Suite 702, 191 Clarence St, Sydney NSW 2000, AUSTRALIA
heron@heronresources.com.au
+61 2 9119 8111 / +61 8 6500 9200
ABN: 30 068 263 098

Heron Resources Limited

Media Release

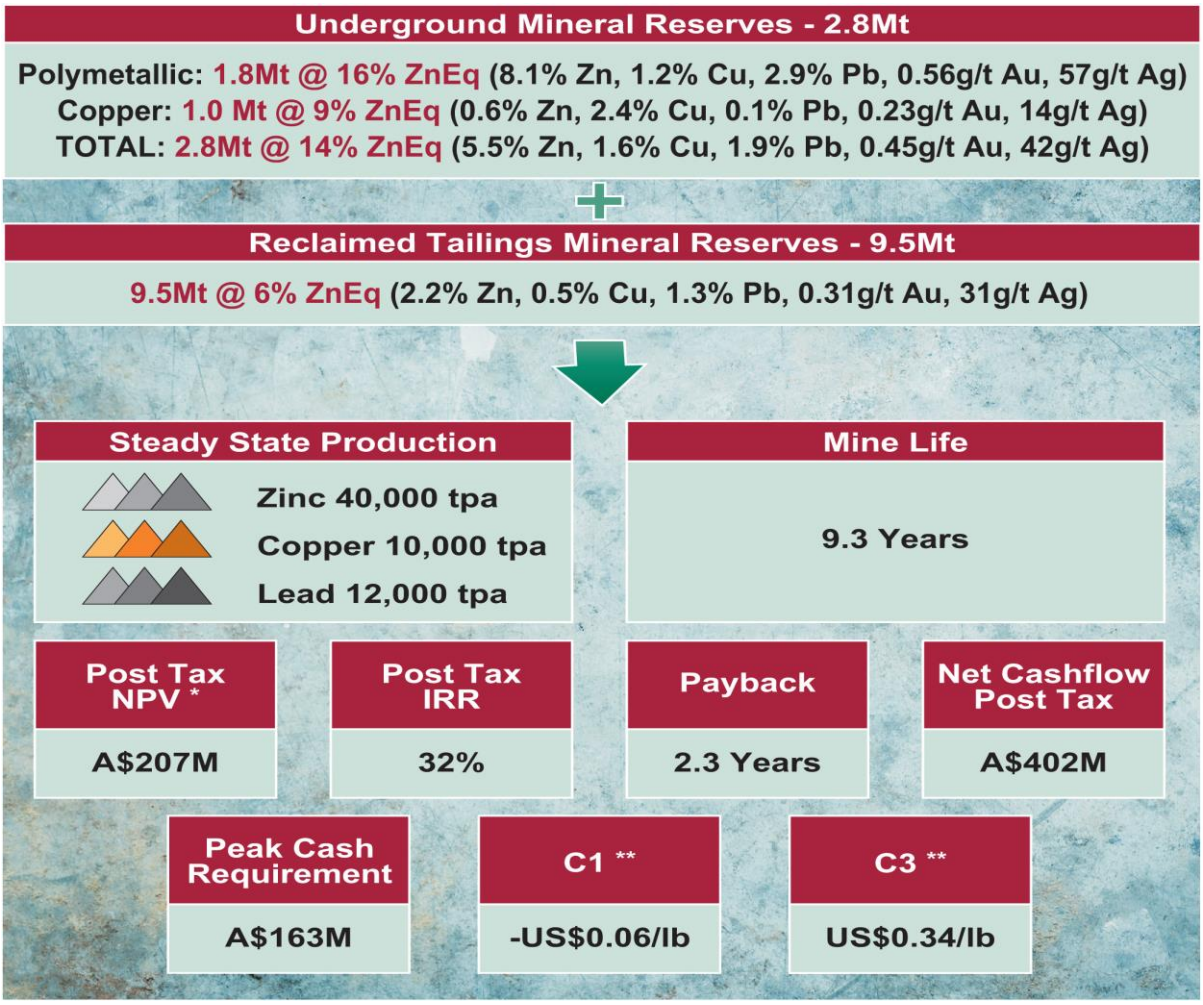
29 June 2016

For personal use only

Heron Resources delivers robust Feasibility Study for Woodlawn Project

Study supports project viability with compelling commercial case for immediate development

Expedited program launched to secure project funding and bring project online to meet global zinc supply shortfall



Heron Resources Limited ("Heron", the "Company", ASX:HRR and TSX:HER) is pleased to announce the results of its Feasibility Study (FS) for its 100% owned and fully permitted high-grade Woodlawn Zinc-Copper Project in New South Wales, Australia.

