG

#### **Director (Non-Executive)**

Fiona Robertson MA (Oxon), MAusIMM, FAICD

#### **Director (Non-Executive)**

Mark Sawyer LL.B. (appointed 19 August 2015)

### COMPANY SECRETARY

Simon Smith B.Bus, CA

### REGISTERED OFFICE (head office)

#### **and Address for Correspondence**

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Telephone: +61 2 9119 8111

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**Email:** [heron@heronresources.com.au](mailto:heron@heronresources.com.au)

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### AUDITOR

#### **Ernst & Young**

200 George St

SYDNEY 2000 New South Wales

# 10.0 Statement of Mineral Resources & Mineral Reserves

## 10.1 Woodlawn Underground Mineral Resource Estimate 2016

Reported at a 7% ZnEq lower cut-off grade

Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Polymetallic	Measured	0.4	23	13.0	1.3	4.4	0.21	72
Polymetallic	Indicated	2.2	21	10.0	1.5	3.9	0.78	80
Polymetallic	Inferred	2.0	17	7.3	1.5	2.9	0.75	56
Copper	Indicated	1.5	10	0.8	2.8	0.2	0.23	15
Copper	Inferred	0.5	10	0.8	2.8	0.2	0.09	14
<b>All Total</b>	<b>Mea+Ind</b>	<b>4.1</b>	<b>18</b>	<b>7.2</b>	<b>2.0</b>	<b>2.6</b>	<b>0.52</b>	<b>55</b>
<b>All Total</b>	<b>Inferred</b>	<b>2.5</b>	<b>15</b>	<b>5.9</b>	<b>1.8</b>	<b>2.3</b>	<b>0.61</b>	<b>47</b>

Notes: 1) Please refer to the end of this section for Qualified Persons statements; 2) ZnEq(%) refers to a calculated Zn equivalent grade the formula for which is stated in 10.5; 3) Polymetallic Type refers to polymetallic massive sulphide mineralisation with high-grade Zn and Pb; Copper Type refers to Cu dominated massive and stringer sulphide mineralisation; 4) Some rounding related discrepancies may occur in the totals; 5) the Mineral Resource is reported in accordance with the the JORC Code (2012) and NI 43-101 guidelines; 6) This Mineral Resource was first reported to the ASX/TSX within the release dated the 29th June 2016.

## 10.2 Woodlawn Reclaimed Tailings Mineral Resource Estimate 2015

Reported with no cut-off grade applied

Type	Resource Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
All Dams	Measured	6.6	6.1	2.3	0.49	1.3	0.30	32
All Dams	Indicated	3.2	6.3	2.2	0.56	1.4	0.33	33
<b>All Dams</b>	<b>Mea+Ind</b>	<b>9.8</b>	<b>6.2</b>	<b>2.3</b>	<b>0.51</b>	<b>1.3</b>	<b>0.31</b>	<b>32</b>
<b>All Dams</b>	<b>Inferred</b>	<b>1.1</b>	<b>5.8</b>	<b>2.3</b>	<b>0.47</b>	<b>1.2</b>	<b>0.25</b>	<b>27</b>

Notes: 1) The Mineral Resource estimate, originally published on Heron's website and SEDAR under the NI43-101 guidelines, is entitled Woodlawn Retreatment Project Mineral Resources Technical Report (NI43-101) with an effective date of 30th November 2015 and authored by Mr Robin Rankin (MAusIMM CP Geology) of independent consulting firm GeoRes Geological Resources. Heron confirms that it is not aware of any new information or data that materially affects the information included in this report and that the form and context in which the Mr Rankin's findings are presented have not been materially modified 2) ZnEq (%) refers to a calculated Zn equivalent grade the formula for which is stated in 10.5; 3) some rounding related discrepancies may occur in the totals.

