

# Heron Resources Limited



## Notice of Extraordinary General Meeting

An Extraordinary General Meeting of Heron Resources Limited will be held at the Celtic Club, 48 Ord Street, West Perth, WA 6005 on 29 September 2016 at 2pm (WST).

This notice of extraordinary general meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisor prior to voting.

Please contact the Company Secretary on +61 2 9119 8111 or +61 8 6500 9200, or email to [heron@heronresources.com.au](mailto:heron@heronresources.com.au) if you wish to discuss any matter concerning the Meeting.

**Heron Resources Limited**  
**ABN 30 068 263 098**

## **Notice of General Meeting**

Notice is hereby given that an extraordinary general meeting of the Shareholders of Heron Resources Limited will be held at the Celtic Club, 48 Ord Street, West Perth, WA 6005 on 29 September 2016 at 2pm (Western Standard Time) (**Meeting**).

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form form part of this Notice of Meeting.

Shareholders are urged to vote by attending the Meeting in person or by returning a completed Proxy Form. Instructions on how to complete a Proxy Form are set out in the Explanatory Memorandum.

Proxy Forms must be received by no later than 2pm on 27 September 2016.

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1 of the Explanatory Memorandum.

## **Agenda**

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### **RESOLUTION 1 DISPOSAL OF MAJOR ASSET**

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

*“That for the purposes of Listing Rule 11.4 and for all other purposes, approval is given for the disposal of Ardea Resources Limited, a subsidiary of the Company, and the tenements as described in Schedule 5 on the terms and conditions set out in the Explanatory Memorandum.”*

A voting exclusion statement is set out below.

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### **RESOLUTION 2 REDUCTION OF CAPITAL**

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

*“That, subject to Resolution 1 being passed and for the purposes of sections 256B and 256C of the Corporations Act and for all other purposes, the issued share capital of the Company be reduced by the Company making a pro rata distribution in-specie of Ardea Shares to all holders of ordinary shares in the Company at the Record Date and on the terms and conditions set out in the Explanatory Memorandum.”*

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## VOTING PROHIBITION AND EXCLUSION STATEMENTS

Under Listing Rule 14.11, the Company will disregard any votes cast on the following Resolutions by the following persons:

Resolution	Persons excluded from voting
Resolution 1 - Disposal of major asset	A party to the transaction

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

There are no parties other than Heron as asset vendors so the Heron Board is not aware of any person to whom exclusion applies.

By order of the Heron Board of Directors

Simon Smith  
Company Secretary  
Heron Resources Limited  
26 August 2016

**Heron Resources Limited**  
**ABN 30 068 263 098**

## **Explanatory Memorandum**

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### **1 INTRODUCTION**

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Celtic Club, 48 Ord Street, West Perth, WA 6005 on 29 September 2016 at 2pm. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding how to vote on the Resolutions set out in the Notice.

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice, and includes the following:

RESOLUTION 1	DISPOSAL OF MAJOR ASSET .....	1
RESOLUTION 2	REDUCTION OF CAPITAL .....	1
VOTING PROHIBITION AND EXCLUSION STATEMENTS.....		2

A Proxy Form is located at the end of Explanatory Memorandum.

Your vote is important.

Please contact the Company Secretary on +61 2 9119 8111 or +61 8 6500 9200, or email to [heron@heronresources.com.au](mailto:heron@heronresources.com.au) if you wish to discuss any matter concerning the Meeting.

#### **1.1 Defined terms**

Capitalised terms in this Notice of Meeting and Explanatory Memorandum are defined either in Schedule 1 or where the relevant term is first used.

#### **1.2 Regulatory matters**

Under applicable ASIC guidelines, the invitation to Shareholders to vote on Resolution 2 of the Notice of Meeting constitutes an “offer” to transfer Ardea Shares to Shareholders pursuant to the In-specie Distribution under Chapter 6D of the Corporations Act and a prospectus is required unless an exemption applies or ASIC provides relief. As no exemptions apply and no relief was sought, the Company has prepared a prospectus that contains information in relation to Ardea (**Prospectus**).

The Prospectus accompanies this Notice of Meeting and has been lodged with ASIC at the same time as this Notice of Meeting. The Company recommends that all Shareholders read the Prospectus carefully in conjunction with this Notice of Meeting. The Prospectus also allows Shareholders to sell their Ardea Shares within the first 12 months after receiving them without further disclosure.

### **1.3 No material information**

There is no information known to the Company that is material to the decision by a Shareholder on how to vote on Resolution 2 other than as disclosed in this Notice of Meeting and Explanatory Memorandum, the accompanying Prospectus and information that the Company has previously disclosed to Shareholders.

As set out in section 3.10, the Directors will seek a taxation class ruling from the Australian Taxation Office (ATO) as to whether Heron Shareholders and the Company may be eligible for Demerger Relief. The Heron Board will not proceed with the Proposed Transaction if the Heron Board is not satisfied that the Company or Heron Shareholders will be eligible for Demerger Relief.

### **1.4 Purpose of this Notice of Meeting**

The main purpose of this Notice of Meeting is to:

- (a) explain the terms of the Proposed Transaction, and the manner in which the Proposed Transaction (or parts of the Proposed Transaction) will be implemented (if approved); and
- (b) to provide such information as is prescribed or otherwise material to the decision of Shareholders whether or not to approve the Resolutions required to give effect to the Proposed Transaction.

### **1.5 ASIC and ASX**

A final copy of this Notice of Meeting and Explanatory Memorandum has been lodged with Australian Securities and Investments Commission (ASIC) and Australian Securities Exchange (ASX), together with a copy of the Prospectus that accompanies this Notice of Meeting. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this document.

### **1.6 Disclosure to ASX and TSX**

Heron is a company whose ordinary securities are quoted on Australian Securities Exchange (ASX) and Toronto Stock Exchange (TSX) and as such is subject to regular reporting and disclosure obligations. Copies of all documents lodged in relation to Heron may be obtained from [www.asx.com.au](http://www.asx.com.au) and [www.tsx.com](http://www.tsx.com).

