



Heron Resources Limited

ASX/TSX Release

30 June 2017

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Heron Secures Complete A\$240 Million Funding Package for Development of its Woodlawn Zinc-Copper Project¹

Highlights

- Heron to be fully funded through construction and ramp-up at Woodlawn
- US\$60² million senior secured loan facility, US\$16 million silver stream prepayment and A\$29 million³ equity investment from Orion Mine Finance
- Strong support from existing shareholder Greenstone Resources, providing a further A\$42 million³ equity investment
- Introduction of new strategic investor Castlake, L.P., providing a further A\$33 million³ equity investment
- A\$32 million raised from new and existing investors in oversubscribed placement
- Up to A\$5 million Share Purchase Plan to allow eligible existing retail shareholder participation
- Transaction is subject to various conditions precedent including Heron shareholder approval and Castlake FIRB approval
- Heron's Independent Directors unanimously recommend shareholders vote in favour of all resolutions at a planned General Meeting in August
- Heron to commence construction works immediately with first production targeted during late 2018

Heron Resources Limited (ASX:HRR TSX:HER, "Heron" or the "Company") is pleased to announce that it has secured the full A\$240³ million funding package required for the construction and ramp-up of its 100% owned Woodlawn Zinc-Copper Project ("Woodlawn"), located in New South Wales, Australia.

The package comprises a loan, equity and stream funding package from subsidiaries of Orion Mine Finance Group ("Orion") for a total of A\$129 million³, an equity subscription agreement with a subsidiary of existing shareholder Greenstone Resources LP ("Greenstone") and co-investment parties for A\$42 million³, an equity subscription agreement from new cornerstone equity investor, Castlake, L.P. ("Castlake") for A\$33 million³ (together, the "Cornerstone Investors"), and the receipt of commitments from various sophisticated and professional investors to subscribe for fully paid ordinary shares in the Company ("Shares") to raise approximately A\$32 million ("Institutional Placement").

The issue price for all new shares under the total funding package was A\$0.07 per share, and represents a 14% discount to the volume weighted average price of Heron shares traded on the ASX during the 10 days up to and including 26 June 2017.

A summary of the key terms of the Institutional Placement and the arrangements with the Cornerstone Investors, including the conditions precedent attaching to each of these commitments, is set out in the Annexures to this announcement.

Heron is also offering eligible existing shareholders the opportunity to participate in a Share Purchase Plan ("SPP") to raise up to a further A\$5 million at the same price as the Institutional Placement and the equity component of the funding package with Cornerstone Investors ("Cornerstone Investor Placement").

¹ Assumes full take-up of the A\$5 million SPP and exchange rate of AUD/USD 0.76

² Plus interest capitalised during a 15 month period from first drawdown

³ Assumes exchange rate of AUD/USD 0.76



Commenting on the funding package, Heron's Managing Director, Wayne Taylor said:

"We are pleased to have delivered a complete funding package that will enable the timely development of Woodlawn. Our operations team and our EPC lead contractor, Sedgman, are ready to commence construction of the Project immediately upon securing shareholder approval for the transaction, with the aim of commissioning Woodlawn in late 2018 and entering an increasingly supply constrained zinc market.

We welcome Orion to the Company's share register and their nominee Director, Peter Rozenauers, to the Board. We also welcome Castllake as a new major shareholder, and their nominee Director, Ricardo De Armas, to the Board. And we acknowledge the strong and continued support of our major shareholder, Greenstone, for their ongoing and increasing commitment to the Company's vision at Woodlawn.

The backing of the major equity investors Greenstone and Castllake provides a very strong endorsement of the potential for our Project. With their commitment and the support of major funder Orion, we look forward to progressing Woodlawn into production in 2018 and developing Heron into a substantial base metals company in the future."