## 10.3 Woodlawn Underground Mineral Reserve Estimate 2016

Type	Reserve Category	Quantity (Mt)	ZnEq (%)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
Polymetallic	Proven	0						
Polymetallic	Probable	1.80	16.0	8.10	1.2	2.90	0.56	57
Copper	Proven	0						
Copper	Probable	0.96	8.8	0.61	2.4	0.13	0.23	14
<b>Total</b>	<b>Probable</b>	<b>2.80</b>	<b>14.0</b>	<b>5.50</b>	<b>1.6</b>	<b>1.90</b>	<b>0.45</b>	<b>42</b>

Notes: 1) Please refer to the end of this section for Qualified Persons statements; 2) Reported at cut-off grades determined by economic and metallurgical factors; 3) This estimate has been prepared in accordance with the JORC Code (2012) and the NI43-101 guidelines. 4) Some discrepancies in totals may occur due to rounding of numbers; 5) ZnEq(%) refers to a calculated Zn equivalent grade the formula for which is provided in 10.5. 6) This Mineral Resource was first reported to the ASX/TSX within the release dated the 29th June 2016.

## 10.4 Woodlawn Tailings Mineral Reserve Estimate 2016

*Reported with no cut-off grade applied*

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

Notes: 1) Combined tailings estimate for the North, South and West Tailings Dams; 2) This estimate has been prepared in accordance with the JORC Code (2012) and the NI43-101 guidelines. Please refer to the end of this section for Qualified Persons statements; 3) ZnEq% refers to a calculated Zn equivalent grade the formula for which is provided in 10.5. 4) Reported at cut-off grades determined by economic and metallurgical factors. 5) Some discrepancies in totals may occur due to rounding of numbers. 6) This Mineral Reserve was first reported to the ASX/TSX within the release dated the 29th June 2016.

## 10.5 Zinc equivalent calculation for the Woodlawn Mineral Resources and Mineral Reserves

The zinc equivalent (ZnEq) calculation takes into account, mining costs, milling costs, recoveries, payability (including transport and refining charges) and metal prices in generating a zinc equivalent value for Au, Ag, Cu, Pb and Zn.  $ZnEq = Zn\% + Cu\% * 3.12 + Pb\% * 0.81 + Au\text{ g/t} * 0.86 + Ag\text{ g/t} * 0.03$

Metal prices used in the calculation are: Zn US\$2,300/t, Pb US\$ 2,050/t, Cu US\$6,600/t, Au US\$1,250/oz and Ag US\$18/oz. It is Heron's view that all the metals within this formula are expected to be recovered and sold.

## 10.6 Lewis Ponds Project - Mineral Resource

*Reported at a 3% ZnEq lower cut-off grade*

Classification	Quantity (Mt)	Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
<b>Indicated Mineral Resource</b>						
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
<b>Total Indicated Mineral Resource</b>	<b>6.35</b>	<b>2.4</b>	<b>0.2</b>	<b>1.4</b>	<b>1.5</b>	<b>68</b>
<b>Inferred Mineral Resources</b>						
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
<b>Total Inferred Mineral Resource</b>	<b>0.27</b>	<b>3.0</b>	<b>0.1</b>	<b>1.9</b>	<b>1.1</b>	<b>96</b>
<b>Total Mineral Resource</b>	<b>6.62</b>	<b>2.4</b>	<b>0.2</b>	<b>1.4</b>	<b>1.5</b>	<b>69</b>

### Lewis Ponds Project

Notes: First published by TriAusMin Ltd within a news release dated the 6th October 2005. It was reviewed in the September 2016 Quarter and found to have no material changes, however, was upgraded to comply with the JORC 2012 Code through a process of verification of the 2005 estimate and compiling the JORC 2012 Table 1, provided within the Heron quarterly report dated the 31 October 2016.

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			

No metallurgical recovery factors have been applied to the zinc equivalent formula, however all metals within the formula are expected to be recovered.



