



Heron Resources Limited

ABN 30 068 263 098

NOTICE OF ANNUAL GENERAL MEETING, EXPLANATORY STATEMENT AND MANAGEMENT CIRCULAR

TIME: 2:00 pm AEDT

DATE: Tuesday, 29 November 2016

PLACE: The Grace Hotel, Jarara Room
Level 2, 77 York Street
Sydney, New South Wales, 2000

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on +61 2 9119 8111

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at **2:00 pm (AEDT) on 29 November 2016** at:

The Grace Hotel, Jarara Room
Level 2, 77 York Street
Sydney, New South Wales, 2000

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your Shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

In Australia, to vote by proxy, please complete and sign the enclosed Proxy Form and return:

- Online at www.securitytransfer.com.au and follow the instructions on your proxy form
- In person at:
Security Transfer Australia Pty Ltd
770 Canning Highway
Applecross 6153, Western Australia
- By post to:
Security Transfer Australia Pty Ltd
PO Box 1380
West Perth, Western Australia, 6872
- By facsimile to +61 8 9315 2233
- By scan and email to registrar@securitytransfer.com.au

Please note that the Proxy Form must be received by the Company not later than **2.00pm (AEDT) on 25 November 2016**.

Proxy Forms received later than this time will be invalid.

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

Equity Financial Trust Company,
Suite 400, 200 University Street,
Toronto, Ontario, M5H 4H1.

All duly completed and executed proxies of Shareholders in Canada must be received by Equity Financial Trust Company not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof.

Proxy forms received later **5:00pm (Toronto Time) on 25 November 2016**, will be invalid.

ENTITLEMENT TO ATTEND AND VOTE

The Company may specify a time, not more than 48 hours before the Meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Annual General Meeting.

The Company’s Directors have determined that all Shares of the Company that are quoted on the ASX at 7:00pm (AEDT) on 25 November 2016 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of the Shareholders of Heron Resources Limited (**Heron** or the **Company**) will be held at The Grace Hotel, Jarara Room Level 2, 77 York Street Sydney, New South Wales, 2000 on 29 November 2016 commencing at 2:00 pm (AEDT) to consider, and if thought fit, to pass the Resolutions set out below.

Terms used in this Notice of Annual General Meeting and accompanying Explanatory Statement are defined in the glossary to this document.

The Explanatory Statement which accompanies and forms part of this Notice of Annual General Meeting describes the matters to be considered at the Annual General Meeting.

ORDINARY BUSINESS

1. FINANCIAL STATEMENTS AND REPORTS – PERIOD 1 JULY 2015 – 30 JUNE 2016

To receive and consider the annual financial statements, the directors' report and the audit report of Heron for the year ended 30 June 2016.

Note: there is no requirement for Shareholders to approve these reports.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (NON-BINDING RESOLUTION)

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **non-binding resolution**:

That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the annual remuneration report as set out in the directors' report for the financial year ended 30 June 2016.

Voting exclusion: The Company will disregard any votes cast on Resolution 1 by any member of the Key Management Personnel of the Company whose remuneration is included in the remuneration report, or a closely related party of such member. However, the Company will not disregard any votes cast on Resolution 1 by such person if:

- (a) the person is acting as proxy and the Proxy Form specifies how the proxy is to vote on the Resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair of the Meeting voting an undirected proxy and their appointment expressly authorises the Chair to exercise the proxy even though Resolution 1 is connected with the remuneration of the Key Management Personnel of the Company.

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

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

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

That Mr Ian Buchhorn, being a Director of the Company, who retires in accordance with Listing Rule 14.4 and clause 12.3 of the Company's Constitution, and being eligible, offers himself for re-election, be re-elected as a Director of the Company.

4. RESOLUTION 3 – APPROVAL OF ADDITIONAL 10% PLACEMENT FACILITY

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **special resolution**:

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

Voting exclusion: The Company will disregard any votes cast on Resolution 3 by any person who may participate in the issue of Equity Securities under the Additional 10% Placement Facility and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any person associated with those persons. However, the Company will not disregard any votes cast on Resolution 3 by such person if:

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

EXPLANATORY STATEMENT

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

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

PROXIES

Please note that:

- (a) a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

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

ENQUIRIES

Shareholders are invited to contact the Company Secretary, Simon Smith on +61 2 9119 8111 if they have any queries in respect of the matters set out in this document.

BY ORDER OF THE BOARD OF DIRECTORS



SIMON SMITH

Company Secretary
Heron Resources Limited

27 October 2016

The Notice of Annual General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's 2016 Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting preceding this Explanatory Statement. Capitalised terms in this Explanatory Statement are defined in the glossary to this document.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice of Annual General Meeting, please contact the Company Secretary, your stockbroker or other professional adviser.

2. FINANCIAL STATEMENTS AND REPORTS – PERIOD 1 JULY 2015 – 30 JUNE 2016

The Corporations Act requires the annual financial report, directors' report and the auditor's report (**Annual Financial Statements**) be received and considered at the Annual General Meeting. The Annual Financial Statements for the period ended 30 June 2016 are included in the Company's Financial Report, Director's Report and Auditor's Report, a copy of which can be accessed on-line at www.heronresources.com.au. Alternatively, a hard copy will be made available on request.

There is no requirement for Shareholders to approve these reports and no vote will be taken on the Annual Financial Statements. However, Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Annual Financial Statements and the management of the Company.