The delivery of this complete funding package follows a number of key approvals and work programs that will allow for immediate commencement of construction works following completion of the Institutional Placement and the Cornerstone Investor Placement, including:

- Execution of the engineering, procurement and construction contract with Sedgman Pty Limited to be undertaken at a guaranteed maximum price of A\$107 million (announced 4 May 2017)
- Execution of off-take agreements for all three concentrates with Louis Dreyfus Metals (announced 10 May 2017)
- Execution of the A\$12 million earthworks contract with Ertech Pty Ltd (announced 24 May 2017)
- Signing of a new Cooperation Deed with Veolia Environmental Services (announced 29 March 2017)
- Receipt of the New South Wales Environmental Protection Licence (announced 31 March 2017)
- Initiation of the Woodlawn pre-mine entry drill program (announced 11 April 2017)

Equity Funding

Equity Investment Structure

The Cornerstone Investor Placement will be undertaken in two tranches:

- The first tranche will consist of approximately 104 million shares, with approximately 30 million shares allocated to Greenstone, approximately 28 million shares to Orion, and approximately 46 million shares to Castllake.
- The second tranche will consist of approximately 1,372 million shares, with approximately 571 million shares allocated to Greenstone and its co-investment parties, approximately 380 million shares to Orion, and approximately 421 million shares to Castllake.

The issue of Shares to Castllake under the first tranche is scheduled to settle on or about Tuesday, 4 July 2017. The issue of Shares to Greenstone and Orion under the first tranche will occur contemporaneously with completion of the second tranche unless either Greenstone and/or Orion elect to be issued their respective Shares under the first tranche earlier.

The second tranche is scheduled to settle on the same day as completion of the Institutional Placement.

Completion of the Institutional Placement and the second tranche of the Cornerstone Investor Placement is subject to a number of conditions precedent, including the approval of Heron's shareholders at a general meeting to be held in August 2017. Heron expects to release in the coming weeks a Notice of Meeting containing detailed information about the funding package, which will also include an Independent Expert's Report. For a summary of the key terms of the Institutional Placement and the Cornerstone Investor Placement, please refer to Annexures 1 to 5 to this announcement.



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Share Purchase Plan

Heron intends to undertake a SPP to allow for the participation of eligible shareholders for an amount up to A\$15,000 per shareholder, at a price of A\$0.07 per share (the offer price under the Institutional Placement and the Cornerstone Investor Placement). The SPP will raise up to A\$5 million. An eligible shareholder is any shareholder recorded on Heron's share register at 5:00pm AEST on Thursday, 29 June 2017 with a registered address in Australia or New Zealand. Shareholder approval is not required for the SPP.

Heron reserves the right to close the SPP early and scale back applications at its absolute and sole discretion should the total demand exceed A\$5 million. When determining the amount (if any) by which to scale back an SPP application, Heron may consider a number of factors, including the size of an applicant's shareholding in the Company, the extent to which an applicant has sold or bought additional shares in the Company after the SPP record date, and the date on which an application was made with earlier applications given precedence.

Eligible Shareholders will receive further information in relation to the SPP shortly.

Greenstone Equity Participation

Existing major shareholder, Greenstone, has committed to supporting the Project with a total equity investment of approximately A\$42 million⁴ of which approximately A\$28 million⁴ is being made by Greenstone directly, and a further A\$14 million⁴ via a co-investment from a number of Greenstone's investor funds. Upon completion, Greenstone will continue to retain its existing Heron Board position. A summary of the terms of the subscription by Greenstone is provided in Annexure 2. A summary of the terms of the subscription by Greenstone's investor funds is provided in Annexure 3.

Castlelake Equity Participation

New cornerstone investor Castlelake, on behalf of the funds it manages, has committed to supporting the project with a total equity investment of approximately A\$33 million⁴. Upon completion, Heron and Castlelake have also agreed to the establishment of a strategic alliance (consistent with its existing alliance with Greenstone), whereby Castlelake will have the right to nominate one Director to the Heron Board. A summary of the terms of the subscription by Castlelake is provided in Annexure 4.

Orion Equity Participation

In addition to the Loan and Stream, Orion will also be committing to an equity investment of approximately A\$29 million⁴. Orion will have the right to nominate one Director to the Heron Board. A summary of the terms of the subscription by Orion is provided in Annexure 5.

Indicative Timetable⁵

| Events | Expected Date |
|---|-------------------------------|
| T1 shares settlement with Castlelake | Tuesday, 4 July 2017 |
| Notice of Meeting materials (including Independent Experts' Report) despatched to shareholders | Mid July |
| Opening date of SPP | Mid July |
| Closing date of SPP | Early August |
| General Meeting to approve Institutional Placement and Cornerstone Investor Placement | Mid August |
| Settlement of New Shares issued under the Institutional Placement, Cornerstone Investor Placement and SPP | Late August / Early September |

⁴ Assumes exchange rate of AUD/USD 0.76

⁵This timetable is indicative only and is subject to change by Heron without notice



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Orion Financing

The Orion financing package includes a US\$60 million (A\$79 million⁷) USD denominated senior secured loan facility (“Loan”), a US\$16 million (A\$21 million⁷) silver stream prepayment and a lead marketing arrangement, as well as the equity subscription. Further details on these arrangements are provided in Annexure 6.