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

10.7 Kalgoorlie Nickel Project Mineral Resource 2016<sup>1</sup>

Region	Prospect	Quantity (Mt)	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**	34.1	0.64	0.038	Inferred	Krige	Heron	Post PFS
	Ghost Rocks†	47.4	0.66	0.042	Inferred	Krige	Snowden	Pre PFS
	Goongarrie Hill	53.6	0.60	0.037	Inferred	Krige	Heron	Post PFS
	Big Four	42.6	0.69	0.051	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		5.8	1.08	0.102	Measured	Krige		
		149.7	0.72	0.053	Indicated	Krige		
		193.0	0.64	0.043	Inferred	Krige		
Siberia	Siberia South	104.4	0.65	0.034	Inferred	Krige	Snowden	Pre PFS
	Siberia North	10.0	0.64	0.051	Indicated	Krige	Snowden	Post PFS
	Siberia North	48.9	0.71	0.047	Inferred	Krige	Snowden	Post PFS
	Black Range	20.1	0.75	0.103	Inferred	Krige	Snowden	Pre PFS
Sub-Total Siberia		10.0	0.64	0.051	Indicated	Krige		
		173.4	0.68	0.046	Inferred	Krige		
Total KNP West		5.8	1.08	0.102	Measured	Krige		
		159.7	0.71	0.053	Indicated	Krige		
		366.4	0.66	0.044	Inferred	Krige		
Bulong	Taurus	14.2	0.84	0.051	Inferred	Krige	Snowden	Pre PFS
	East	15.9	1.06	0.055	Indicated	Krige	Snowden	Pre PFS
	East*	24.0	0.79	0.053	Inferred	Krige	Snowden	Pre PFS
Sub-Total Bulong*		15.9	1.06	0.055	Indicated	Krige		
		38.2	0.81	0.052	Inferred	Krige		
Hampton	Kalpini	75.0	0.73	0.044	Inferred	Krige	Snowden	Pre PFS
Sub-Total Hampton		75.0	0.73	0.044	Inferred	Krige		
Total KNP East		15.9	1.06	0.055	Indicated	Krige		
		113.2	0.76	0.047	Inferred	Krige		
Yerilla	Jump Up Dam†	3.8	0.94	0.048	Measured	Krige	Snowden	PFS
	Jump Up Dam	41.6	0.79	0.043	Indicated	Krige	Snowden	PFS
	Jump Up Dam	18.4	0.64	0.034	Inferred	Krige	Snowden	PFS
	Boyce Creek	26.8	0.77	0.058	Indicated	Krige	Heron	PFS
	Aubils	49.4	0.70	0.066	Inferred	Krige	Heron	PFS
Sub-Total KNP Yerilla		3.8	0.94	0.048	Measured			
		68.4	0.78	0.049	Indicated			
		67.8	0.68	0.057	Inferred			
Company Total		9.6	1.02	0.081	Measured			
		244.0	0.75	0.052	Indicated			
		551.7	0.68	0.046	Inferred			

**KNP Mineral Resources by Category - 2016**

<b>Resource Category</b>	<b>Deposit</b>	<b>Tonnes (Mt)</b>	<b>Nickel (%)</b>	<b>Cobalt (%)</b>
<b>Measured</b>	Goongarrie South	5.8	1.08	0.102
	Jump Up Dam	3.8	0.94	0.048
	<b>Subtotal</b>	<b>9.6</b>	<b>1.02</b>	<b>0.081</b>
<b>Indicated</b>	Big Four	42.6	0.69	0.051
	Boyce Creek	26.8	0.77	0.058
	Bulong East	15.9	1.06	0.055
	Goongarrie South	54.2	0.79	0.065
	Highway	52.9	0.66	0.042
	Jump Up Dam	41.6	0.79	0.043
	Siberia North	10.0	0.64	0.051
	<b>Subtotal</b>	<b>244.0</b>	<b>0.75</b>	<b>0.052</b>
<b>Inferred</b>	Aubils	49.4	0.70	0.066
	Big Four	12.4	0.62	0.054
	Black Range	20.1	0.75	0.103
	Bulong East	24.0	0.79	0.053
	Ghost Rocks	47.4	0.66	0.042
	Goongarrie Hill	53.6	0.60	0.037
	Goongarrie South	34.4	0.63	0.042
	Highway	34.1	0.64	0.038
	Jump Up Dam	18.4	0.64	0.034
	Kalpini	75.0	0.73	0.044
	Scotia	11.2	0.77	0.080
	Siberia North	48.9	0.65	0.040
	Siberia South	104.4	0.65	0.034
	Taurus	14.2	0.84	0.051
	<b>Subtotal</b>	<b>551.7</b>	<b>0.68</b>	<b>0.046</b>
<b>Combined</b>	<b>Total</b>	<b>805.3</b>	<b>0.70</b>	<b>0.048</b>

