



Heron's Woodlawn Project On Schedule - Development Update

- Site activities at Woodlawn continue to ramp-up with development on track and on budget
- Earthworks: With 40 items of mobile plant in operation Ertech will deliver critical path working areas ahead of schedule
- EPC: Sedgman (a member of the CIMIC Group) ramps-up design, awards procurement packages and tenders critical path concrete, steel and plate work packages – set for award in December
- Recruitment of key operational personnel continues
- Advanced tendering of multiple operational contracts, including the underground mining contract
- Extensions to the project's life-of-mine continues to be pursued through both in-mine and regional prospects
- Zinc market continues to tighten with LME stocks falling to nine year lows. A further significant supply deficit has been forecast for 2018.

Heron Resources Limited (ASX:HRR TSX:HER, "Heron" or the "Company") is pleased to provide the following update on the Company's Woodlawn Zinc-Copper Project in New South Wales, Australia. Since the first ground was broken at the Woodlawn Project on 29 August 2017, site activities have ramped-up considerably, progressing on track and within budget.

Commenting on the progress, Heron's Managing Director, Mr Wayne Taylor said:

"Development activity at Woodlawn continues to march ahead with a 40-strong fleet of equipment progressing critical path earthworks ahead of schedule while our EPC contractor, Sedgman, advances detailed plant design work and procurement. The strong progress means the project remains on track to first production in late 2018 / early 2019 and meet highly favourable zinc market conditions, characterised by a heavily constrained physical market and strong demand outlook. In parallel with the site construction activities, the Company has been busy drilling a number of in-mine and regional prospects which have the potential to extend the project's life and create additional value for Heron shareholders."

Earthworks

The earthmoving contractor, Ertech, continues to make good progress with 40 items of mobile plant deployed across various site work areas (figure 1). Seasonal inclement weather has resulted in some lost days, however, Ertech has rescheduled activities and rosters to accommodate for this. The focus has been on the completion of the process plant pad area (figure 2) in preparation for the commencement of concrete works which are scheduled to start in February 2018. This represents the current project critical path activity with an expected completion date, subject to weather impacts, of early January providing a schedule float of four weeks.

Other current work areas include:

- Site access road – The Collector Road turnout has received a final bitumen coating and is now complete.
- Site drainage works – In maintaining the sites zero discharge requirement, significant work has been completed on the various drainage channels and work has largely finished on the event control dam located near the site access road, being the lowest point of the construction site.
- Haul road between the ROM pad and box cut – Widening and levelling is well advanced.
- Box cut excavation – Rock stockpiled during former operations has been removed from the box-cut footprint with drainage works being the next step prior to commencing the excavation below the natural surface level.
- TSF4 – Top soil removal is well underway with dam wall construction due to start soon.



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Figure 1: Woodlawn site earthworks looking north from ROM pad.



Figure 2: Process plant pad filling and compaction.



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Figure 3: Hauling pad fill in the foreground. Scraper top soil stripping of TSF4 in the background.



Figure 4: One of two on-site crushers producing final pavement material.



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Engineering Procurement & Construction

Sedgman continues to advance the EPC contract within the delivery timeline with the critical path remaining unchanged since last month. The schedule was modified in October with the removal of the IsaMill from the critical path due to a revised early delivery. Sedgman has progressively increased drafting resources to assist with the detailed design work to allow for tendering of work packages. Progress against the overall project 'S' curve is reported as being on schedule to the end of November.

The current focus of activities is around key design works, finalising China steel fabrication and tendering for site concrete works.

November saw a number of contracts awarded covering the paste plant, bins and tanks, overhead crane, HV switchgear, valves, administration building and change rooms. The concrete package was issued for tender with award expected in December. Also for award in December will be the plant structural steel and plate work which should result in fabrication commencing no later than early in the New Year.