### **1.7 Forward looking statements**

Some of the statements appearing in this document may be in the nature of forward looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'consider', 'foresee', 'aim', 'will' and similar expressions are intended to identify forward-looking statements. Indications of guidance on future production, resources, reserves, sales, capital expenditure, earnings and financial position and performance are also forward-looking statements.

You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties, many of which are outside the Company's control. Those risks and uncertainties include factors and risks specific to the Company and Ardea such as (without limitation) the status of exploration and mining applications and licences and the risks associated with the non-grant or expiry of those applications and licences, liquidity risk, risks associated with the exploration or developmental stage of projects, native title claims, funding risks, operational risks, changes to Government fiscal, monetary and regulatory policies, the impact of actions of Governments, the potential difficulties in enforcing agreements, protecting assets, increases in costs of transportation and shipping of international operations, alterations to resource estimates and the imprecise nature of resource and reserve statements, any circumstances adversely affecting areas in which the Company operates, fluctuations in the production, volume and price of commodities, any imposition of significant obligations under environmental regulations, fluctuations in exchange rates, the fluctuating industry and commodity cycles, the impact of inflation on operating and development costs, taxation, regulatory issues and changes in law and accounting policies, the adverse impact of wars, terrorism, political, economic or natural disasters, the impact of changes to interest rates, loss of key personnel and delays in obtaining or inability to obtain any necessary Government and regulatory approvals, insurance and occupational health and safety.

For more information on the risk factors facing Ardea, please refer to Schedule 4.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of the Company, Ardea, any of their respective officers or any person named in this document or involved in the preparation of this document make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward looking statements in this document reflect views held only as at the date of this document.

## **1.8 No financial product advice**

This document does not constitute financial product, taxation or investment advice nor a recommendation in respect of the Ardea Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders should consider the appropriateness of the information, having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their circumstances.

Neither the Company nor Ardea is licensed to provide financial product advice. No cooling-off regime applies in respect of the acquisition of Ardea Shares under the In-specie Distribution (whether the regime is provided for by law or otherwise).

## **1.9 No internet site is part of this document**

No internet site is part of this Notice of Meeting and Explanatory Memorandum. The Company maintains an internet site ([www.heronresources.com.au](http://www.heronresources.com.au)). Any reference in this document to this internet site is a textual reference only and does not form part of this document.

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## **2 ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

### **2.1 Voting in person**

A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring a copy of the enclosed proxy form to the Meeting to assist in registering your attendance and number of votes. Please arrive 20 minutes prior to the start of the Meeting to facilitate this registration process.

### **2.2 Corporate representatives**

Shareholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate'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 available from the website of the Company's share registry Security Transfer Australia Pty Ltd ([www.securitytransfer.com.au](http://www.securitytransfer.com.au)).

### **2.3 Proxies**

If a Shareholder is unable to attend in person, they can appoint a proxy to attend on their behalf by signing and returning the Proxy Form (attached to the Notice) to the Company in accordance with the instructions on the Proxy Form. The Company encourages Shareholders completing a Proxy Form to direct the proxy how to vote on each Resolution.

The Proxy Form must be received no later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the Meeting.

A Proxy Form may be lodged in the following ways:

- (a) for Shareholders registered on the Company's Australian share register, a Proxy Form must be received by no later than 2pm (WST) on 27 September 2016:

By Mail	Security Transfer Australia Pty Ltd, PO Box 535, Applecross, WA 6953
By Hand	Security Transfer Australia Pty Ltd, Alexandria House, Suite 1, 770 Canning Highway, Applecross, WA 6153
By Email	Scan and email to registrar@securitytransfer.com.au
Online	www. securitytransfer.com.au

- (b) for Shareholders registered on Company's Canadian share register, in addition to the above mail, hand, email and online options, a Proxy Form must be received by no later than 2am (Toronto time) on 27 September 2016:

By Mail	TSX Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, Canada M5H 4H1; or
By Fax	+416 361 0470

Shareholders lodging a Proxy Form are not precluded from attending and voting in person at the Meeting.

## 2.4 Eligibility to vote

The Directors have determined that, for the purposes of voting at the Meeting, Shareholders are those persons who are the registered holders of Shares at 4.00pm (WST) on 27 September 2016.

## 2.5 Canadian Management Information Circular Disclosure

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. The Circular and additional information regarding the Company have been filed under the Company's profile on [www.sedar.com](http://www.sedar.com) and, upon request, a copy of this circular will be provided promptly without charge by contacting the Company Secretary on +61 29119 8111 or +61 8 6500 9200, or e-mail to [heron@heronresources.com.au](mailto:heron@heronresources.com.au). The date of the Circular is August 25, 2016.

### (a) 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.

(b) Appointment 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.

(c) 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 authorised in writing, and delivered either to the registered office of the Company or the above mentioned address of TSX Trust Company 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.

(d) Voting by 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.

(e) 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 TSX Trust Company 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.

(f) 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, other than in their capacity as Shareholders in the Company and as disclosed in section 3.13 of this Explanatory Memorandum.

(g) Voting securities and principal holders thereof

The authorised 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 August 29, 2016 (Record Date) and the number of Shares registered in the name of each person on that date. Any person who owns Shares as at the Record Date will be mailed a copy of the Meeting Materials.

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 disclosed under section 4.11 (Substantial Shareholders).

(h) Approval of this Explanatory Memorandum and Management Information Circular

The contents and sending of this Explanatory Memorandum have been approved by the Directors.

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### 3 THE PROPOSED TRANSACTION

#### 3.1 Introduction

On 10 August 2016 the Company announced its intention to restructure its non-Woodlawn asset portfolio in New South Wales (NSW) and Western Australia (WA) (together the **Non-Woodlawn Assets**), with a focus on gold and nickel exploration and development, through the proposed listing of its wholly owned subsidiary, Ardea Resources Limited (**Ardea**) on ASX (**Proposed Transaction**).

Ardea's development focus will be the Lewis Ponds Gold-Zinc Project in central NSW and Kalgoorlie Nickel Project (KNP) in WA, and its exploration focus will be the Mt Zephyr and the Bardoc Tectonic Zone gold projects in the Eastern Goldfields of WA. The Proposed Transaction is subject to various conditions, including approval by Heron Shareholders.