The Company's auditor, Ernst & Young, will be present at the Annual General Meeting and Shareholders will have the opportunity ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the Annual Financial Statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 25 November 2016 to:

Mr Simon Smith
Company Secretary
Heron Resources Limited
Suite 702, 191 Clarence Street
Sydney NSW 2000
Email: ssmith@heronresources.com.au

3. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (NON-BINDING RESOLUTION)

3.1 Background

Pursuant to Section 250R(2) of the Corporations Act, the Company submits to Shareholders for consideration and adoption, by way of a non-binding resolution, its remuneration report for the year ended 30 June 2016 (the **Remuneration Report**). The Remuneration Report is a distinct section of the annual directors' report (the **Directors' Report**) which deals with the remuneration of Directors, executives and senior managers of the Company. More particularly, the Remuneration Report can be found within the Directors' Report in the Company's 2016 Annual Report. The Annual Report is currently available on the Company's website at www.heronresources.com.au.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out the remuneration details for each Director and executive officer named in the Remuneration Report for the financial year ended 30 June 2016.

The remuneration levels for Directors, executives and senior managers are competitively set to attract and retain appropriate Directors and key management personnel.

The Chair of the Annual General Meeting will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

3.2 Regulatory Requirements

The Corporations Act provides that Resolution 1 need only be an advisory vote of Shareholders and does not bind the Directors. However, the Corporations Act provides that if the Company's Remuneration Report resolution receives a "no" vote of 25% or more of votes cast at the Annual General Meeting, the Company's subsequent Remuneration Report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for not making any changes. The Board will take into account the outcome of the vote when considering the remuneration policy, even if it receives less than a 25% "no" vote.

In addition, sections 250U and 250V of the Corporations Act sets out a "two strikes" re-election process, pursuant to which:

- (a) if, at a subsequent annual general meeting (**Later Annual General Meeting**), at least 25% of the votes cast on a resolution that the remuneration report be adopted are against the adoption of that remuneration report;
- (b) at the immediately preceding annual general meeting (**Earlier Annual General Meeting**), at least 25% of the votes cast on a resolution that the remuneration report be adopted were against the adoption of that remuneration report; and
- (c) a resolution was not put to the vote at the Earlier Annual General Meeting under an earlier application of section 250V of the Corporations Act,

then the Company must put to vote at the Later Annual General Meeting a resolution, requiring Shareholders to vote on whether the Company must hold another general meeting (**Spill Meeting**) to consider the appointment of all of the Directors at the time the Directors Report was approved by the Board who must stand for re-appointment (other than the Managing Director) (**Spill Resolution**). The Spill Resolution may be passed as an ordinary resolution.

If the Spill Resolution is passed, the Spill Meeting must be held within 90 days after the Spill Resolution is passed. All of the Company's Directors who were Directors at the time when the resolution to make the Directors' Report was passed (excluding the Managing Director of the Company who may, in accordance with the ASX Listing Rules, continue to hold office

indefinitely without being re-elected to the office) cease to hold office immediately before the end the Spill Meeting and may stand for re-election at the Spill Meeting.

At the Company's 2015 annual general meeting, less than 25% of the eligible votes cast in respect of the 2015 Remuneration Report were cast against the adoption of the 2015 remuneration report. Accordingly, a Spill Resolution will not be put to the Meeting even if 25% or more of the votes cast in respect of the 2016 Remuneration Report are against the adoption of the 2016 Remuneration Report.

3.3 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

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

4.1 Background

In accordance with Listing Rule 14.5 and clause 12.3 of the Company's Constitution, at every annual general meeting an election of Directors must take place. Clause 12.3(b)(iv) of the Company's Constitution requires that if no person or Director is otherwise standing for election, then the Director who has been a Director the longest without re-election must retire and stand for re-election.

For this reason, Ian Buchhorn retires and, being eligible, offers himself for re-election as a 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. 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.

Ian Buchhorn was first appointed on 17 February 1995 as the Managing Director/CEO of Heron Resources and is currently an Executive Director.

Further details about Mr Buchhorn are set out in the Company's 2016 Annual Report which is available at www.heronresources.com.au.

4.2 Board Recommendation

The Directors (other than Mr Buchhorn) unanimously recommend that Shareholders vote in favour of Resolution 2.

5. RESOLUTION 3 – APPROVAL OF ADDITIONAL 10% PLACEMENT FACILITY

5.1 Background

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

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less, as at the time of the entity's annual general meeting. The Company is an eligible entity as at the time of this Notice of Annual General Meeting and is expected to be an eligible entity as at the time of the Annual General Meeting.

Resolution 3 seeks Shareholder approval to enable Heron to issue Equity Securities under the Additional 10% Placement Facility throughout the 12 months after the Annual General Meeting. The effect of Resolution 3 will be to allow the Directors to issue Equity Securities under Listing Rule 7.1A during the period set out below.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote at the Annual General Meeting (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The exact number of Equity Securities that Heron may issue under the Additional 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 5.2(b) of this Notice of Annual General Meeting below).

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

With the development of the Woodlawn Project, the Board believes that the 10% Placement Facility will be beneficial for the Company as it will provide flexibility to issue further Equity Securities representing up to 10% of the Company's share capital during the next twelve (12) months. Accordingly, the Directors believe that Resolution 3 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution 3.

5.2 Regulatory Requirements

In compliance with the information requirements of Listing Rule 7.3A, Shareholders are advised of the following information:

(a) Minimum Issue Price

Equity securities issued under the Additional 10% Placement Facility must be in the same class as an existing class of quoted Equity Securities of the Company. As at the date of this Notice of Annual General Meeting, the Company has on issue one class of quoted Equity Securities.

The issue price of Equity Securities issued under the Additional 10% Placement Facility must not be lower than 75% of the volume weighted average price for securities in the same class calculated over the 15 trading days on which trades in that class were conducted immediately before:

- (i) the date on which the Equity Securities are issued; or
- (ii) the date on which the price of Equity Securities is agreed, provided that the issue is thereafter completed within 5 business days.