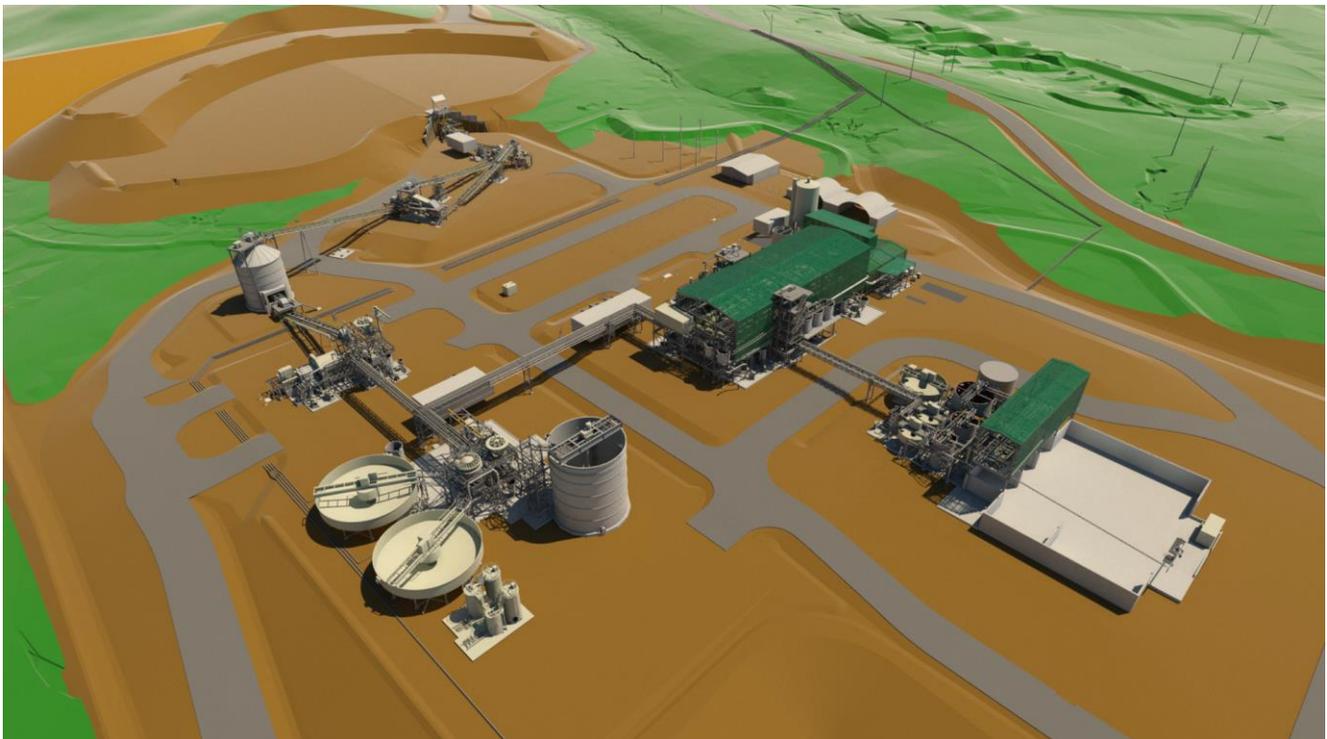


Figure 5: Process plant detailed schematic looking southwest.



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Figure 6: Woodlawn's IsaMill M10000 shell – original critical path item that is ahead of the forecast fabrication schedule.

Production Readiness and Life of Mine Growth

Recruitment – The next phase of recruitment is underway for key site personnel including Mining Superintendent, Geology Superintendent, Processing Superintendent, Maintenance Superintendent and Site Services Manager. The Company continues to receive strong interest in employment opportunities at Woodlawn.

Operational Contracts – The underground mining, water treatment, tailings mining and port services contracts are all currently in late stage tendering. Concentrate transport and power supply contracts are currently pre-tender with settlement expected in 2018.

Mine Inventory Expansion – The final mine design and planning schedule is being completed on the G2 resource to accommodate the new close-to-surface mineralisation. The next phase of work is currently under design with a focus on upper D Lens and the new Lisa Lens. These lenses are the next to be accessed by mine development beyond the defined reserves. Following this will be I and D Lenses along strike and at depth and then the B Lens northern extension.

Woodlawn Regional Exploration – Active programs have progressed both advanced and early stage prospects all with the potential to becoming satellite production sources for Woodlawn:

- Peelwood – The pegging of the John Fardy and Peelwood projects has provided immediate advanced stage deposits with previously reported JORC (2004) Mineral Resources. Data from Balamara, the previous tenement holder, continues to be reviewed and the next steps in the assessment of these projects are being formulated.
- Currawang – Following completion of the 5 hole drilling program a downhole EM survey was undertaken. A significant off-hole conductor has been modelled to the south of the old mine, however further survey work is recommended to enable better definition prior to any further drill planning.
- Kangiara – A RAB drilling program has commenced over the Crosby prospect to follow-up the 42m @ 0.20 g/t Au and 0.26% Cu from 4m to end of hole (CRRB027).