Following the positive Woodlawn Project Feasibility Study released on 29 June 2016, Heron's primary focus is to bring Woodlawn to development. Accordingly, in this corporate environment, the Heron Board considers that the value of the Non-Woodlawn Assets is not properly reflected within Heron, and are unlikely to attract the focus and budgets which they warrant and require for advancement.

The Heron Board is cognisant of the need to unlock the significant value in these Non-Woodlawn Assets, and believes that this can be best achieved through the ASX listing of a focused, standalone gold and nickel exploration and development company, with a dedicated board and management team.

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

- (a) Heron, with its existing Board and senior executive team, as a project developer solely focused on fast tracking the Woodlawn Zinc-Copper Project towards production; and
- (b) Ardea as a gold and nickel exploration and development company with a 100% interest in the Lewis Ponds Gold-Zinc Project (currently JORC 2004 Indicated Mineral Resource), several high quality gold exploration plays with advanced drill targets and, importantly, ownership of the substantial Kalgoorlie Nickel Project.

Ardea has appointed Azure Capital Limited as corporate advisor and Euroz Securities Limited as Lead Manager for the Proposed Transaction.

Heron will be issued approximately 41.5 million new fully paid ordinary shares in Ardea for the Non-Woodlawn Assets, which will be distributed at nil cost to Heron Shareholders, on the basis of 1 Ardea Share for approximately 10 Heron Shares held on the Record Date. Heron's Directors and certain substantial Shareholders have agreed in principle to having the Ardea Shares transferred to them under the Distribution voluntarily escrowed for a period to be determined.

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

### 3.2 Conditions to the Proposed Transaction

Whilst Heron’s Directors have resolved to proceed with the Proposed Transaction, it remains subject to the following conditions (together, the **In-specie Conditions**):

- (a) Heron obtaining shareholder approval under the Corporations Act for the proposed In-specie Distribution (such approval to be sought at the Meeting);
- (b) receipt of a draft class ruling from the Australian Taxation Office confirming the availability of Demerger Relief;
- (c) Ardea receiving subscriptions for an issue of fully paid ordinary shares for an amount to be determined pursuant to a prospectus to be lodged by Ardea in support of its application for listing on the ASX (**Capital Raising**);
- (d) Ardea obtaining a conditional admission letter from ASX on terms satisfactory to the Ardea Directors, acting reasonably (including waivers so that the Ardea shares issued to Heron in consideration for the Non-Woodlawn Assets are not treated as restricted securities); and
- (e) final approval by Heron’s Directors.

There is no certainty that the above conditions will be satisfied.

### 3.3 Foreign Shareholders

Heron Shareholders on the Record Date with an address outside Australia will have their pro-rata entitlement of Ardea Shares sold by the Lead Manager to the Capital Raising and the net proceeds paid to the Ineligible Shareholder, with the timing of the sale to coincide with the Capital Raising and a market for Ardea Shares being established on ASX.

The Lead Manager will act on a best efforts only basis to sell the Foreign Shareholders’ Ardea Shares, and will not be liable to the Foreign Shareholder for any loss suffered as a result.

### 3.4 Directors’ recommendation

The Board recommends that Shareholders vote in favour of Resolutions 1 and 2, for the following reasons:

- (a) With proper funding, the Heron Board sees considerable underlying value in the Ardea assets. To fully unlock this value, a dedicated fully funded vehicle is required;
- (b) The Heron Board and management team is totally focused on securing funding and then commissioning Woodlawn, and Heron does not have the required financial and management resources available to further develop the Ardea assets;

- (c) The Ardea assets are best developed in a separate exploration/development vehicle, with a dedicated board and management team to be appointed, who will be responsible for asset funding and further development;
- (d) The market values advanced development and exploration assets on different bases. The Proposed Transaction separates Heron's advanced development and exploration assets, and allows the market to separately and better value those assets;
- (e) After a full and proper assessment of all available information, the Directors believe that the Proposed Transaction is in the best interests of Heron Shareholders, and
- (f) In the opinion of the Directors, the benefits of the Proposed Transaction outweigh its disadvantages.

### **3.5 Effect of the Proposed Transaction on Heron**

The Proposed Transaction will result in Heron disposing of certain Non-Woodlawn Assets, through the listing of Ardea on ASX. These assets have a value of A\$8.3 million in Heron's audited financial statements for the year ending 30 June 2016. Heron will be issued approximately 41.5 million Ardea Shares for these assets.

To effect the Proposed Transaction, Heron and Ardea have entered into an implementation agreement, the material terms of which are summarised in section 4.10(a).

Set out in schedule 2 is the Historical Consolidated Statement of Financial Position of the Company as at 30 June 2016, which has been derived from the Company's financial statements for the year ended 30 June 2016 which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion on these financial statements. Schedule 2 also sets out and the unaudited Consolidated Pro-Forma Statement of Financial Position, as at 30 June 2016 and on the basis of the following assumptions:

- (a) the Proposed Transaction was effective on 30 June 2016; and
- (b) loans for the Proposed Transaction made by the Company of A\$350,000 for expenses of the Proposed Transaction and A\$150,000 in budgeted tenement expenses made prior to completion of the Proposed Transaction are repaid through the issue of 10 million Ardea Options with an exercise price of A\$0.25 and 3 year term.

The Company's capital structure (including number of Shares on issue) will not change as a result of the Proposed Transaction.

### **3.6 Effect of the Proposed Transaction on Shareholders**

Heron Shareholders will hold the same number of Heron Shares they held prior to the Proposed Transaction.

Heron Shareholders on the Record Date with a registered address in Australia will be transferred Ardea Shares on a pro-rata basis. Heron Shareholders with an address outside Australia will have their pro-rata entitlement of Ardea Shares sold and the net proceeds paid to them in cash.

Assuming no further Shares are issued prior to the Effective Date, each Shareholder will receive 1 Ardea Share for every approximately 10 Heron Shares held on the Record Date.

Eligible Heron Shareholders may be exposed to tax consequences as a result of the Proposed Transaction. See section 3.10(a) for details.