**Notes:**

1. This Mineral Resource was first reported to the ASX within the release dated the 18th October 2013 and has been adjusted subsequently for minor adjustments to tenement changes.
  2. Tonnage (dry) and grade estimates have been rounded to reflect the estimation precision.
  3. 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.
  4. Economic parameters for Yerilla are based on a Pre-feasibility Study completed by Heron between June 2006 and April 2009, and re-optimised between May 2009 and May 2011.
  5. Specific notes from table provided below:
- \* Surrendered M25/162 Inferred Resource of 0.33Mt @ 0.59% nickel and 0.080% cobalt.
- \*\* Surrendered M29/416 Inferred Resource of 4.4Mt @ 0.59% nickel and 0.058% cobalt.
- ‡ New tenement E24/291 Inferred Resource of 22.4Mt @ 0.66% nickel and 0.036% cobalt added to project.
- † Includes approximately 20,000 tonnes @ 1.3% nickel and 0.050% cobalt in stockpiles from the 2006 trial.

**10.8 Competent Persons Statements - Declaration and JORC (2012) and NI 43-101 Compliance**

1. The information in this report that relates to Mineral Resources for the Woodlawn Underground Project has been reviewed, and verified by Mr Rodney Brown who is a full time employee of SRK Consulting (Australasia). Mr Brown, who is a member of the AIG, takes responsibility for the integrity of Data that have been used to prepare the resource estimates, and for the Geological Model. Mr Brown 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 JORC Code: Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and a Qualified Person as this term is defined in Canadian National Instrument 43-101. Mr Brown consents to the inclusion in this report of the matters based on his information in the form and context that it appears.
2. The Woodlawn Project Mineral Reserve, mine design, production schedule and FS results have been produced or reviewed by SRK Consulting (Australasia) Pty Ltd (SRK) under the direction of Ms Anne-Marie Ebbels, Principal Consultant (Mining), an Independent Qualified Person as defined by Canadian National Instrument 43-101 and a Competent Person as defined in the 2012 edition of the JORC Code: Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ms Ebbels consents to the inclusion in this report of the matters based on her information in the form and context that it appears.
3. The Woodlawn Project plant and metallurgy designs and costings have been produced or reviewed by GR Engineering Services Limited (GRES) under the direction of Mr Peter Allen, Manager – Process & Technical Services, who is a Member of the Australasian Institute of Mining and Metallurgy and accredited by the AusIMM as a Chartered Professional (CP) in the metallurgy discipline, and an Independent Qualified Person as defined by Canadian National Instrument 43-101. Mr Allen consents to the inclusion in this report of the matters based on his information in the form and context that it appears.

4. The information relating to the Woodlawn Tailings Mineral Resource contained in this report has been reviewed and 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 Heron (and previously TriAusMin Ltd) 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 JORC Code (2012 edition) and "qualified person" as this term is defined in Canadian National Instrument 43-101. Mr Rankin consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.
5. The technical information in this report relating to the exploration results and forward programs based on information compiled or reviewed by Mr David von Perger, who is a Member of the Australian Institute of Mining and Metallurgy (Chartered Professional – Geology). Mr von Perger is a full time employee of Heron Resources Limited and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 edition) and "qualified person" as this term is defined in Canadian National Instrument 43-101 ("NI 43-101"). Mr von Perger has reviewed this press release and consents to the inclusion in this news release of the information in the form and context in which it appears.
6. 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. 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. Mr Cotton consents to the inclusion in this report of the information in the form and context in which it appears.

#### 10.9 Qualified Person Statement (KNP Mineral Resources)

1. 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.
2. 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.
3. 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.