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Zinc Market Outlook

The supply and demand fundamentals of zinc remain extremely strong. The combined LME and Shanghai stocks are down 55% year-to-date and currently sit at 8.3¹ days of consumption (10 days or less is the level at which the market is considered to be in a significant shortage). LME stocks have dropped below 200kt for the first time in nine years. The current stock levels, combined with the forecasted demand significantly exceeding supply again in 2018, presents a very tight market to further support strong zinc prices. This provides an excellent commodity backdrop to be entering the market with Woodlawn's first base metal concentrates expected to be delivered in the first quarter of 2019.

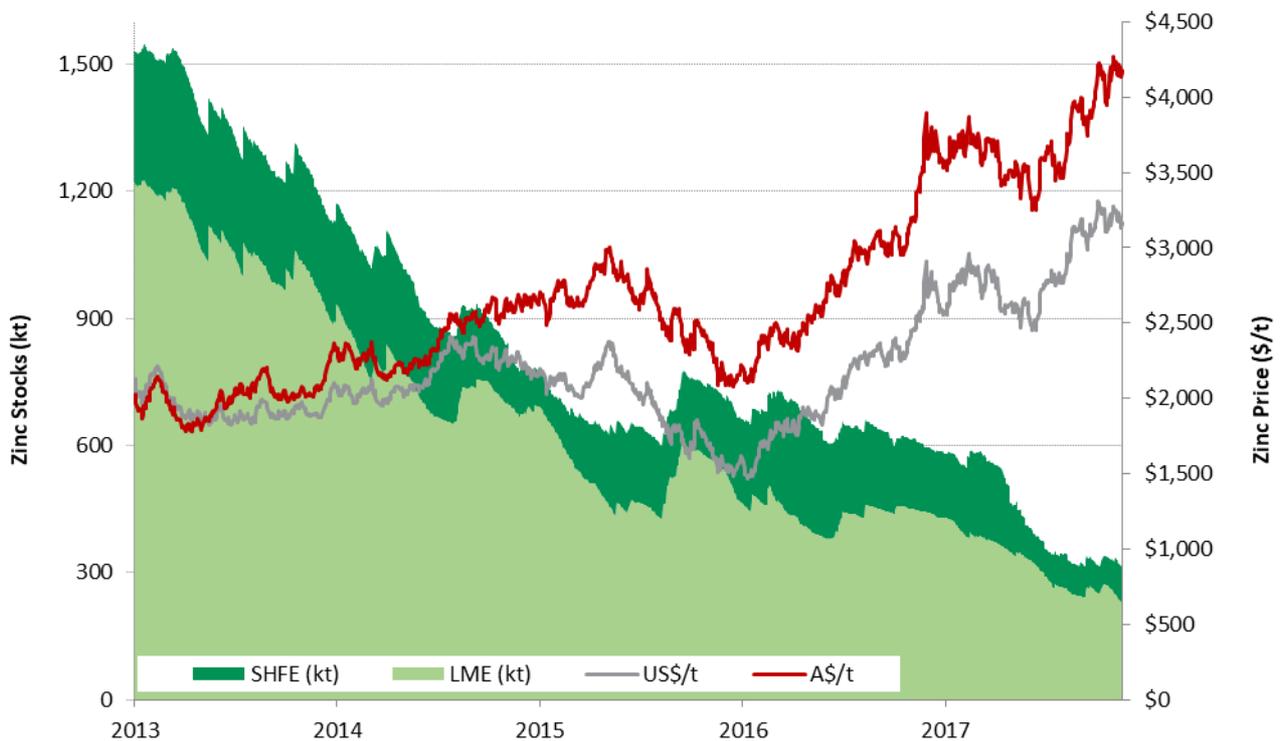


Figure 7: Zinc price and stocks 2013 to 2017(source – LME, RBA, SHFE, Terra Studio).

Corporate

Heron Board – Late in November Heron appointed Dr Ian Pattison to the Board as a Non-executive Director. Dr Pattison is a well-respected metallurgist with previous experience at Woodlawn along with a number of other base metal operations. This experience includes the recent commissioning of the Rasp concentrator at Broken Hill. Dr Pattison adds further technical depth to the Board and will provide valuable insight as Woodlawn progresses through its commissioning phase.

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, gold and base metal tenement holding regional to the Woodlawn Project.

¹ Scotia Daily Mining Scope. Edition 1953. 11 December 2017



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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)