### **3.7 Plans for Heron following the Proposed Transaction**

Following the positive Woodlawn Project Feasibility Study released on 29 June 2016, the Heron Board's primary focus is bringing that project to development. Accordingly, in this corporate environment, the Non-Woodlawn Assets are unlikely to attract the program and budgets which they warrant and require for advancement and their value is not properly reflected within Heron.

### **3.8 Advantages and disadvantages of the Proposed Transaction**

The Directors consider that the Proposed Transaction will have the following advantages for the Company and its Shareholders:

- (a) Provides Heron with a clear focus and corporate strategy;
- (b) True market value for the Non-Woodlawn Assets should arise through Ardea securing a separate listing on ASX;
- (c) Potential to retain Shareholder exposure to the upside of the Non-Woodlawn Assets;
- (d) Allows management to solely focus on advancing Woodlawn through financing and construction;
- (e) The Non-Woodlawn Assets are not currently being valued by the market;
- (f) Heron relinquishes the tenement holding costs for the Non-Woodlawn Assets, whilst allowing Shareholders to retain an interest in those assets; and
- (g) Shareholders will be given exposure to two separate investment strategies including zinc development at Woodlawn through Heron, and/or exploration for gold and feasibility study for nickel through Ardea. Shareholders can choose to retain both, one or neither following completion of the Proposed Transaction.

The Directors consider that the Proposed Transaction will have the following disadvantages for the Company and its Shareholders:

- (a) The Company becomes a single project zinc-copper company with a NSW near-mine exploration portfolio, together with the Alchemy Joint Venture tenements;



- (b) The Company becomes solely exposed to zinc price fluctuations and market sentiment; and
- (c) There are costs associated with the spin-out and potential replication of overhead costs in the future (but Heron relinquishes the majority of the exploration tenement costs).

### 3.9 Timetable

The record date to determine entitlement to be transferred Ardea Shares under the In-Specie Distribution is 3 October 2016, or such other date as Company may determine (subject to ASX approval) (**Record Date**).

The Company is yet to determine the precise timing of the Proposed Transaction, including the Effective Date and the date that Ardea Shares may commence trading on ASX. The Company will update Shareholders in due course on the timing of the Proposed Transaction.

### 3.10 Taxation consequences

- (a) Taxation implications for Australian tax resident Shareholders

The Company will seek a taxation class ruling from the ATO seeking confirmation that:

- (i) Heron Shareholders may be eligible to choose to receive roll-over relief under Division 125 of the *Income Tax Assessment Act 1997* (Cth) in respect of the proposed demerger; and
- (ii) The Commissioner for Taxation will not make a determination under section 45A, 45B (3) (a) or 45B (3) (b) of the *Income Tax Assessment Act 1936* (Cth) in respect of Heron Shareholders participating in the In-specie Distribution.

#### **(Demerger Relief)**

Under Demerger Relief, the distribution of Ardea Shares should not be a taxable dividend for income tax purposes, and any capital gain or loss from the demerger should be disregarded, provided the Shareholder elects for this capital gains tax (CGT) relief to apply.

Under Demerger Relief, a Shareholder's cost base and reduced cost base of their Heron Shares before the demerger should be apportioned across their Heron Shares and Ardea Shares after the demerger on a reasonable basis and the Ardea Shares will be treated as being acquired at the same time as the Shareholder's Heron Shares for the purposes of applying the CGT provisions.

Shareholders should consult their own professional advisors to confirm these implications as they may vary depending on individual circumstances and taxation positions.

The Proposed Transaction is conditional upon Heron receiving a draft ruling from the ATO confirming the availability of Demerger Relief.

Once a class ruling has been received, it will be posted on the Company's website [www.heronresources.com.au](http://www.heronresources.com.au).

(b) Taxation implications for the Company

The Company will seek a private binding ruling from the ATO seeking to confirm Demerger Relief for income tax purposes will be available to the Company.

The transfer of Ardea Shares from Heron to Heron Shareholders in respect of the share capital reduction is not expected to have any CGT implications for Heron where Demerger Relief is available.

(c) Certain Canadian Federal income tax considerations

The following is a summary of the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the "Canadian Tax Act") generally applicable to a Heron Shareholder who, for purposes of the Canadian Tax Act, is resident in Canada (a "Canadian Resident Shareholder"), holds Heron Shares, and will hold Ardea Shares acquired pursuant to the demerger, as capital property, deals at arm's length with each of Heron and Ardea and is not affiliated with Heron or Ardea. Heron Shares and Ardea Shares generally will be considered capital property to a Heron Shareholder for purposes of the Canadian Tax Act unless the Heron Shareholder holds such shares in the course of carrying on a business of buying and selling securities or the Heron Shareholder has acquired or holds them in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Canadian Tax Act, the regulations thereunder (the "Canadian Tax Regulations") in force on the date hereof, and the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). The summary takes into account all specific proposals to amend the Canadian Tax Act and the Canadian Tax Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Canadian Tax Proposals"), and assumes that all Canadian Tax Proposals will be enacted in the form proposed. However, there is no certainty that the Canadian Tax Proposals will be enacted in the form currently proposed, if at all. The summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, or other changes in administrative policies or assessing practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may materially differ from Canadian federal income tax legislation or considerations.

This summary does not apply to a Heron Shareholder: (i) that is a “financial institution” for the purposes of the market-to-market rules in the Canadian Tax Act, (ii) that is a “specified financial institution”, (iii) an interest in which would be, or whose Heron Shares or Ardea Shares are, a “tax shelter” or a “tax shelter investment”, each as defined in the Canadian Tax Act, (iv) that has elected to report its “Canadian tax results” (as defined in the Canadian Tax Act) in a currency other than Canadian currency or (v) in respect of whom Heron or Ardea is or will become a “foreign affiliate” for the purposes of the Canadian Tax Act. This summary also does not apply to a Heron Shareholder who has entered into or will enter into a “derivative forward agreement” (as defined in the Canadian Tax Act) with respect to Heron Shares or the Ardea Shares. In addition, this summary does not address the tax considerations relevant to Heron Shareholders who acquired their shares on the exercise of an employee stock option. Such Heron Shareholders should consult their own tax advisors. This summary also does not apply to a holder of Heron stock options. This summary assumes that at all relevant times, neither Heron nor Ardea is resident in Canada for purposes of the Canadian Tax Act.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal, business or tax advice or representations to any particular Heron Shareholder. Accordingly, Heron Shareholders should consult their own tax advisors with respect to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

The Canadian federal income tax consequences to a Canadian Resident Shareholder will depend upon whether or not the distribution of the Ardea Shares by Heron to Heron Shareholders as part of the demerger (the “Distribution”) would qualify as an “eligible distribution” for the purposes of section 86.1 of the Canadian Tax Act. In order to qualify as an “eligible distribution”, it will be necessary for Heron to apply to the CRA to have the Distribution “prescribed” for the purposes of the rules in section 86.1 of the Canadian Tax Act. As the success and timing of such an application cannot be assured no such application will be made to the CRA.