(b) Dilution

As at the date of this Notice of Annual General Meeting, the Company has 415,009,381 Shares on issue. Accordingly, if Shareholders approve Resolution 3, the Company will have the capacity to issue approximately 41,500,938 Equity Securities under the Additional 10% Placement Facility in accordance with Listing Rule 7.1A.

The precise number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the following formula:

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

A = the number of fully paid shares on issue 12 months before the date of issue or agreement:

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

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

D = 10%

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

If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the Additional 10% Placement Facility, existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date.

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

The table also shows:

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

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.065 50% decrease in Issue Price	\$0.13 Issue Price	\$0.26 100% increase in Issue Price
Current Variable A 415,009,381 Shares	Shares issued (10% Voting Dilution)	41,500,938 New Shares	41,500,938 New Shares	41,500,938 New Shares
	Funds raised	\$2,697,560	\$5,395,121	\$10,790,243
50% increase in current Variable A 622,514,071 Shares	Shares issued (10% Voting Dilution)	62,251,407 New Shares	62,251,407 New Shares	62,251,407 New Shares
	Funds raised	\$4,046,341	\$8,092,682	\$16,185,365
100% increase in current Variable A 830,018,762 Shares	Shares issued (10% Voting Dilution)	83,001,876 New Shares	83,001,876 New Shares	83,001,876 New Shares
	Funds raised	\$5,395,121	\$10,790,243	\$21,580,487

The table has been prepared on the following assumptions:

1. Variable A is 415,009,381 being the number of ordinary shares on issue at the date of this Notice of Meeting.
2. The Company issues the maximum number of Equity Securities available under the Additional 10% Placement Facility.
3. No Options (including any Options issued under the Additional 10% Placement Facility) are exercised into Shares before the date of issue of the Equity Securities.
4. Resolution 3 is passed and the Company has not issued any other Equity Securities using its placement capacity under Listing Rule 7.1 or 7.1A in the 12 months preceding this Notice of Meeting.
5. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
6. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
8. The issue price is \$0.13, being the closing price of the Shares on ASX on 21 October 2016.

(c) Issue Period

If Shareholders approve Resolution 3, the Company will have a mandate to issue Equity Securities under the Additional 10% Placement Facility under Listing Rule 7.1A from the date of the Annual General Meeting until the earlier of the following to occur:

- (i) the date that is 12 months after the date of the Annual General Meeting; and
- (ii) the date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the **Additional 10% Placement Period**).

The Company will only issue and allot Equity Securities during the Additional 10% Placement Period.

(d) **Purpose of Issues**

The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration for the acquisition of the new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards project development, an acquisition of new assets or investments (including expenses associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital, consistent with the Company's publicly stated strategy.

The Company will provide further information at the time of issue of any Equity Securities under the Additional 10% Placement Facility in compliance with its disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A.

(e) **Allocation Policy**

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

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

The persons to whom the Company will issue Equity Securities under the Additional 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and / or new Shareholders who are not related parties or associates of a related party of the Company.

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

(f) **Previous issues of Equity Securities under Listing Rule 7.1A**

The Company previously obtained Shareholder approval under Listing Rule 7.1A at its annual general meeting held on 18 November 2015.

In the 12 months preceding the date of the Annual General Meeting, the Company has not issued any Equity Securities.

(g) **Voting exclusion statement**

A voting exclusion statement for Resolution 3 is included in the Notice of Annual General Meeting preceding this Explanatory Statement.

At the date of the Notice of Annual General Meeting, the Company has not approached any particular existing security holder or an identifiable class of existing security holders to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Annual General Meeting.

In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the Additional 10% Placement Facility), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Annual General Meeting.

5.3 Board Recommendation

The Board believes that the Additional 10% Placement Facility is beneficial for the Company as it will give the Company the flexibility to issue further securities representing up to 10% of the Company's share capital during the next 12 months. Accordingly, the Board unanimously recommend that Shareholders approve Resolution 3.

GLOSSARY

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

2016 Annual Report	the Company's annual report dated 30 June 2016;
AEDT	Australian Eastern Daylight Time;
ASIC	Australian Securities and Investments Commission;
ASX	ASX Limited or the securities market operated by ASX Limited, as the context requires;
Board	board of Directors;
Chair	chairman of the Annual General Meeting;
Company or Heron	Heron Resources Limited (ABN 30 068 263 098);
Constitution	constitution of the Company;
Corporations Act	<i>Corporations Act 2001</i> (Cth);
Director	director of the Company;
Directors' Report	the Directors' report contained in the Annual Report;
Equity Securities	has the meaning given to that term in the Listing Rules;
Explanatory Statement	the explanatory statement that accompanies this Notice of Annual General Meeting;
Key Management Personnel	key management personnel of the Company (as defined in Section 9 of the Corporations Act);
Meeting or Annual General Meeting	the annual general meeting convened by this Notice of Annual General Meeting;
Notice of Annual General Meeting or Notice of Meeting	this notice of Annual General Meeting;
Listing Rules or ASX Listing Rules	official listing rules of the ASX;
Option	option to subscribe for a Share;
Proxy Form	the proxy form enclosed with this Notice of Annual General Meeting;
Remuneration Report	the report contained in the Directors' Report dealing with the remuneration of the Key Management Personnel for the year ended 30 June 2016;
Resolution	resolution contained in this Notice of Annual General meeting;
Share	fully paid ordinary share in the capital of the Company;
Shareholder	holder of a Share in the Company;

MANAGEMENT INFORMATION CIRCULAR

The Company is a reporting issuer in Canada. Accordingly, pursuant to the requirements of National Instrument 51-102 - *Continuous Disclosure Obligations* (“**NI 51-102**”) of the Canadian Securities Administrators, the following disclosure is required to be included with this Explanatory Memorandum. In this management information circular (“**Circular**”), unless otherwise indicated, all references to “CDN\$” refer to Canadian dollars and all references to “A\$” refer to Australian dollars.