The A$11M study supports the viability of a "Starter Case" to deliver quality zinc, copper and lead concentrates to market over a nine year mine life based on Mineral Reserves.

The Starter Case comprises both underground and reclaimed tailings production sources that will be processed through a standard single sulphide flotation facility targeting production of 284kt Zn, 67kt Cu, 87kt Pb, 7.5Moz Ag and 28koz Au across the current Reserve base life-of-mine. Importantly, Inferred Mineral Resources defined in both the underground and tailings projects and considerable exploration upside demonstrate the potential to significantly extend the mine life. On a comparative basis, an expansion of the Starter Case Reserve to an equivalent Preliminary Economic Assessment (PEA) Plant Feed Estimate through further resource conversion would result in the Woodlawn Project returning a very similar commercial result to that reached in the PEA providing a clear indication of the potential for improved returns with an increase in mine life.

Heron Resources Managing Director and CEO Wayne Taylor said the Feasibility Study presents a 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.

"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," he said.

"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."

"While the Starter Case presents a strongly positive economic outcome for the project, there is potential for the project to deliver significantly greater tonnages from underground based on both expansion of the current Reserve through further conversion of existing Mineral Resources, and on the broader exploration potential of the Woodlawn mineralised system," he said.

The Woodlawn Project is estimated to require upfront capital costs of A$144M, with a +/-15% accuracy and with total capital costs to Peak Cash Draw estimated at A$163M. The Project's post-tax NPV at an 8% post-tax real discount rate (approximately equivalent to a 10% post-tax nominal discount rate) is A$207M and the IRR is 32%. Payback of start-up capital is achieved approximately 2.3 years from commissioning.

Mr Taylor said the resource and embedded low operating and competitive development costs due to existing site infrastructure all combine to differentiate Woodlawn from its peers.

Importantly, the project is situated on a granted mining lease, fully 'permitted' with access to grid power and renewable energy options, rail and road access, water and a substantial workforce catchment area in close proximity. With C1 costs of US$(0.06)/lb zinc and C3 of US$0.34/lb, the Woodlawn Project is expected to be firmly positioned in the lower half of the cost curve.

The project is highly leveraged to commodity prices with a particular focus on zinc, which makes up around 48% of expected total payable metal value for the project. As a result, the project provides excellent exposure to what is anticipated to be a market where demand will exceed supply, with positive potential implications for the future price of zinc.

Heron is currently evaluating the potential for an earlier start up through the immediate sourcing of long lead-time items and other alternative second hand equipment procurement options with an encouraging level of equipment currently available.

The Project's proximity to large service and employment centres including Sydney, Wollongong, Canberra and Goulburn provides a number of logistical benefits and local employment opportunities which will prove invaluable as the company pursues a rapid development schedule of 15 months from commencement of construction until completion of wet commissioning.

"The study underpins the Board's decision to advance an accelerated program to secure project financing in anticipation of targeted first production in early 2018, allowing Heron to meet projected favourable zinc market conditions," said Mr Taylor.

"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," he said.

An extended announcement related to the FS can be found on the Australian Securities Exchange (**ASX:HRR**), Toronto Stock Exchange (**TSX:HER**) and on the company website. The complete NI 43-101 Technical Report in support of the FS will also be published on Heron's web site and SEDAR www.sedar.com within 45 days of this news release. While summarised here, this Technical Report will contain expanded information with respect to key assumptions, parameters and risks associated with the results of the FS.