# 11.0 Interest in Mining Tenements

Tenement	Location	Heron % Interest	Status	Note
<b>WA Tenements</b>				
<b>KALGOORLE NICKEL PROJECT</b>				
<b>North Kalgoorlie Nickel - Siberia Project</b>				
E24/00203	78km NW of Kalgoorlie	100	Pending	Ardea
E29/00889	78km NW of Kalgoorlie	100	Live	Ardea
M24/00634	78km NW of Kalgoorlie	100	Live	Ardea
M24/00660	75km NW of Kalgoorlie	100	Live	Ardea
M24/00663	75km NW of Kalgoorlie	100	Live	Ardea
M24/00664	75km NW of Kalgoorlie	100	Live	Ardea
M24/00686	75km NW of Kalgoorlie	100	Live	Ardea
M24/00915	78km NW of Kalgoorlie	100	Live	Ardea
M24/00916	78km NW of Kalgoorlie	100	Live	Ardea
<b>North Kalgoorlie Nickel - SMC Siberia Project</b>				
M24/00683	78km NW of Kalgoorlie	100	Live	Ardea
M24/00772	71km NW of Kalgoorlie	100	Live	Ardea
M24/00797	78km NW of Kalgoorlie	100	Live	Ardea
<b>North Kalgoorlie Nickel - Black Range Project</b>				
M24/00757	63km NW of Kalgoorlie	100	Live	Ardea
P24/04395	70km NW of Kalgoorlie	100	Live	Ardea
P24/04396	70km NW of Kalgoorlie	100	Live	Ardea
P24/04400	70km NW of Kalgoorlie	100	Live	Ardea
P24/04401	70km NW of Kalgoorlie	100	Live	Ardea
P24/04402	70km NW of Kalgoorlie	100	Live	Ardea
P24/04403	70km NW of Kalgoorlie	100	Live	Ardea
<b>North Kalgoorlie Nickel - Siberia Tank Project</b>				
M24/00665	75km NW of Kalgoorlie	90	Live	2
<b>North Kalgoorlie Nickel - Ghost Rocks Project</b>				
E29/00941	140km NNW of Kalgoorlie	100	Live	Ardea
<b>North Kalgoorlie Nickel - Goongarrie Project</b>				
M24/00541	67km NNW of Kalgoorlie	100	Live	Ardea
M24/00744	75km NNW of Kalgoorlie	100	Live	Ardea
M29/00167	86km NNW of Kalgoorlie	100	Live	Ardea
M29/00202	86km NNW of Kalgoorlie	100	Live	Ardea
M29/00272	77km NNW of Kalgoorlie	100	Live	Ardea
M29/00278	74km NNW of Kalgoorlie	100	Live	Ardea
M29/00423	76km NNW of Kalgoorlie	100	Live	Ardea
P29/02265	86km NNW of Kalgoorlie	100	Live	Ardea
E29/00934	67km NNW of Kalgoorlie		Pending	Ardea
<b>North Kalgoorlie Nickel - Placer Big Four</b>				
M24/00731	70km NNW of Kalgoorlie	100	Live	4,Ardea
M24/00732	70km NNW of Kalgoorlie	100	Live	4,Ardea
M24/00778	70km NNW of Kalgoorlie	100	Live	4,Ardea
<b>North Kalgoorlie Nickel - Highway Project</b>				
M29/00214	100km NNW of Kalgoorlie	100	Live	Ardea
<b>Yerilla Nickel Province</b>				
E31/01092	140km NNE of Kalgoorlie	100	Live	
M31/00483	146km NNE of Kalgoorlie	100	Live	
M31/00475	129km NE of Kalgoorlie	100	Live	
M31/00477	129km NE of Kalgoorlie	100	Live	
M31/00479	129km NE of Kalgoorlie	100	Live	
E39/01954	170km NNE of Kalgoorlie	100	Pending	