Sources & Uses of Funds

| Sources of Funds | A\$m |
|---|------------|
| Institutional Placement and Cornerstone Investor Placement ^{6,7} | |
| Greenstone and its co-investment parties | 42 |
| Castlelake | 33 |
| Orion | 29 |
| Placement | 32 |
| Subtotal | 135 |
| SPP ⁸ | 5 |
| Stream deposit ^{7,9} | 21 |
| Loan facility ^{7,9} | 86 |
| Cash on hand (31 May 2017) ¹⁰ | 14 |
| Total Sources of Funds | 261 |

| Uses of Funds | A\$m |
|---|------------|
| Construction and development of the Woodlawn Project: | |
| Pre-production capex | 156 |
| Post-production capex | 23 |
| Reserve accounts / contingency for overruns | 33 |
| Interest during construction | 7 |
| Environmental bond and bank guarantees | 8 |
| Working capital | 6 |
| Sub-total | 232 |
| Financing and Offer Costs | 7 |
| Corporate: | |
| Corporate office | 15 |
| Woodlawn land purchase | 2 |
| Woodlawn regional exploration (non-SML20) | 5 |
| Total Uses of Funds | 261 |

⁶ Gross proceeds from A\$32 million Placement (excluding raising costs) and A\$104 million cornerstone participation

⁷ Assumes exchange rate of AUD/USD 0.76

⁸ Assumes full take-up of A\$5 million SPP

⁹ Refer to Annexure 6 for further details on the Loan and Stream; includes ~A\$7 million in capitalised interest during construction

¹⁰ Unaudited internal accounts as at 31 May 2017



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Board Recommendation / Voting Intentions

The Board believes that the proposed Institutional Placement, Cornerstone Investor Placement and Orion financing package are the best means for progressing the Woodlawn Project into operation in a timely manner. Each member of the Board other than Mark Sawyer ("Independent Directors") recommends that shareholders vote in favour of all resolutions to be put forward at the General Meeting, and each intends to vote all the shares which they control in favour of those resolutions. Mark Sawyer is Greenstone's nominated representative on the Board and abstains from making a recommendation on the resolution that relates to Greenstone's participation, to the extent that those resolutions relate to Greenstone and its co-investment parties.

About Orion

The Orion Mine Finance Group is a mining-focused investment business with approximately US\$3.04 billion (as at 31 March 2017) under management who specialise in providing flexible capital investment solutions to mining companies in the base and precious metals sector.

About Greenstone Resources

Founded in 2013, Greenstone Resources is a private equity fund specialising in the mining and metals sector whose approach to investing is to develop a collaborative relationship with management and leverage its own in-house skill, expertise and global network to add value to projects (as well as capital).

About Castlelake L.P.

Founded in 2005, Castlelake is a global private investment firm that currently manages more than US\$10.3 billion (as of 31 March 2017) in assets on behalf of more than 125 endowments, foundations, public and private pension plans, private funds, family offices, insurance companies and sovereign wealth funds.

Additional Information

Euroz Limited is the global co-ordinator, bookrunner and lead manager to the Institutional Placement. Numis Securities Limited and Paradigm Capital Inc acted as co-lead managers to the Institutional Placement. Azure Capital acted as financial adviser to Heron, and Wright Legal and Allion Partners acted as legal advisers to Heron.

About Heron Resources Limited

Heron is engaged in the exploration and development of base and precious metal deposits in Australia. Heron's primary development project is the high-grade Woodlawn Zinc-Copper Project located 250km southwest of Sydney, New South Wales.