For personal use only

For personal use only

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

Australia:
Mr. Wayne Taylor
Managing Director and Chief Executive Officer
Tel: +61 (2) 9119 8111 or +61 (8) 6500 9200
Email: heron@heronresources.com.au

Jon Snowball
FTI Consulting
+61 (2) 8298 6100
jon.snowball@fticonsulting.com

Canada:
Tel: +1 647 862 1157 (Toronto)

About Heron Resources Limited:

Heron's primary focus is the development of its 100% owned, high-grade Woodlawn Zinc-Copper Project located 250km southwest of Sydney, New South Wales, Australia. In addition, the Company holds a significant high quality tenement holding in New South Wales and in Western Australia.

The technical information in this presentation has been reviewed and approved by Mr David von Perger, who is a Member of the Australian Institute of Mining and Metallurgy (Chartered Professional – Geology). Mr von Perger is a full time employee of Heron Resources Limited and has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to 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. The Woodlawn Project underground Mineral Resources, Mineral Reserve, mine design, production schedule and FS results have been produced or reviewed by SRK Consulting (Australasia) Pty Ltd (SRK). The Woodlawn Project plant and metallurgy designs and costings have been produced or reviewed by GR Engineering Services Limited (GRES).

Cautionary Notes & Forward Looking Information:

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental permitting, legal, marketing, or other relevant issues. The Mineral Resources disclosed in this release are estimated using the Canadian Institute of Mining Metallurgy and Petroleum (CIM), CIM CIM Standards on Mineral Resources and Reserves Definitions and Guidelines proposed by the CIM Standing Committee on Resource Definitions adopted by the CIM Council.

Certain statements contained in this Report constitute forward-looking information, future oriented financial information, or financial outlooks (collectively, "forward-looking information"). Forward-looking information is considered here to be within the meaning of Canadian securities laws and has the same meaning as forward looking statements under Australian securities laws. Please see Risk Factors in Heron's annual information form and other disclosure documents, which are available under Heron's issuer profile on SEDAR at www.sedar.com.

Forward-looking information often relates to statements concerning Heron's future outlook and anticipated events or results and, in some cases, can be identified by terminology such as "may", "will", "could", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "projects", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Statements of historical fact are not considered forward looking information.

Such forward-looking information and statements are based on a number of material factors and assumptions, including, but not limited in any manner to, those disclosed in results; the ability to explore; communications with local stakeholders and community and governmental relations; status of negotiations of joint ventures; weather conditions; Mineral Reserves; Mineral Resources; the development approach; availability and receipt of required approvals, titles, licenses and permits; sufficient working capital to develop and operate the mines and implement development plans; access to adequate services and supplies; foreign currency exchange rates; interest rates; access to capital markets and associated cost of funds; availability of a qualified work force; ability to negotiate, finalise and execute relevant agreements; lack of social opposition to the mines or facilities; lack

of legal challenges with respect to the Woodlawn property; the timing and amount of future production and ability to meet production, cost and capital expenditure targets; timing and ability to produce studies and analysis; capital and operating expenditures; execution of the amended credit facility; ability to draw under the credit facility and satisfy conditions precedent including execution of security and construction documents; economic conditions; availability of sufficient financing; the ultimate ability to mine, process and sell mineral products on economically favourable terms, any and all other timing, exploration, development, operational, financial, budgetary, economic, legal, social, regulatory and political factors that may influence future events or conditions, as well as those factors discussed in the section entitled Risk Factors in Heron's annual information form, which is available under Heron's issuer profile on SEDAR at www.sedar.com. While we consider these factors and assumptions to be reasonable based on information currently available to us, they may prove to be incorrect and undue reliance on forward-looking information and statements should not be made. Forward-looking information and statements are only predictions based on Heron's current expectations and projections about future events. Actual results may vary from such forward-looking information for a variety of reasons including, but not limited to, risks and uncertainties disclosed above and further in Heron's filings at www.sedar.com.

Forecast financial information provided in this announcement is based on the Production Target disclosed herein. The Company has concluded that it has a reasonable basis for providing the forward-looking statements included in this announcement. The detailed reasons for this conclusion are outlined throughout this announcement and in particular in Appendix 1 headed "Disclosure of Additional Assumptions". However, the Company cautions that there is no certainty that the forecast financial information derived from the Production Targets will be realised.

Other than as required by law, Heron assumes no obligation to update any forward-looking information to reflect, among other things, new information or future events.

For personal use only