PURPOSE OF SOLICITATION

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

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

APPOINTMENT AND REVOCATION OF PROXIES

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

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

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

The proxy to be acted upon must be delivered:

- (a) in respect of Shareholders registered on the Company’s Australian share register, prior to 2.00 pm (AEDT) on 25 November 2016 by:
- ONLINE visit www.securitytransfer.com.au and follow the instructions on your proxy form
 - BY MAIL Security Transfer Australia Pty Ltd, 770 Canning Highway, Applecross 6153 Western Australia
 - BY FAX +61 8 9315 2233
 - IN PERSON Security Transfer Australia Pty Ltd, 770 Canning Highway, Applecross 6153 Western Australia

and

- (b) for Shareholders registered on the Company’s Canadian share register, in addition to the above mail, fax and email options, proxies must be received no later than 48 hours prior to the Meeting (and for clarity) by 2.00 am Toronto time, 25 November 2016 by:
- Post to:
TMX Equity Transfer Services Inc.
200 University Avenue, Suite 300,
Toronto, Ontario, Canada M5H 4H1; or
 - Facsimile at +416 595 9593

REVOCATION OF PROXIES

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

VOTING OF PROXIES

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

VOTING BY NON-REGISTERED SHAREHOLDERS

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

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

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

who wishes to submit a proxy should properly complete the form of proxy and deposit it with TMX Equity Transfer Services Inc. at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1, Fax Number: 416.595.9593.

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

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

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

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

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

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of the Company consists of an unlimited number of Shares. As of the date of the Circular, the Company has 415,009,381 Shares issued and outstanding.

The Company shall make a list of all persons who are registered holders of Shares as at the close of business at 5pm (Toronto time) on October 13, 2016 (the "**Record Date**") and the number of Shares registered in the name of each person on that date. Each Shareholder is entitled to one vote for each Share in that Shareholder's name as it appears on the list.

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

Name of Shareholder	Number of Common Shares⁽¹⁾⁽²⁾	Percentage of Common Shares⁽¹⁾⁽²⁾
Ian Buchhorn	46,790,959 ⁽³⁾	11.2%
Greenstone Resources L.P.	54,131,658	13.0%

Notes:

- (1) The information as to Shares beneficially owned, controlled or directed, not being within the knowledge of the Company, has been obtained by the Company from publicly disclosed information and/or furnished by the Shareholder listed above.
- (2) On a non-diluted basis.
- (3) Of the 46,590,959 Shares noted above, 2,518,241 are held directly by Mr. Buchhorn, 2,137,690 Shares are held directly by his spouse, while the remainder are held by the following companies controlled by Mr. Buchhorn: Hazurn Pty Ltd (23,732,480 Shares), Kurana Pty Ltd (16,576,556 Shares) and Manorina Mining Pty Ltd (1,825,992 Shares).

MATTERS TO BE ACTED UPON AT THE MEETING

This Circular has been prepared for the information of members of the Company in connection with the business to be transacted at the Annual General Meeting of members of the Company to be held at 2.00 pm (Sydney Time) on 29 November 2016 at The Grace Hotel, Jarara Room, Level 2, 77 York Street, Sydney, 2000, New South Wales. Please see the Explanatory Memorandum attached to this Circular for full details of the matters to be acted upon at the Meeting.

Appointment of Auditors

Ernst & Young LLP (“EY”) was appointed as the independent registered certified auditors of the Corporation as at the 2015 meeting of Shareholders. EY audited the financial statements of the Corporation for the Last Financial Year.

Management proposes that EY be appointed as the Corporation’s auditors to hold office until the next annual meeting of Shareholders, at a remuneration to be fixed by the Board.

Unless the Shareholder has specifically instructed in the enclosed form of proxy that the Shares represented by such proxy are to be withheld or voted otherwise, the persons named in the accompanying proxy will vote FOR the appointment of EY as auditors of the Corporation to hold office until the next annual meeting of Shareholders or until a successor is appointed and to authorize the Board to fix the remuneration of the auditors.

Nominees for Election to the Board

The Company is an Australian incorporated entity and pursuant its Constitution and corporate law requirements in Australia, directors are elected on a staggered basis – based on a three (3) year rotation rule – with only a subset of the Company’s board elected each year. In accordance with TSX Staff Notice 2015-0002, the Company applied and successfully received relief from the requirements for the election of all directors at the Meeting. Stephen Dennis, Fiona Robertson and Mark Sawyer are the only persons proposed to be nominated for election at the Meeting.

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

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

Name, Province or State and Country of Residence	Director Since	Present Principal Occupation	Number of Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised⁽¹⁾
Wayne Taylor <i>New South Wales, Australia</i>	11/08/2014	Managing Director of the Company	1,864,523
Ian Buchhorn <i>Western Australia, Australia</i>	17/2/1995	Executive Director of the Company	46,790,959
Stephen Dennis ⁽²⁾⁽³⁾ <i>Western Australia, Australia</i>	6/12/2006	Non-exec Director of Rox Resources, non-exec Chairman of Cott Oil and Gas Limited and non-exec Chairman of Graphex Mining Ltd	1,350,000
Borden Putnam ⁽²⁾⁽³⁾ <i>California, United States of America</i>	12/12/2014	Non-exec Director of Mirasol Resources Ltd. and Non-exec Director of Meryllion Resources Corporation	-
Fiona Robertson ⁽²⁾⁽³⁾ <i>New South Wales, Australia</i>	9/4/2015	Non-exec Chair of One Asia Resources Ltd.	500,000
Mark Sawyer <i>London, United Kingdom</i>	19/8/2015	Partner at Greenstone Resources LP and Director of North River Resources Plc	-

Notes:

(1) The information with respect to the Common Shares beneficially owned, controlled or directed is not within the direct knowledge of the

- Company and has been furnished by the respective individuals.
- (2) Member of the Audit & Governance Committee. Fiona Robertson is the Chair.
 - (3) Member of the RN Committee. Stephen Dennis is the Chair.