For further information regarding Heron please visit www.heeronresources.com.au or contact:

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

*This report contains forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws, which are based on expectations, estimates and projections as of the date of this report. This forward-looking information includes, or may be based upon, without limitation, estimates, forecasts and statements as to management's expectations with respect to, among other things, the timing and amount of funding required to execute the Company's exploration, development and business plans, capital and exploration expenditures, the effect on the Company of any changes to existing legislation or policy, government regulation of mining operations, the length of time required to obtain permits, certifications and approvals, the success of exploration, development and mining activities, the geology of the Company's properties, environmental risks, the availability of labour, the focus of the Company in the future, demand and market outlook for precious metals and the prices thereof, progress in development of mineral properties, the Company's ability to raise funding privately or on a public market in the future, the Company's future growth, results of operations, performance, and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend", "may" and similar expressions have been used to identify such forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the information is given, and on information available to management at such time. Forward-looking information involves significant risks, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors, including, but not limited to, fluctuations in currency markets, fluctuations in commodity prices, the ability of the Company to access sufficient capital on favourable terms or at all, changes in national and local government legislation, taxation, controls, regulations, political or economic developments in Canada, Australia or other countries in which the Company does business or may carry on business in the future, operational or technical difficulties in connection with exploration or development activities, employee relations, the speculative nature of mineral exploration and development, obtaining necessary licenses and permits, diminishing quantities and grades of mineral reserves, contests over title to properties, especially title to undeveloped properties, the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drill results and other geological data, environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding, limitations of insurance coverage and the possibility of project cost overruns or unanticipated costs and expenses, and should be considered carefully. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Prospective investors should not place undue reliance on any forward-looking information. Although the forward-looking information contained in this report is based upon what management believes, or believed at the time, to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with such forward-looking information, as there may be other factors that cause results not to be as anticipated, estimated or intended, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of any such forward-looking information. The Company does not undertake, and assumes no obligation, to update or revise any such forward-looking statements or forward-looking information contained herein to reflect new events or circumstances, except as may be required by law. **No stock exchange, regulation services provider, securities commission or other regulatory authority has approved or disapproved the information contained in this report.***



Annexure 1: Summary terms of the Institutional Placement

| Term | Description |
|-----------------------------|---|
| Amount | A\$32 million |
| Subscription price | A\$0.07 per share |
| Conditions precedent | Institutional Placement is subject to the following outstanding conditions: <ul style="list-style-type: none"> • Heron Shareholder approval; • Greenstone, Greenstone's co-investor parties, Castlake and Orion's equity remaining on-foot; and • Greenstone, Greenstone's co-investor parties, Castlake and Orion depositing their respective subscription funds into an escrow account at least 1 business day before Completion; • Neither ASX and TSX not indicating that it will refuse to grant quotation of Shares issued under the Institutional Placement or otherwise make quotation conditional. |
| Completion | Completion to occur immediately before completion under the Cornerstone Investor Placement. |
| Other terms | Additional terms that are considered customary and usual for an agreement of this nature, including certain representations and warranties from Heron |

Annexure 2: Summary terms of the Greenstone Subscription Agreement

| Term | Description |
|-----------------------------|---|
| Tranche 1 | |
| Amount | A\$2 million ¹¹ |
| Subscription price | A\$0.07 per share |
| Conditions precedent | Same as the conditions attaching to Tranche 2, however Greenstone has the right to waive all of these conditions and be issued part or all of Tranche 1 shares as outlined in 'Escrow arrangements below' |
| Escrow arrangements | Tranche 1 funds must be deposited and held on escrow by 18 July 2017, with funds to be released and Tranche 1 Shares (to the extent that Heron is able to do so without shareholder approval and Greenstone's voting power does not exceed 19.9%) settled upon Greenstone's election, or automatically upon Completion of Tranche 2 |
| Tranche 2 | |
| Amount | A\$26 million ¹¹ |
| Subscription price | A\$0.07 per share |
| Conditions precedent | Greenstone's Tranche 2 investment is subject to the following outstanding conditions: <ul style="list-style-type: none"> • Heron Shareholder approval; • the Institutional Placement remaining on foot; • Completion of Castlake's Tranche 1 placement; • certain key conditions precedent to the Orion debt facility and silver stream being satisfied; • no material adverse change prior to Completion; • Greenstone's co-investor parties, Castlake and Orion's equity remaining on-foot; and • No indication from ASX that it will refuse to grant quotation of Shares issued under this agreement or otherwise make quotation conditional. |
| Completion | Completion of Tranche 2 to occur: |