Tenement	Location	Heron % Interest	Status	Note
<b>Lake Rebecca Project - Lake Rebecca Project</b>				
P31/02038	113km NE of Kalgoorlie	100	Live	
P31/02039	113km NE of Kalgoorlie	100	Live	
P31/02040	113km NE of Kalgoorlie	100	Live	
<b>Hampton Nickel Province - Kalpini Project</b>				
E28/01224	63km NE of Kalgoorlie	100	Live	Ardea
M28/00199	65km NE of Kalgoorlie	100	Live	Ardea
M28/00201	65km NE of Kalgoorlie	100	Live	Ardea
M28/00205	66km NE of Kalgoorlie	100	Live	Ardea
M27/00395	68km NE of Kalgoorlie	100	Live	Ardea
E27/00524	67km NE of Kalgoorlie	100	Live	Ardea
<b>Hampton Nickel Province - Bulong Project</b>				
M25/00187	40km E of Kalgoorlie	100	Live	Ardea
M25/00151	38km E of Kalgoorlie	100	Live	Ardea
<b>NON HERON RESPONSIBILITY KNP TENEMENTS</b>				
<b>JOINT VENTURES</b>				
<b>Hampton Nickel Province - Bulong Project</b>				
<b>Southern Gold Farm In Project - Southern Gold Ltd 80%, HRR 20%</b>				
E25/00250	32km ESE of Kalgoorlie	20	Live	6
M25/00059	34km East of Kalgoorlie	20	Live	6
M25/00134	40km E of Kalgoorlie	20	Live	6
M25/00145	40km E of Kalgoorlie	20	Live	6
M25/00161	40km E of Kalgoorlie	20	Live	6
M25/00171	40km E of Kalgoorlie	20	Live	6
M25/00209	40km E of Kalgoorlie	20	Live	6
M25/00210	40km E of Kalgoorlie	20	Live	6
P25/02062	40km E of Kalgoorlie	20	Live	6
P25/02252	40km E of Kalgoorlie	20	Live	6
P25/02253	40km E of Kalgoorlie	20	Live	6
P25/02254	40km E of Kalgoorlie	20	Live	6
P25/02255	40km E of Kalgoorlie	20	Live	6
P25/02256	40km E of Kalgoorlie	20	Live	6
P25/02257	40km E of Kalgoorlie	20	Live	6
P25/02258	40km E of Kalgoorlie	20	Live	6
<b>North Kalgoorlie Nickel - EGS Siberia</b>				
M24/00845	71km NW of Kalgoorlie	100 of Ni lat	Live	3
M24/00846	71km NW of Kalgoorlie	100 of Ni lat	Live	3
M24/00847	71km NW of Kalgoorlie	100 of Ni lat	Live	3
M24/00848	71km NW of Kalgoorlie	100 of Ni lat	Live	3
E16/00332	62km NW of Kalgoorlie	100 of Ni lat	Live	3
<b>Kalgoorlie Gold Project - MKO Goongarrie</b>				
M24/00919	63km NNW of Kalgoorlie	100% Ni only	Live	7
P24/04199	55km NNW of Kalgoorlie	100% Ni only	Live	7

Tenement	Location	Heron % Interest	Status	Note
<b>WA Tenements cont</b>				
<b>HERON RESPONSIBILITY NON KNP TENEMENTS</b>				
<b>Mt Zephyr Project - Mt Zephyr</b>				
E39/01706	75km NE of Leonora	100	Live	Ardea
E39/01757	75km NE of Leonora	100	Live	Ardea
E39/01854	75km NE of Leonora	100	Pending	Ardea
E39/01985	75km NE of Leonora	100	Pending	Ardea
E37/01271	75km NE of Leonora	100	Pending	Ardea
E37/01272	75km NE of Leonora	100	Pending	Ardea
E37/01273	110km NNE of Leonora	100	Pending	Ardea
E37/01274	110km NNE of Leonora	100	Pending	Ardea
<b>Bedonia Project - Bedonia</b>				
E63/01787	70km ENE of Norseman	100	Pending	Ardea
<b>Donnelly River</b>				
E70/04804	18km W of Manjimup	100	Pending	Ardea
<b>NON HERON RESPONSIBILITY TENEMENTS</b>				
<b>Albany-Fraser Project - MCT Rocky Gully Project</b>				
E70/02801	85km NW of Albany	10	Live	
E70/04543	105km NW of Albany	10	Live	
E70/04437	120km NW of Albany	10	Live	
<b>JOINT VENTURES</b>				
<b>Pioneer Tenements - PIO Kalpini Project</b>				
E27/00548	61km NE of Kalgoorlie	Ni Lat 100	Live	
E28/01746	62m NE of Kalgoorlie	Ni Lat 100	Live	
E28/02483	62km NE of Kalgoorlie	Ni Lat 100	Live	
<b>Kalgoorlie Nickel Province - RMS Coolgardie Project</b>				
M15/01101	65km S of Kalgoorlie	Ni Lat 100 p/mpt	Live	
M15/01264	65km S of Kalgoorlie	Ni Lat 100 p/mpt	Live	
M15/01263	65km S of Kalgoorlie	Ni Lat 100 p/mpt	Live	
M15/01323	65km S of Kalgoorlie	Ni Lat 100 p/mpt	Live	
M15/01338	65km S of Kalgoorlie	Ni Lat 100 p/mpt	Live	
E27/00300	48km N of Kalgoorlie	Ni Lat 100 p/mpt	Live	
<b>St Ives Project - Goldfields St Ives Project</b>				
E15/00927	68km SE of Kalgoorlie	Royalty & other	Live	
E15/01005	70km SE of Kalgoorlie	Royalty & other	Live	
E15/01010	60km SSE of Kalgoorlie	Royalty & other	Live	
E15/01040	68km SE of Kalgoorlie	Royalty & other	Live	
<b>Yarri Project - Yarri Gold Project</b>				
E31/00887	160km NE of Kalgoorlie	Royalty rights	Live	
E31/00859	170km NE of Kalgoorlie	Royalty rights	Live	
<b>KCGM Gidgi Project - KCGM Kalgoorlie Gold Project</b>				
E26/00124	14km N of Kalgoorlie	Royalty rights	Live	5
<b>Kanowa Gold Projects</b>				
M27/00272	22km NE of Kalgoorlie	HRR retain certain rights	Live	