As a group, the directors beneficially own, control or direct, directly or indirectly, 50,505,482 Shares, representing approximately 12.2% of the issued and outstanding Shares as of the date hereof.

Majority Voting

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

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

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

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

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

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about the Company’s executive compensation philosophy and objectives. Also to discuss compensation decisions relating to the Company’s Chief Executive Officer, Chief Financial Officer, and, if applicable, its three most highly compensated individuals who act as, or in a like capacity as, executive officers of the Company whose total compensation for

the recently completed financial year was individually equal to more than CDN\$150,000 (the “NEOs” or “Named Executive Officers”). The Company’s most recently completed financial year, is the financial year ended June 30, 2016 (the “Last Financial Year”). The only NEOs of the Company during the Last Financial Year were Wayne Taylor, Andrew Lawry, Simon Smith, Ian Buchhorn, David Von Perger and Charlie Kempson.

The current members of the Remuneration & Nomination Committee (“RN”) of the Company are Stephen Dennis (Chair), Fiona Robertson and Borden Putnam. A summary of the compensation received by the NEOs for the financial year ended June 30, 2016 is provided in this Circular under the heading: “Summary Compensation Table”. A summary of the compensation received by the Directors for the financial year ended June 30, 2016 is provided in this Circular under the heading: “Director Compensation Table”.

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

Objectives of the Compensation Program

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

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

Compensation Program Design and Analysis of Compensation Decisions

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

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

Elements of Compensation

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

Fixed Remuneration:

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

Variable Remuneration:

(i) Short-term incentives

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

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

(ii) Long-term incentives

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

Determination of Compensation

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

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

Compensation Risk Considerations

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

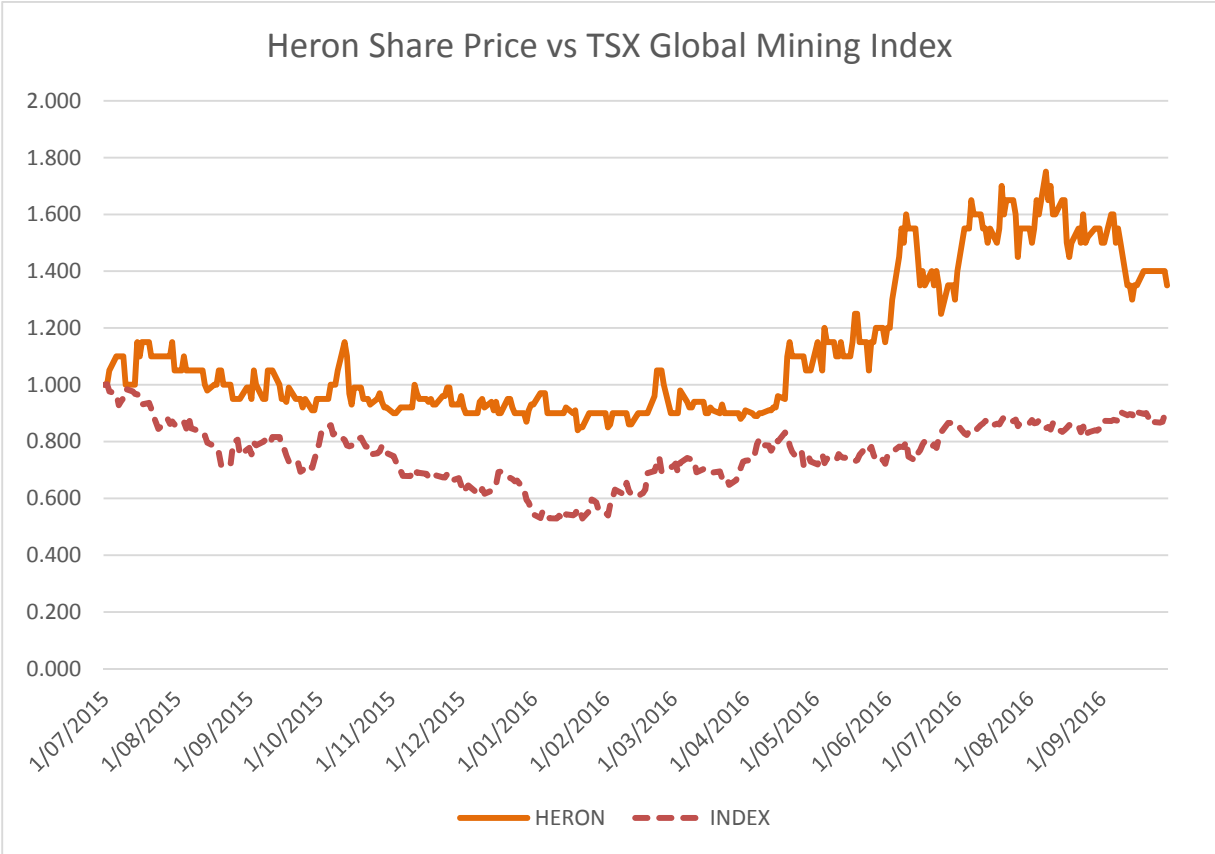
Base salaries are fixed in amount thus do not encourage risk taking. While annual incentive awards focus on the achievement of short term or annual goals and short term goals may encourage the taking of short-term risks at the expense of long term results, the Company's annual incentive award program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

annual incentive awards is capped at the company level and the distribution of funds to the executive officers is at the discretion of the RN Committee.