¹¹ Assumes exchange rate of AUD/USD 0.76



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|-------------------------------|--|
| | <ul style="list-style-type: none"> • immediately after completion under the Institutional Placement • simultaneously with Tranche 1, subject to Greenstone's right to elect to be issued part or all of Tranche 1 shares earlier as outlined in 'Escrow arrangements above'; and • simultaneously with completion under the Greenstone's co-investor parties, Castllake and Orion's equity subscription |
| Strategic arrangements | <p>Greenstone will be able to maintain its existing strategic arrangements as outlined in the ASX release on 24 July 2015.</p> <p>To the extent necessary to permit Castllake and Orion to exercise their respective rights to subscribe for Shares under the Cornerstone Investor Placement, Greenstone has waived its right to exercise its anti-dilution right as outlined in the ASX release on 24 July 2015. However, if either Castllake or Orion subscribe for Shares and Completion does not occur for any reason, Greenstone have reserved its right to exercise its anti-dilution right to the extent necessary to maintain its relevant interest.</p> |
| Termination rights | <p>Greenstone may terminate the Greenstone Subscription Agreement under certain prescribed circumstances, including:</p> <ul style="list-style-type: none"> • if the Castllake Subscription Agreement, Orion Subscription Agreement, any of the Orion Loan or Silver Stream or Lead Marketing Fee agreements or any of the Subscription Agreements with the Greenstone co-investment parties are validly terminated; • the Veolia Cooperation Deed entered into by the Company as announced on 29 March 2017 is materially amended, terminated or otherwise ceases to have full force and effect; or • other termination rights considered customary and usual for an agreement of this nature. <p>The circumstances under which the Company has a right to terminate the Greenstone Subscription Agreement are considered customary and usual for an agreement of this nature.</p> |
| Other terms | <p>Additional terms that are considered customary and usual for an agreement of this nature, including certain representations and warranties from Heron</p> |

Annexure 3: Summary terms of the Greenstone co-investment parties Subscription Agreement

| Term | Description |
|-------------------------------|--|
| Tranche 2 | |
| Amount | A\$14 million ¹² |
| Subscription price | A\$0.07 per share |
| Conditions precedent | The Greenstone co-investment parties' investment is subject to Greenstone's equity remaining on-foot |
| Completion | <p>Completion to occur:</p> <ul style="list-style-type: none"> • immediately after completion under the Institutional Placement • simultaneously with completion under Greenstone, Castllake and Orion's equity subscription |
| Strategic arrangements | Not applicable |
| Termination rights | <p>Each of the Greenstone co-investment parties may terminate their relevant Subscription Agreement if the Greenstone Subscription Agreement is validly terminated.</p> <p>The circumstances under which the Company has a right to terminate the Greenstone co-investment parties' respective Subscription Agreements are considered customary and usual for an agreement of this nature.</p> |

¹² Assumes exchange rate of AUD/USD 0.76



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| Other terms | Additional terms that are considered customary and usual for an agreement of this nature, including certain representations and warranties from Heron |
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Annexure 4: Summary terms of the Castlelake Subscription Agreement

| Term | Description |
|-------------------------------|---|
| Tranche 1 | |
| Amount | A\$3.2 million |
| Subscription price | A\$0.07 per share |
| Conditions precedent | <p>Castlelake's Tranche 1 investment is subject to the following outstanding conditions:</p> <ul style="list-style-type: none"> • No indication from ASX that it will refuse to grant quotation of the Tranche 1 Shares issued under this agreement or otherwise make quotation conditional; and • No material adverse change prior to Completion |
| Completion | 4 July 2017 |
| Escrow arrangements | Not applicable |
| Tranche 2 | |
| Amount | A\$29.5 million ¹³ |
| Subscription price | A\$0.07 per share |
| Conditions precedent | <p>Castlelake's Tranche 2 investment is subject to the following outstanding conditions:</p> <ul style="list-style-type: none"> • FIRB approval; • Heron Shareholder approval; • ASX waiver granted in relation to the proposed Castlelake Participation Right (as described below) • the Institutional Placement remaining on foot; • certain key conditions precedent to the Orion debt facility and silver stream being satisfied; • no material adverse change prior to Completion; • Greenstone, Greenstone's co-investor parties and Orion's equity remaining on-foot; and • No indication from ASX that it will refuse to grant quotation of Shares issued under this agreement or otherwise make quotation conditional. |
| Completion | <p>Completion of Tranche 2 to occur:</p> <ul style="list-style-type: none"> • immediately after completion under the Institutional Placement; and • simultaneously with completion under the Greenstone's co-investor parties, Greenstone and Orion's equity subscription |
| Strategic arrangements | <p>Upon the earlier of completion of Tranche 2 and 30 September 2017 and subject to certain specified ownership threshold conditions, Castlelake will have a right to nominate a Director to the Heron Board.</p> <p>In addition, upon completion of Tranche 2, Castlelake will have a right to:</p> <ul style="list-style-type: none"> • Nominate a representative to participate in Heron's project steering committee to be established for the purposes of assessing and reviewing overall progress of Woodlawn; and • Subject to certain specified ownership threshold conditions, participate in any new issues of shares in Heron on the same terms as other participants in that share issue, up to such additional number of equity securities as is sufficient to enable Castlelake to maintain its |