Tenement	Location	Heron % Interest	Status	Note
<b>New South Wales Projects</b>				
<b>Heron Tenements</b>				
<b>Woodlawn Project</b>				
EL7257	40km SSW of Goulburn	100	Live	
EL7468	5km E of Collector	100	Live	
EL7469	15km E of Bungendore	100	Live	
EL7954	25km W of Goulburn	78.9	Live	
EL8325	60km ENE of Canberra	100	Live	
EL8353	7.5km SE of Woodlawn	100	Live	
S(C&PL)L0020	40km SSW of Goulburn	100	Live	
EL8400	27km NNE of Yass	100	Live	
<b>Ardea Tenements</b>				
<b>Restdown</b>				
ELA5335	70km W of West Wyalong	100	Live	Ardea
<b>Lewis Ponds</b>				
EL5583	15km E of Orange	100	Live	Ardea
EL8323	10km NE of Orange	100	Live	Ardea
ELA5337	20km N of Orange	100	Live	Ardea
<b>Calarie</b>				
EL7023	10km N of Forbes	100	Live	Ardea
ML0739	10km N of Forbes	100	Live	Ardea
ELA5338	5km N of Forbes	100	Live	Ardea
<b>Gundagai</b>				
EL8061	Gundagai	100	Live	Ardea
ELA5323	Gundagai	100	Live	Ardea
<b>Alchemy Farm in &amp; JV Tenements</b>				
<b>Girilambone</b>				
EL8318	27km NW of Nyngan	100	Live	Alchemy
<b>Overflow/Eurow/Parkes</b>				
EL5878	100km NW of Condobolin	100	Live	Alchemy
EL7941	100km NW of Condobolin	100	Live	Alchemy
EL8267	70km SE of Cobar	100	Live	Alchemy
EL8356	59km WSW of Tottenham	100	Live	Alchemy
EL8192	23km SE of Parkes	100	Live	Alchemy

**Notes:**

1. Britannia Gold Ltd retains precious metal rights.
2. Beach Energy Ltd has a 10% equity free-carried interest to a decision to mine.
3. Eastern Goldfields Limited holds the tenement, Heron retains nickel laterite rights
4. Norton Goldfields retains a royalty on gold production
5. KCGM Gidgi Project, Heron retains a royalty on gold production
6. Subject to Farm In agreement with Southern Gold Ltd (who have earned an 80% interest). Heron retains 100% of nickel laterite.
7. Metalliko Resources Ltd holds the tenement, Heron retains nickel rights.

**Ardea.** Proposed Ardea Resources Limited Tenement

**Alchemy.** Subject to Farm-in and Joint Venture with Alchemy Resources Ltd



# 12.0 Glossary

## 12.1 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** 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** 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

## 12.2 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 the final 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 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  $\pm 25\%$ .