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

Share Price Performance Graph

The following graph compares the percentage change in the cumulative total Shareholder return of CDN\$100 invested in Shares against the cumulative shareholder return of the S&P/TSX Global Mining Index since the 1 July 2015 to 30 September 2016



Heron Resources Limited	<u>1 July 2015</u> CDN\$100	<u>20 October 2016</u> CDN\$135
TSX Global Mining Index	CDN\$100	CDN\$89

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

Summary Compensation Table

The following tables provides information for the Last Financial Year and the years ended June 30, 2016 and June 30, 2015 regarding compensation earned by each of the following NEOs:

Name and principal position	Year Ended June 30	Salary (A\$)	Share-based awards (A\$)	Option-based awards (A\$) ⁽¹⁾	Non-equity incentive plan compensation (A\$)		Pension value (A\$)	All other compensation (A\$)	Total compensation (A\$)
					Annual incentive plans	Long-term incentive plans			
Wayne Taylor Managing Director ⁽²⁾	2016	422,000	N/A	104,318	N/A	N/A	63,300	N/A	589,618
	2015	356,227	N/A	78,998	N/A	N/A	45,875	N/A	481,000
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Andrew Lawry Chief Operating Officer ⁽³⁾	2016	350,000	N/A	33,915	N/A	N/A	33,250	N/A	417,165
	2015	3,584	N/A	N/A	N/A	N/A	340	N/A	3,924
	2014	-	-	-	-	-	-	-	-
Simon Smith Chief Financial Officer	2016	301,000	N/A	33,915	N/A	N/A	28,595	Nil	363,510
	2015	236,976	N/A	N/A	N/A	N/A	N/A	Nil	236,976
	2014	N/A	N/A	N/A	N/A	N/A	N/A	Nil	N/A
Ian Buchhorn Executive Director ⁽²⁾	2016	321,101	N/A	61,664	N/A	N/A	30,495	2,589	415,425
	2015	321,101	N/A	244,918	N/A	N/A	30,505	4,085	599,113
	2014	321,101	N/A	593,566	N/A	N/A	28,899	3,904	947,470
David Von Perger Exploration Manager	2016	301,468	N/A	33,915	N/A	N/A	28,639	10,041	374,063
	2015	291,465	N/A	-	N/A	N/A	24,839	8,108	324,415
	2014	261,468	N/A	77,274	N/A	N/A	23,532	10,041	372,315
Charlie Kempson General Manager, Strategy and Business Development	2016	301,468	N/A	33,915	N/A	N/A	28,639	Nil	381,757
	2015	301,468	N/A	50,763	N/A	N/A	24,839	Nil	377,070
	2014	74,057	N/A	32,341	N/A	N/A	6,665	Nil	113,063

Note:

- (1) Deemed fair value of options granted during the fiscal year, based on the Black-Scholes valuation model.
- (2) Ian Buchhorn served as Managing Director in 2014.
- (3) The Company did not have a Chief Operating Officer in 2014.

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each NEO outstanding as of 30 June 2016:

Outstanding Share Awards and Option Awards

Name	Option-based Awards				Share-based Awards	
	Number of Common Shares underlying unexercised options (#)	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Wayne Taylor	4,000,000	0.092	4 December 2020	236,000	N/A	N/A
	286,123	0.09	20 November 2018	2,861		
	286,123	0.09	20 November 2018	2,861		
	286,123	0.09	20 November 2018	2,861		
Simon Smith	1,650,000	0.092	4 December 2020	97,350	N/A	N/A
Andrew Lawry	1,650,000	0.092	4 December 2020	97,350	N/A	N/A
Ian Buchhorn	3,000,000	0.092	4 December 2020	177,000	N/A	N/A
David Von Perger	1,650,000	0.092	4 December 2020	97,350	N/A	N/A
Charlie Kempson	1,650,000	0.092	4 December 2020	97,350	N/A	N/A
	1,000,000	0.27	5 March 2017	Nil		
	1,000,000	0.31	5 March 2018	Nil		

Note:

(1) Aggregate dollar amount of in-the-money unexercised options held as at 30 June 2016. This figure is computed based on the difference between the market value of the Shares on the Australian Securities Exchange as at 30 June 2016 and the exercise price of the option. The closing price of the Shares on the Australian Securities Exchange on 30 June 2016 was A\$0.15.

The following table provides information regarding the value vested or earned on incentive plan awards for each NEO during the year ended June 30, 2016:

Incentive Plan Awards – Value Vested or Earned During the Year

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

Note:

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

Pension Plan / Superannuation Benefits

As required under Commonwealth of Australian legislation governing superannuation (*Superannuation Guarantee (Administration) Act 1992*) the Company makes compulsory superannuation contributions amounting to 9.5% of each Australian domiciled employee's base annual salary to a complying superannuation fund nominated by the employee. Other than Wayne Taylor, no NEO receives superannuation benefits in excess of the 9.5% compulsory superannuation contributions. Mr Taylor receives 15% superannuation contribution on his base salary.