#### *Distribution of Ardea Shares*

As the Distribution does not qualify as an “eligible distribution” for the purposes of section 86.1 of the Canadian Tax Act, the Distribution will likely constitute a dividend-in-kind to a Canadian Resident Shareholder. As such, the fair market value of the Ardea Shares on the Effective Date distributed to a Canadian Resident Shareholder will be treated as the receipt of a taxable dividend from a foreign corporation.

The full amount of such dividend received on the Heron Shares by a Canadian Resident Shareholder who is an individual (including a trust), including

amounts withheld for foreign withholding tax, if any, will be included in computing the Canadian Resident Shareholder's income and will not be subject to the gross-up and dividend tax credit rules normally applied under the Canadian Tax Act to taxable dividends received (or deemed to be received) from taxable Canadian corporations.

The full amount of the dividend deemed to be received by a Canadian Resident Shareholder that is a corporation on the Heron Shares pursuant to the Distribution, including amounts withheld for foreign withholding tax, if any, will be included in computing such corporation's income, and such corporation will not be entitled to the inter-corporate dividend deduction in computing taxable income which generally applies to dividends received from taxable Canadian corporations.

Subject to the detailed rules in the Canadian Tax Act, a Canadian resident shareholder may be entitled to a foreign tax credit or deduction for any foreign withholding tax paid with respect to dividends deemed to be received by the Canadian Resident Shareholder with respect to the Heron Shares. Canadian Resident Shareholders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction having regard to their own particular circumstances.

The cost of the Ardea Shares acquired by a Canadian Resident Shareholder pursuant to the Distribution should be equal to the fair market value of such shares at the time of the Distribution.

#### *Disposition of Ardea Shares*

A Canadian Resident Shareholder that disposes of an Ardea Share in a taxation year generally will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Ardea Share exceed (or are less than) the aggregate of the Canadian Resident Shareholder's adjusted cost base of such Ardea Share, determined immediately before the disposition and any reasonable costs of disposition. See "Taxation of Capital Gains and Losses" below.

#### *Taxation of Capital Gains and Losses*

Generally, a Canadian Resident Shareholder will be required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized by it in that year. A Canadian Resident Shareholder must deduct one-half of the amount of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the Canadian Resident Shareholder in that year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years to the extent and under the circumstances specified in the Canadian Tax Act.

### 3.11 Consequences if the Proposed Transaction does not complete

Heron will, in the event Shareholders do not approve the Proposed Transaction or it does not otherwise complete, continue to hold its Non-Woodlawn Assets. Given Heron's focus will be on developing Woodlawn, Heron will consider its alternatives to maximise Shareholder return from the Non-Woodlawn Assets.

### 3.12 Information concerning Heron Shares

The highest and lowest recorded sale price of the Company's Shares as traded on ASX during the 12 months immediately prior to this Explanatory Memorandum is set out below:

	ASX		TSX	
	Date	Price	Date	Price
Highest	14 August 2016	A\$0.180	16 August 2016	C\$0.170
Lowest	10 February 2016	A\$0.083	13 October 2015	C\$0.065
Last	25 August 2016	A\$0.150	25 August 2016	C\$0.155

### 3.13 Directors' interests

The table below sets out the number of securities in Heron held by Heron Directors at the date of this Explanatory Memorandum and also the number of Ardea Shares they are likely to have an interest in if Resolution 2 is passed and the Proposed Transaction completes:

			Interest in Ardea following the Distribution	
Heron Director	Heron Shares	Heron Options	Entitlement to Ardea Shares <sup>1</sup>	% Interest in Ardea Shares (\$6m raising)
Mr Stephen Dennis	1,350,000	1,000,000	135,000	0.2%
Mr Wayne Taylor	1,864,523	4,858,369	186,452	0.3%
Mr Ian Buchhorn	46,790,959	8,000,000	4,679,096	6.5%
Mr Borden Putnam III	Nil	1,000,000	Nil	Nil

Ms Fiona Robertson	500,000	1,000,000	50,000	0.1%
Mr Mark Sawyer	Nil	Nil	Nil	Nil

<sup>1</sup> approximate 1 for 10 ratio for the In-specie Distribution and assuming Ardea raises A\$6 million at A\$0.20 per Ardea Share under an initial public offer. Refer to section 3.1 for further details.

The Company intends to apply to ASX for certain waivers to escrow conditions for directors and other associates of the Company. The Company is unable at this stage to advise what if any escrow conditions will apply to Ardea Shares held by directors and associates of the Company.

### **3.14 Disclosure to ASX and TSX**

As an entity with shares quoted on ASX and TSX, Heron is a disclosing entity and, as such, is subject to regular reporting and disclosure obligations. Copies of documents lodged in relation to Heron can be accessed at the ASX or TSX announcements platforms, or the Company's website.