¹³ Assumes exchange rate of AUD/USD 0.76



| | |
|---------------------------|---|
| | ownership percentage in Heron (subject to compliance with any shareholder or regulatory approvals that may be required for any such issue) ("Castlelake Participation Right"). |
| Termination rights | <p>Castlelake may terminate the Castlelake Subscription Agreement under certain prescribed circumstances, including:</p> <ul style="list-style-type: none"> • if the Greenstone Subscription Agreement, Orion Subscription Agreement, any of the Orion Loan or Silver Stream or Lead Marketing Fee agreements or any of the Subscription Agreements with the Greenstone co-investment parties are validly terminated; • Greenstone, any of the Greenstone co-investment parties, Orion or any participants in the Institutional Placement default on their settlement obligations and Heron is not able to procure an alternative participant for the same amount and on the same terms; • the Veolia Cooperation Deed entered into by the Company as announced on 29 March 2017 is materially amended, terminated or otherwise ceases to have full force and effect; or • other termination rights considered customary and usual for an agreement of this nature. <p>The circumstances under which the Company has a right to terminate the Castlelake Subscription Agreement are considered customary and usual for an agreement of this nature.</p> |
| Other terms | Additional terms that are considered customary and usual for an agreement of this nature, including certain representations and warranties from Heron |

Annexure 5: Summary terms of the Orion Subscription Agreement

| Term | Description |
|-----------------------------|---|
| Tranche 1 | |
| Amount | A\$2 million ¹⁴ |
| Subscription price | A\$0.07 per share |
| Conditions precedent | Same as the conditions attaching to Tranche 2, however Orion has the right to waive all of these conditions and be issued part or all of Tranche 1 shares as outlined in 'Escrow arrangements below' |
| Escrow arrangements | Tranche 1 funds must be deposited and held on escrow by 18 July 2017, with funds to be released and Tranche 1 Shares (to the extent that Heron is able to do so without shareholder approval) settled upon Orion's election, or automatically upon Completion of Tranche 2 |
| Tranche 2 | |
| Amount | A\$27 million ¹³ |
| Subscription price | A\$0.07 per share |
| Conditions precedent | <p>Orion's Tranche 2 investment is subject to the following outstanding conditions:</p> <ul style="list-style-type: none"> • Heron Shareholder approval; • Completion of Castlelake's Tranche 1 placement; • the Institutional Placement remaining on foot; • ASX waiver granted in relation to the proposed Orion Participation Right (as described below) • certain key conditions precedent to the Orion debt facility and silver stream being satisfied; • Greenstone, the Greenstone's co-investor parties, and Castlelake's equity remaining on-foot; and • No indication from ASX that it will refuse to grant quotation of Shares issued under this agreement or otherwise make quotation conditional. |