Termination and Change of Control Benefits

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

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

Name	Payment as a result of a Change of Control	Termination Notice Period	Payment upon Termination
Wayne Taylor	\$Nil	6 months	The maximum amount payable in accordance with the formula prescribed by section 200G of the Corporations Act.
Simon Smith	\$Nil	3 Months	3 months base salary plus 3 weeks' salary for each year of service plus accrued Annual Leave and Long Service Leave
Andrew Lawry	\$Nil	3 Months	3 months base salary plus 3 weeks' salary for each year of service plus accrued Annual Leave and Long Service Leave
Ian Buchhorn	\$Nil	6 months	7 years base salary (as defined in the Corporations Act) plus accrued Annual Leave and Long Service Leave
David Von Perger	\$Nil	3 months	3 months base salary plus 3 weeks' salary for each year of service plus accrued Annual Leave and Long Service Leave
Charlie Kempson	\$Nil	3 months	3 months base salary plus 3 weeks' salary for each year of service plus accrued Annual Leave and Long Service Leave

DIRECTOR COMPENSATION

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

The Non-Executive Chairman receives Directors Fees of A\$90,000 per annum. All other Non-executive Directors are paid Directors' fees of A\$70,000 per annum with respect to general director's duties, meeting attendance, or for additional service on Board committees plus 9.5% superannuation. Directors that are domiciled outside of Australia are paid their 9.5% superannuation contribution directly as fees. Directors are also reimbursed for all reasonable out-of-pocket expenses incurred in attending Board, committee or shareholder meetings and otherwise incurred in carrying out their duties as directors of the Company.

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

Director Compensation Table

The following table provides information regarding compensation paid to the Company's directors, other than the NEOs, during the financial year ended 30 June, 2016:

Name ⁽¹⁾	Fees earned (A\$)	Share-based awards (A\$)	Option-based awards (A\$)	Non-equity incentive plan compensation (A\$)	Pension value (A\$)	All other compensation (A\$)	Total (A\$)
Stephen Dennis	90,000	Nil	20,554	Nil	8,550	Nil	119,104
Borden Putnam	76,650	Nil	20,554	Nil	Nil	Nil	97,204
Fiona Robertson	70,000	Nil	20,554	Nil	6,650	Nil	97,204
Mark Sawyer	70,262	Nil	20,554	Nil	Nil	Nil	90,816

Note:

- (1) Mr. Buchhorn and Mr Taylor are Directors and Named Executive Officers during the year ended 30 June 2016. Any compensation received by them in their capacity as a Director of the Company is reflected in the Summary Compensation Table for the Named Executive Officers in this Circular.

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each director outstanding as of 30 June 2016:

Outstanding Share Awards and Options Awards

Name ⁽¹⁾	Option-based Awards				Share-based Awards	
	Number of Securities underlying unexercised options (#)	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$) ⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Stephen Dennis	1,000,000	0.092	4 December 2020	59,000	N/A	N/A
Borden Putnam	1,000,000	0.092	4 December 2020	59,000	N/A	N/A
Fiona Robertson	1,000,000	0.092	4 December 2020	59,000	N/A	N/A
Mark Sawyer	1,000,000	0.092	4 December 2020	59,000		

Notes:

- (1) Mr. Buchhorn and Mr. Taylor are Directors and Named Executive Officers during the year ended 30 June 2016. Any compensation received by them in their capacity as a Director of the Company is reflected in the Summary Compensation Table for the Named Executive Officers in this Circular.
- (2) Aggregate dollar amount of in-the-money unexercised options held as at 30 June 2016. This figure is computed based on the difference between the market value of the Shares on the Australian Securities Exchange as at 30 June 2016 and the exercise price of the option. The closing price of the Shares on the Australian Securities Exchange on 30 June 2016 was A\$0.15.

The following table provides information regarding the value vested or earned on incentive plan awards for each director during the year ended 30 June 2016:

Incentive Plan Awards – Value Vested or Earned During the Year

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

Name ⁽¹⁾	Option awards – Value vested during the year (A\$)	Share awards – Value vested during the year (A\$)	Non-equity incentive plan compensation – Value earned during the year (A\$)
Borden Putnam	Nil	N/A	Nil
Fiona Robertson	Nil	N/A	Nil
Mark Sawyer	Nil	N/A	Nil

Notes:

- (1) Mr. Buchhorn and Mr Taylor are Directors and Named Executive Officers during the year ended 30 June 2016. Any compensation received by them in their capacity as a Director of the Company is reflected in the Summary Compensation Table for the Named Executive Officers in this Circular.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Employee Share Option Plan

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

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

Eligibility

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

Administration

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

Shares Subject to Awards

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

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

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

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

under the Plan, or when combined with all other security based compensation arrangements, shall not exceed 10% of the total number of Shares then outstanding, respectively. Shares used for the grants of options under the Plan

may be authorized and unissued shares or shares reacquired by the Company. Shares covered by Plan options which terminate unexercised or shares subject to stock awards which are forfeited or cancelled will again become available for grant as additional options or stock awards, without decreasing the maximum number of shares issuable under the Plan.

Terms of Exercise

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

Vesting

The Board may determine when any option will become exercisable and may determine that the option will be exercisable in installments or pursuant to a vesting schedule. Vesting conditions include any criteria, requirements or conditions (as specified in the Offer (as defined in the Plan) and determined by the Board in its sole and absolute discretion, subject to the policies of the ASX and TSX, respectively), which the Board may throughout the course of the option period waive or accelerate as the Board considers reasonably appropriate.