**Feasibility Study** (FS) is a 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  $\pm 15\text{-}20\%$ . A FS 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:

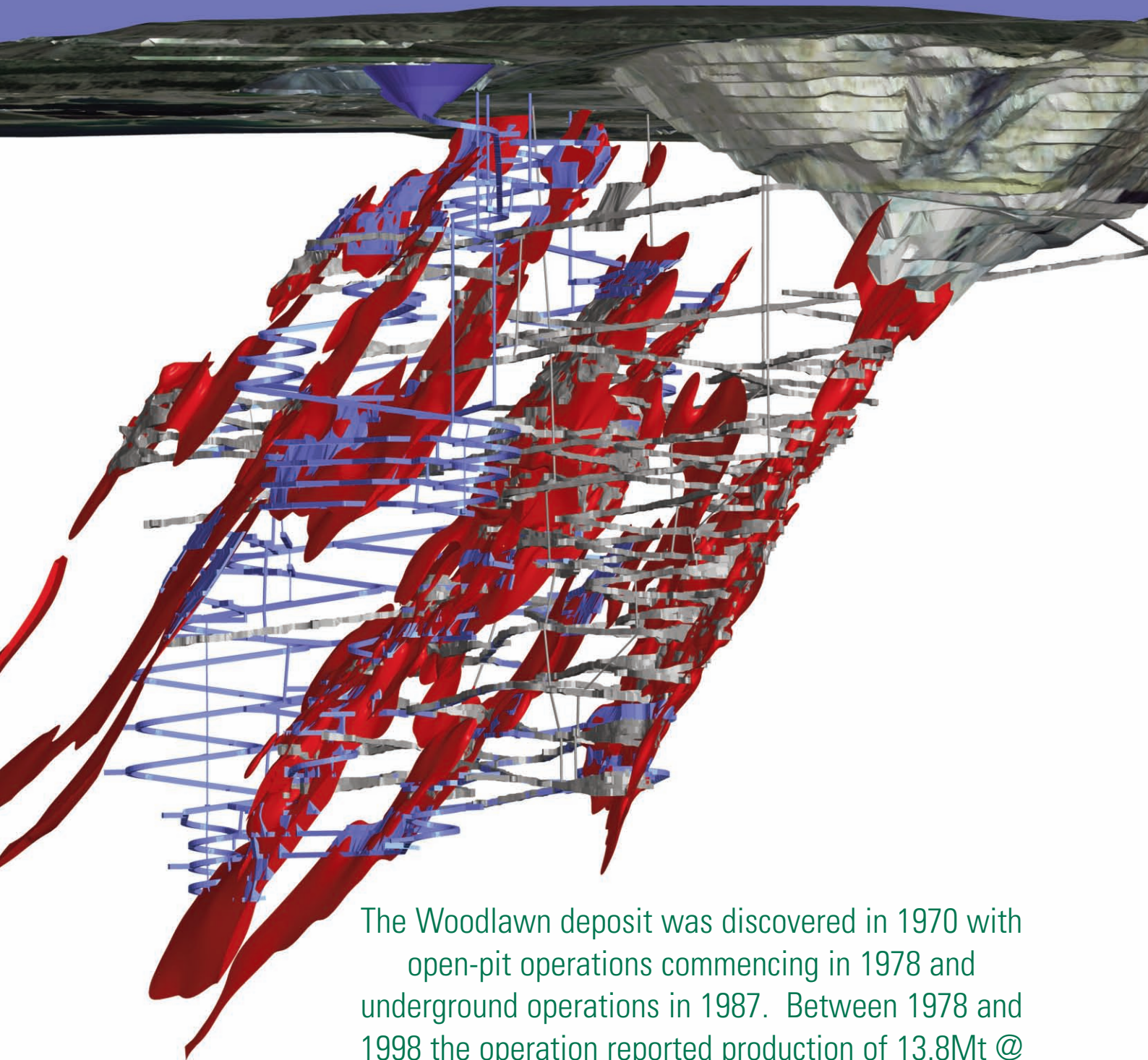
**JORC** (2012 edition) means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves. The JORC Code provides 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.

**Zn** means zinc

# WOODLAWN ZINC COPPER PROJECT

## MINERALISED LENS AND MINE PLAN 2016



The Woodlawn deposit was discovered in 1970 with open-pit operations commencing in 1978 and underground operations in 1987. Between 1978 and 1998 the operation reported production of 13.8Mt @ 9.1% Zn, 1.6% Cu, 3.6% Pb, 0.5g/t Au and 74g/t Ag.



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**Heron Resources** Limited