#### 4.1 Introduction

Ardea was incorporated as a wholly owned subsidiary of the Company to hold Heron's Kalgoorlie Nickel Project and other Non-Woodlawn portfolio of assets; which includes the following leading projects:

- (a) Lewis Ponds, New South Wales;
- (b) Mt Zephyr, Eastern Goldfields of Western Australia;
- (c) Bardoc Tectonic Zone, Eastern Goldfields of Western Australia; and
- (d) Kalgoorlie Nickel Project

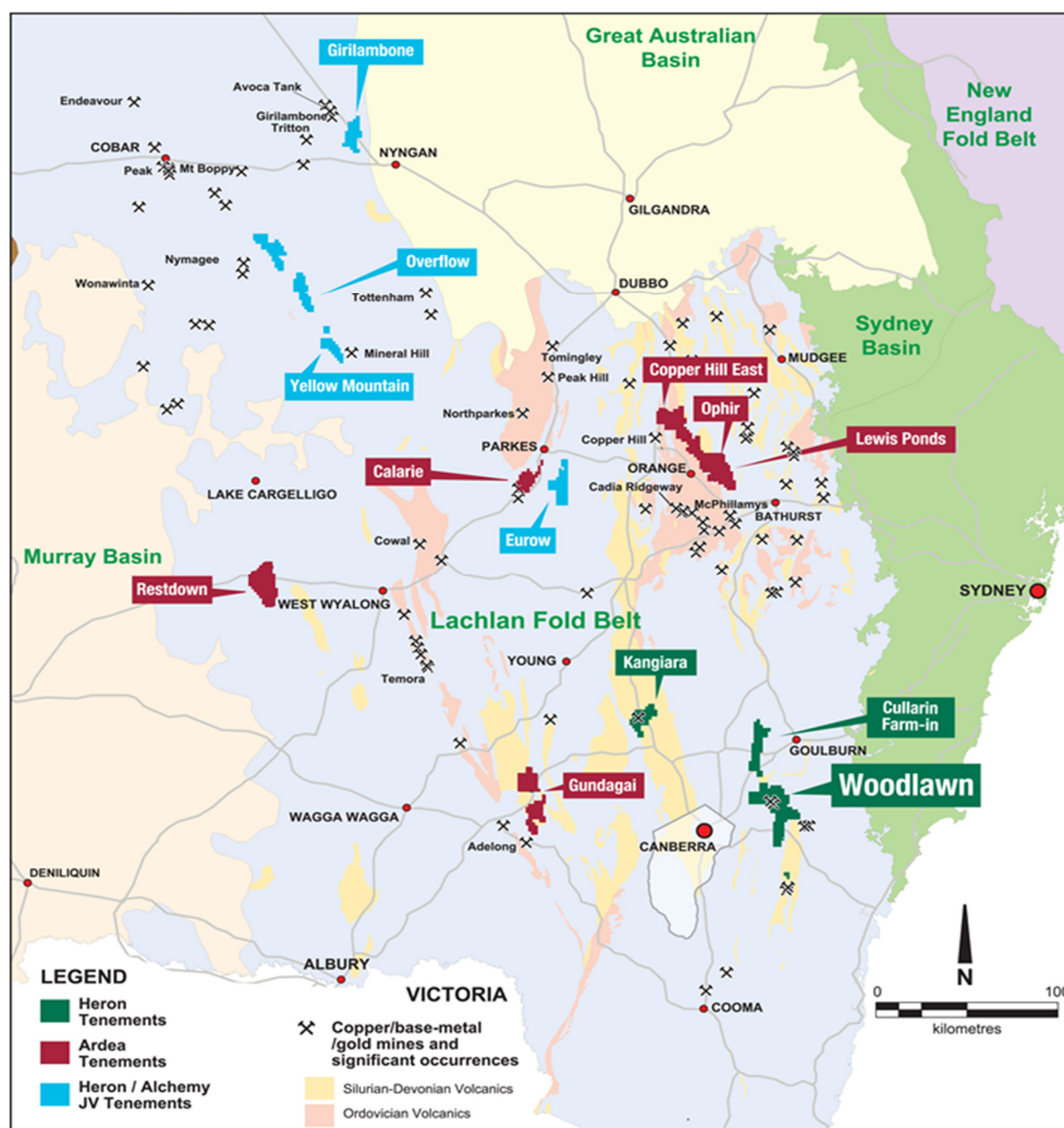


Figure 1 Ardea Resources Limited, Project Locations, Lachlan Fold Belt of NSW

## 4.2 Lewis Ponds, Lachlan Fold Belt, New South Wales

### *Technical Report*

TriAusMin (which was acquired by the Company in August 2014) announced a JORC Code 2004 compliant resource estimate on 6 October 2005. An updated JORC 2012-compliant resource estimate is currently being prepared.

### *Description, Location and Access*

Lewis Ponds is located 15km east of Orange in central NSW in a region of excellent mining infrastructure (Cadia-Ridgeway mining centre). The main project is within granted EL5583 and is 100% Heron-owned. Access is good, with extensive road networks servicing cleared agricultural land.

### *History*

The Lewis Ponds district has been subject to modern exploration by several well-credentialed companies following its recognition as a VMS setting by the Shell Company of Australia in the 1980s. Tri Origin Australia NL discovered and delineated the current deposit in the early to mid-1990s.

The district of Lewis Ponds has had a long history of mining with the discovery of gold in the 1850s and open pit and shallow underground mining during the period 1887 to 1921.

The Lewis Pond tenements are currently held by various subsidiaries of Heron other than Ardea, and Heron and Ardea have agreed that these tenements will under the Proposed Transaction be transferred to Ardea (either directly or through wholly owned subsidiaries).

Details of the tenements which together comprise Lewis Ponds, together with Ardea's interest, encumbrances and risk factors are set out in Schedule 5. An existing royalty holder will require a deed of assignment with Ardea.

### *Geological Setting, Mineralization and Deposit Types*

Lewis Ponds is within a world-class Volcanogenic Massive Sulphide (VMS) province in the eastern Lachlan Fold Belt (LFB), hosted by N-S trending Silurian felsic volcanic rifts which includes from south to north Stockmans, Captains Flat, Woodlawn, Cullarin and Lewis Ponds.

Specifically, the Lewis Ponds property lies within a belt of Silurian-aged felsic volcanics and associated sedimentary rocks including limestone breccias on the western margin of the Hill End Trough.

Regis Resources' McPhillamy's gold project, which hosts 73.2Mt at 0.94g/t Au for 2.21Moz, is located some 15km south along strike from the southern tenement boundary, with the gold-hosting-structure and soil gold anomalism trending into the Ardea tenure.



In addition to VMS base metal targets, Ardea controls some 30km of the favourable McPhillamys gold-hosting structure from Lewis Ponds in the southeast to Copper Hill in the northwest.