Exercise Price

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

Termination, Retirement or Death

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

Amendments

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

The Board will have the power to approve amendments relating to the Plan or to options, but only with the approval of the Shareholders, to the extent that such amendments relate to any of the following: (i) any amendment to the number of securities issuable under the Plan, including an increase to a fixed maximum number of securities or a change from a fixed maximum number of securities to a fixed maximum percentage. A change to a fixed maximum percentage which was previously approved by Shareholders will not require additional shareholder approval; (ii) any change to the definition of Eligible Person which would have the potential of broadening or increasing insider participation; (iii) the addition of any form of financial assistance; (iv) any amendment to a financial assistance provision which is more favourable to participants; (v) any addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Plan reserve; (vi) the addition of a deferred or restricted share unit or any other provision which results in participants receiving securities while no cash consideration is received by the Company; (vii) a discontinuance of the Plan; (viii) a reduction in the exercise price of an option under the Plan benefiting an insider of the Company; (ix) an

extension of a term of an option under Plan benefiting an insider of the company; (x) any amendment to remove or to exceed the insider participation limit; (xi) amendments to the amending provision under of the Plan; and (xii) any other amendments that may lead to significant or unreasonable dilution in the Company's outstanding securities or may provide additional benefits to eligible participants, especially Insiders of the Company, at the expense of the Company and its existing shareholders.

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

As at the date of this Circular, the Company has 23,934,621 options issued and outstanding, representing approximately 5.7% of the issued and outstanding Shares. Furthermore, as at the date hereof, no options issued pursuant to the Plan have been exercised into Shares.

Non-Executive Directors Share Plan

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

Eligibility

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

Participation

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

Acquisition of Shares

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

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

Maximum Number of Shares

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

Restrictions on Issuance to Insiders

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

Cessation of Directorship

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

Amendments to Plan

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

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

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

Assignability of Rights

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

Termination of NED Plan

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

Equity Compensation Plan Information

The following table provides details of the equity securities of the Company authorized for issuance as of the financial year ended 30 June 2016 pursuant to the Company's equity compensation plan currently in place:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))⁽¹⁾
Equity compensation plans approved by securityholders	23,934,621	0.092	17,566,317
Equity compensation plans not approved by securityholders	Nil	N/A	N/A
Total	23,934,621 ⁽²⁾	0.092	17,566,317

Notes:

- (1) Based on a total of 41,500,938 stock options issuable pursuant to the Plan, representing approximately 4.3% of the issued and outstanding Shares as at 30 June 2016.
- (2) Representing approximately 5.7% of the issued and outstanding Shares as at 30 June, 2016.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

During the year ended 30 June 2016, no director, executive officer or associate of any director or executive officer of the Company was indebted to the Company, nor were any of these individuals indebted to any other entity which indebtedness was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company, including under any securities purchase or other program.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

STATEMENT OF CORPORATE GOVERNANCE

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

Board of Directors

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

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

The Board is currently comprised of six (6) directors being Mr Stephen Dennis, Mr Ian Buchhorn, Mr Wayne Taylor, Mr Borden Putnam, Ms Fiona Robertson and Mr Mark Sawyer. Mr Stephen Dennis, Mr Borden Putnam, Ms Fiona Robertson and Mr Mark Sawyer are independent within the meaning of NI 58-101. Messrs. Buchhorn, and Taylor are not independent as they are both officers of the Company.

Other Public Company Directorships

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

Name of Director	Name of Reporting Issuer	Market
Ian Buchhorn	Rubicon Resources Limited	ASX
		ASX
Borden Putnam	Mirasol Resources	TSX
		TSX
Fiona Robertson	One Asia Resources Limited	ASX
		ASX
Mark Sawyer	North River Resources Plc	LON
Stephen Dennis	Cott Oil and Gas Limited	ASX
	Graphex Mining Limited	ASX
	Rox Resources Limited	ASX

Meetings of the Board

The Board held 7 meetings during the year ended 30 June 2016. The members of the Board and their attendance are set forth in the table below:

Name of Director	Board of Directors	
	Independent⁽¹⁾	Meeting Attendance
Wayne Taylor	No	7/7
Ian Buchhorn	No	7/7
Stephen Dennis	Yes	7/7
Borden Putnam	Yes	6/7
Fiona Robertson	Yes	7/7
Mark Sawyer	Yes	6/6

Note:

⁽¹⁾ To be considered independent, a member of the Board must not have any direct or indirect or "material relationship" with the Company. A material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgment

Board Mandate

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

The Board's mandate sets forth procedures relating to the Board's operations such as the size of Board and selection process, director qualifications, director orientation and continuing education, meetings and committees,

evaluations, compensation and access to independent advisors. Pursuant to the Board's mandate, the Board is required to hold at minimum four scheduled meetings per year.

Position Descriptions

Chairman of the Board

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

Lead Independent Director

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

Chief Executive Officer

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

Chairmen of the Audit & Risk and Remuneration & Nomination Committees

Although the Board has not developed and adopted a written position description for the Chairman of each of the AR and RN Committees, the Board delineates the role and responsibility of each Chairman by having adopted a charter for the two committees which outlines specific tasks, duties and responsibilities of the respective Chairman and the Committee in accordance with the recommendations set forth in NP 58-201. These charters are published on our website.

Orientation and Continuing Education

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

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

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

Ethical Business Conduct

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

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

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

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

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

Nomination of Directors

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

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

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

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

The RN Committee considers candidates for directors by annual review of the credentials of nominees for re-election to be named in the Management's proxy's materials. The annual review considers an evaluation of the

effectiveness of the Board and the performance of each director, the continuing validity of the credentials underlying the appointment of each director and the continuing compliance with the eligibility rules under applicable conflict of interest guidelines.

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

Compensation

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

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

Other Board Committees

The Board has no standing committees other than the AR and the RN Committees.

Assessments

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

AUDIT COMMITTEE INFORMATION

Additional information regarding the Audit & Risk Committee is contained in the Company's annual information form dated September 28, 2016 (the "AIF") under the heading "Audit and Risk Committee" and a copy of the charter of the Audit & Risk Committee is attached to the AIF as Appendix "A". The AIF is available under the Corporation's SEDAR profile at www.sedar.com.