¹⁴ Assumes exchange rate of AUD/USD 0.76



| | |
|-------------------------------|--|
| Completion | <p>Completion of Tranche 2 to occur:</p> <ul style="list-style-type: none"> • immediately after completion under the Institutional Placement • simultaneously with Tranche 1, subject to Orion's right to elect to be issued part or all of Tranche 1 shares as outlined in 'Escrow arrangements above'; and • simultaneously with completion under the Greenstone's co-investor parties, Castlake and Greenstone's equity subscription |
| Strategic arrangements | <p>Upon Completion of Tranche 2 and subject to ownership threshold conditions, Orion will have a right to:</p> <ul style="list-style-type: none"> • Nominate a Director to the Heron Board; • Nominate a representative to participate in Heron's project steering committee to be established for the purposes of assessing and reviewing overall progress of Woodlawn; and • Participate in any new issues of shares in Heron on the same terms as other participants in that share issue, up to such additional number of equity securities as is sufficient to enable Orion to maintain its ownership percentage in Heron (subject to compliance with any shareholder or regulatory approvals that may be required for any such issue) ("Orion Participation Right"). |
| Termination rights | <p>Orion may terminate the Orion Subscription Agreement under certain prescribed circumstances, including:</p> <ul style="list-style-type: none"> • Greenstone fails to deposit its Tranche 1 funds by 18 July 2017; • if the Greenstone Subscription Agreement, Castlake Subscription Agreement, any of the Orion Loan or Silver Stream or Lead Marketing Fee agreements or any of the Subscription Agreements with the Greenstone co-investment parties are validly terminated; • Greenstone, any of the Greenstone co-investment parties, Castlake or any participants in the Institutional Placement default on their settlement obligations and Heron is not able to procure an alternative participant for the same amount and on the same terms; • the Veolia Cooperation Deed entered into by the Company as announced on 29 March 2017 is materially amended, terminated or otherwise ceases to have full force and effect; or • other termination rights considered customary and usual for an agreement of this nature. <p>The circumstances under which the Company has a right to terminate the Orion Subscription Agreement are considered customary and usual for an agreement of this nature.</p> |
| Other terms | <p>Additional terms that are considered customary and usual for an agreement of this nature, including certain representations and warranties from Heron</p> |

Annexure 6: Summary terms of the Orion Loan, Stream and Lead Marketing Fee Agreements

| Term | Description |
|---------------------------------|---|
| Loan Facility Agreement | |
| Amount | US\$60 million (plus capitalised interest), comprising three equal funding portions of US\$20 million, to be available based on milestones related to the construction of the Woodlawn Project and project costs being in line with the financial model agreed upon between Orion and Heron |
| Availability period | Upon satisfaction of the conditions precedent until 30 June 2019 |
| Key conditions precedent | <p>The Orion Loan is conditional on:</p> <ul style="list-style-type: none"> • the Castlake Subscription Agreement, Orion Subscription Agreement and Greenstone Subscription Agreement being executed and evidence that completion under all of the agreements has occurred; • the Company receiving not less than A\$133,000,000 in gross proceeds from the Institutional Placement and the Cornerstone Investor Placement with not less than A\$55,000,000 of the gross proceeds raised from the Institutional Placement and the |



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| | <p>Cornerstone Investor Placement to be spent on project costs or operating costs in accordance with the financial model of the Woodlawn Project prior to loan drawdown;</p> <ul style="list-style-type: none"> • execution of the Silver Stream Agreement and evidence that the deposit under the Silver Stream Agreement has been paid to the Company with not less than US\$10,000,000 of the deposit spent on project costs or operating costs in accordance with the financial model of the Woodlawn Project; • that all the Woodlawn Project tenements are valid and in good standing; • no material adverse event has occurred since 31 December 2016 which has had, or is likely to have, a material adverse effect; and; • other conditions precedent which are customary in a secured loan facility agreements of this nature. |
| Security | Orion to have a first ranking security interest in all material assets of Heron including the Woodlawn Project, released upon full repayment of the Loan |
| Final Maturity Date | 31 December 2022 |
| Base interest rate | 3 month USD LIBOR, subject to a minimum 2.5% |
| Interest rate margin | 7.25%, subject to an additional overdue rate of 5.25% (being the overdue interest rate, if applicable) |
| Holiday period | For the first five calendar quarters following the initial drawdown, interest shall accrue and capitalize on a quarterly basis in arrears. Following the Holiday Period, principal repayments will be made in twelve quarterly instalments with a set amortisation schedule. |
| Mandatory prepayments | <p>On each scheduled principal repayment date, following the Holiday Period, Heron must apply the lesser of 50% of excess cashflow and the outstanding principal amount to mandatory prepayments, less any amount required to ensure that the cash balance in the operating account will be not less than A\$15,000,000 on the repayment date, immediately after that mandatory pre-payment has been made.</p> <p>In addition, if:</p> <ul style="list-style-type: none"> • Heron or any of its direct or indirect subsidiaries proposes to make a permitted distribution or a payment in respect of an inter-company claim, Heron must first apply the lesser of 25% of the amount (without double counting) of the proposed distribution/payment and the outstanding principal amount as a mandatory prepayment towards the outstanding principal amount; or • Heron undertakes one or more capital raisings after 29 June 2017, Heron must apply an amount equal to 20% of the net proceeds received from the capital raisings as a mandatory prepayment of the outstanding principal amount. |
| Voluntary prepayments | Early repayment of the Loan may occur at any time without charges following a 12-month period from last drawdown |
| Hedging | No mandatory hedging, however Orion will permit establishment of pari passu security for hedging counterparties subject to a satisfactory Inter Credit Agreement |
| Financial covenants | Commercial funding package with minimal financial covenants |
| Silver Stream Agreement | |
| Silver Stream | <p>Orion to purchase payable silver mined and processed from mining tenement SML 20 in the following tiered amounts:</p> <ol style="list-style-type: none"> 1. 80% of silver mined and subsequently produced at Woodlawn until the delivery of 2.15 million ounces; then 2. 40% of silver mined and subsequently produced at Woodlawn until the cumulative delivery of 3.40 million ounces; then 3. 25% of silver mined and subsequently produced at Woodlawn for remaining life of mine. |
| Term | Life of mine (SML20) |
| Deposit | US\$16 million |