The Lewis Ponds deposit consists of two stratabound, disseminated to massive sulphide lenses, Main Zone and Tom's Zone, which occur in a sequence of steeply dipping, tightly folded and faulted volcanics. The deposit is highly deformed with mineralisation extending over a strike length of more than 2km.

The Ophir Gold prospect is located in the northeast project area and has a profusion of historic gold workings. Systematic evaluation is required.

The Copper Hill East prospect includes porphyry copper-gold targets at Mystery 3km NE from Copper Hill along structure, and McPhillamy's-style gold hosted by Silurian-aged felsic volcanics at Calula Mines.

### *Exploration*

Heron exploration has focused on geological review and limited field sampling (refer Heron 2015 Annual Report, 27 August 2015).

### *Drilling, Sampling, Analysis and Data Verification*

Database upgrade from 2005 is current.

### *Mineral Processing and Metallurgical Testing*

These programs are planned following the listing of Ardea.

### *Mineral Resource and Mineral Reserve Estimates*

The independently estimated JORC-compliant Mineral Resource at Lewis Ponds is divided into resources from two zones, Main Zone and Tom's Zone.

The cut-off grade applied to the calculation of Lewis Ponds Mineral Resources was 3.0% zinc equivalent (ZnEq). The following metal prices were used to calculate zinc equivalent values applied to the Kriged Mineral Resource estimate.

Zinc	1240	USD/t	or	56.2	US Cents/lb
Copper	2860	USD/t	or	129.7	US Cents/lb
Lead	900	USD/t	or	40.8	US Cents/lb
Gold	430	USD/oz			
Silver	6.75	USD/oz			

The ratio of these metal prices are not dissimilar to present prices, meaning the ZnEq cut-off grades used are still relevant to use.

Details of the Mineral Resources for the Lewis Ponds Project are as follows:

**Lewis Ponds Project Mineral Resources**

Resource Category	Quantity (Mt)	Grades				
		Zn (%)	Cu (%)	Pb (%)	Au (g/t)	Ag (g/t)
<b>Indicated</b>						
Main Zone	5.82	2.1	0.1	1.1	1.5	59
Tom's Zone	0.54	5.5	0.3	3.8	1.7	172
<b>Total Indicated</b>	<b>6.35</b>	<b>2.4</b>	<b>0.2</b>	<b>1.4</b>	<b>1.5</b>	<b>68</b>
<b>Inferred</b>						
Main Zone	0.17	1.7	0.1	0.8	0.9	47
Tom's Zone	0.10	5.0	0.2	3.6	1.4	174
<b>Total Inferred</b>	<b>0.27</b>	<b>3.0</b>	<b>0.1</b>	<b>1.9</b>	<b>1.1</b>	<b>96</b>

Refer to TRO press release on 6 October 2005.

*This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

***Program and Budget***

An A\$1.4 million two year program is proposed assuming the Proposed Transaction completes, including 3,100m of diamond drilling, 1,600m of RC drilling and 3,000m of RAB drilling, and importantly, metallurgical piloting at Lewis Ponds. This proposed program will facilitate updated JORC 2012 resource estimates ahead of commencing feasibility programs.