Heron Resources Limited

ASX/TSX Release

30 June 2017

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| Security | The Stream shall carry a security interest subordinate to the Loan, which will be released (other than its mining mortgage over SML20 and successor designations) following repayment of the US\$16 million prepayment plus an agreed interest charge (with release timing approximately in line with the loan maturity). A second ranking mining mortgage over SML20 will remain as long as the stream is in place. |
| Stream purchase price | 20% of the prevailing relevant spot price of silver |
| Key conditions precedent | <p>The Orion Stream is conditional on:</p> <ul style="list-style-type: none"> the Castlake Subscription Agreement, Orion Subscription Agreement and Greenstone Subscription Agreement being executed and evidence that completion under all of the agreements has occurred; the Company receiving not less than A\$133,000,000 in gross proceeds from the Institutional Placement and the Cornerstone Investor Placement with not less than A\$55,000,000 of the gross proceeds raised from the Institutional Placement and the Cornerstone Investor Placement having been spent on project costs or operating costs in accordance with the financial model of the Woodlawn Project; that all the Woodlawn Project tenements are valid and in good standing and that all due diligence enquiries in respect of the Heron group and the Project have been completed, and the results of those enquiries are to Orion's satisfaction; a report from an independent engineer being received in relation to the costs and development of the Woodlawn Project; no material adverse event has occurred since 31 December 2016 which has had, or is likely to have, a material adverse effect; and; other conditions precedent which are customary in secured streaming arrangements of this nature. |
| Sales process participation | Heron can elect to participate in any future sales process that Orion commences over the stream |
| Lead Marketing Fee Agreement | |
| Material | Payable lead contained in the lead concentrates produced at the Woodlawn Project |
| Term | Applies to the first 100,000 tonnes of payable lead |
| Quantity | 10% of the Material over the Term (as defined above) |
| Marketing services | Heron irrevocably appoints Orion as its marketing agent for the sale of the Quantity of the Material |
| Marketing fee | <p>Heron shall pay to Orion a 0.2% of the sale proceeds from the sale of lead concentrate produced from the Woodlawn Project to act as the marketing agent.</p> <p>Any overdue amounts will accrue interest at a rate of 10% per annum</p> |
| Early termination rights | <p>Upon the occurrence of an event of default (as that term is defined in the agreement), and while it is continuing, Orion may elect to terminate the Company's obligation to make any further Marketing Fee payments.</p> <p>The Company may elect to terminate the agreement at any time.</p> <p>Upon the early termination the Company must pay a fee to Orion determined by the formula below within 5 business days:</p> <p>$((A - B) \times C) \times 0.002$, where:</p> <p>A = the Contract Quantity.</p> <p>B = number of tonnes of payable lead in respect of which the Marketing Fee has been paid by the Company to Orion under the Lead Marketing Fee Agreement.</p> <p>C = the Lead Market Price 1 Business Day prior to the Early Termination Amount becoming due and payable.</p> |