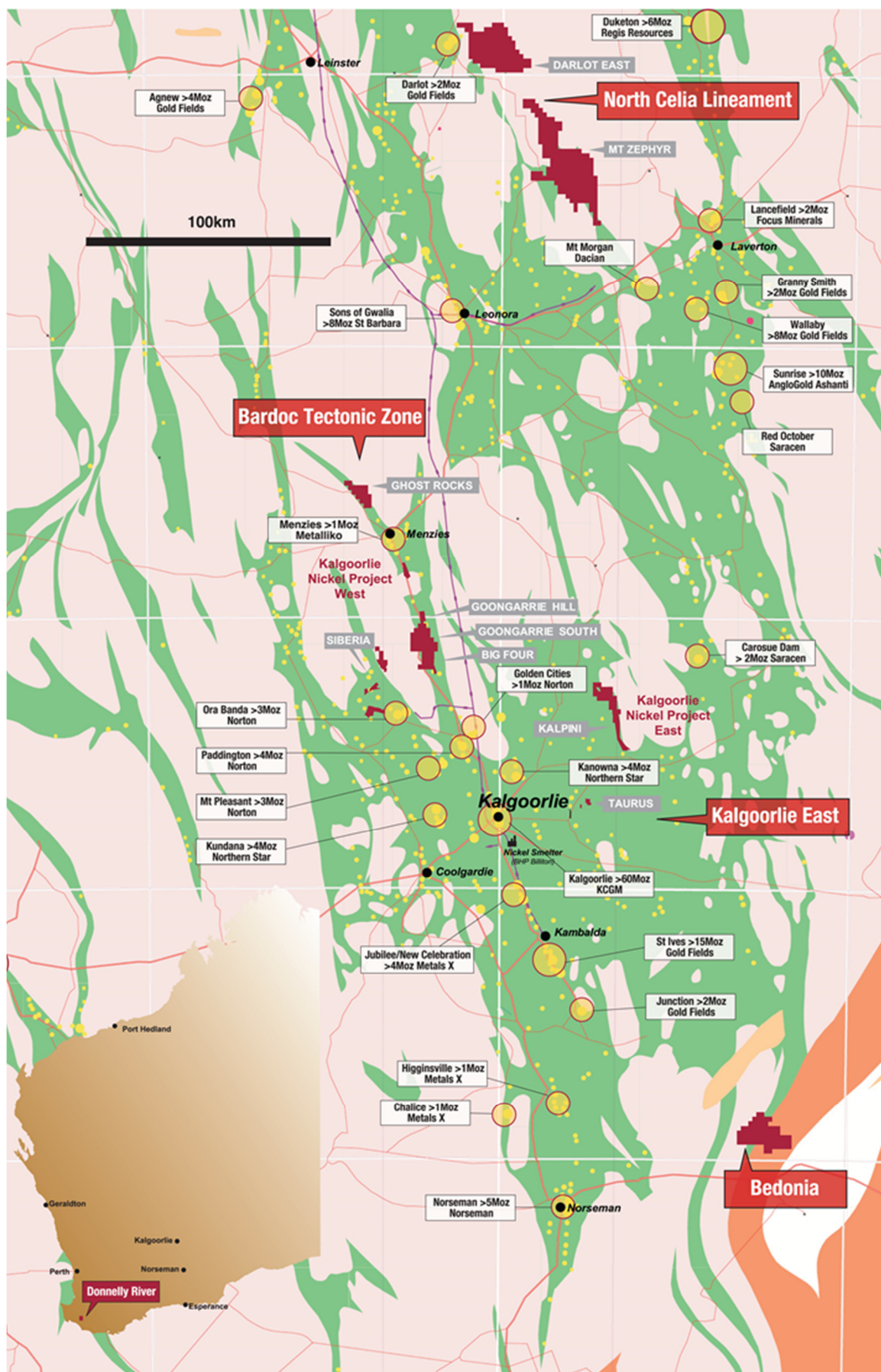


Figure 2 Ardea Resources Limited, Project Locations, Eastern Goldfields of WA

### 4.3 Mt Zephyr, Eastern Goldfields of Western Australia

#### *Technical Report*

Heron announced exploration results in accordance with the JORC Code 2012 (including table 1) on 10 August 2016.

#### *Description, Location and Access*

The Mt Zephyr prospects are located 60km NNE of Leonora in the northern Goldfields of WA. The project area has excellent mining infrastructure (Sunrise Dam, Darlot, well established milling capability). The main gold prospect is within granted Exploration Licences and is 100% Heron-owned.

The tenure covers the northwestern strike extension of Dacian Gold's Mt Morgans tenure in association with the Celia Lineament. Gold camps are located from 30km SE and are mainly hosted by granitoid (Jupiter, Granny Smith) and Banded Iron Formation (BIF) (Mt Morgans, Lancefield).

Certain Mt Zephyr tenements are currently held by Heron. Heron and Ardea have agreed that these tenements will under the Proposed Transaction be transferred to Ardea (either directly or through wholly owned subsidiaries).

Details of the tenements which together comprise Mt Zephyr, together with Ardea's interest, encumbrances and risk factors are set out in Schedule 5.

#### *History*

Nord Resources explored the historic shaft workings for gold in BIF and Newcrest explored for granitoid-hosted gold. Heron explored for VMS base metals since acquiring tenure in 2012 (refer Heron 2015 Annual Report, 27 August 2015).

#### *Geological Setting, Mineralization and Deposit Types*

Mt Zephyr has major historic underground shaft workings associated with the northern strike extension of the Dacian Gold's Mt Morgans Banded Iron Formation (BIF). Limited drilling in the 1980s by Nord Resources only sampled the BIF lodes, with assaying stopping in ore grade. Collars in general were too close to the old workings so drilling often failed to test below the depleted regolith:

MZP4	33-34m	1m at 2.45g/t Au	BIF at a porphyry contact
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Significantly, RAB drilling regional soil gold anomalies at the Mt Zephyr Gale prospect in the 1990s by Aurora Gold intersected 0.5 to 3.12g/t Au which were considered sub-economic grades at prevailing low gold prices (Gale has comparable grades to material now included in Dacian Gold's Jupiter resource model).

Historic 1990s Gale prospect RAB drill intercepts include:

- MZR4 0-18m 18m at 0.51g/t Au weathered sericite altered granitoid
- MZR19 0-18m 18m at 0.48g/t Au weathered sericite altered granitoid
- MZR49 0-6m 6m at 1.26g/t Au weathered sericite altered granitoid

Limited RC drilling by Newcrest restricted to the northern part of the Gale prospect returned consistent 0.1-0.7g/t Au assays.

The Gale intercepts have not been adequately followed up, and represent walk-up drill targets.

This level of gold anomalism in shallow drilling, combined with the demonstrated syenite intrusive association at Mt Zephyr North, confirms a high priority “Jupiter-style” exploration target. In particular, the “donut”-shaped circular magnetic low anomaly between Paul’s Find and Mt Zephyr North is a high priority drill target.

#### *Exploration*

Heron exploration has focused on geological review and limited field sampling (refer Heron 2015 Annual Report, 27 August 2015).

Heron has held Mt Zephyr as a VMS property, which with the Woodlawn experience will be re-visited.

#### *Drilling, Sampling, Analysis and Data Verification*

The existing drilling database is currently being upgraded to enable JORC 2012 compliant results to be completed.

#### *Mineral Processing and Metallurgical Testing*

These programs are planned following the listing of Ardea.

#### *Mineral Resource and Mineral Reserve Estimates*

The historic drilling is not suited to resource estimation. These programs are planned following the listing of Ardea.

#### *Program and Budget*

An A\$1.4 million two year program is proposed assuming the Proposed Transaction completes, including 2,100m of diamond drilling, 5,700m of RC drilling and 4,000m of RAB drilling.

This proposed program will facilitate initial JORC 2012 resource estimates.

### **4.4 Bardoc Tectonic Zone, Eastern Goldfields of Western Australia**

#### *Technical Report*

Heron announced exploration results in accordance with the JORC Code 2012 (including table 1) on 10 August 2016.

#### *Description, Location and Access*

The Bardoc Tectonic Zone (BTZ) Big Four to Ghost Rocks prospects are located from Bardoc 60km N of Kalgoorlie to Ghost Rocks 150km N of Kalgoorlie in the Eastern Goldfields of WA.

The project straddles the Kalgoorlie to Menzies Highway and is based upon the Kalgoorlie Nickel Project (**KNP**) with JORC 2012-compliant Mineral Resource of approximately 805Mt at 0.7% Ni and 0.05% Co.

The tenure covers the Walter Williams Formation komatiite (host of the KNP nickel laterite) at its eastern contact with the Siberia Formation basalt. This contact has pervasive gold endowment, with the main gold mining centres from south to north including Paddington, Broad Arrow, Bardoc, Big Four/Aphrodites, Goongarrie and Lady Shenton/Menzies.

Certain tenements in the Bardoc Tectonic Zone consist of tenement applications or are currently held by either Heron or its various subsidiaries other than Ardea. Heron and Ardea have agreed that these tenements will under the Proposed Transaction be transferred to Ardea (either directly or through wholly owned subsidiaries). Apart from remnant gold rights in the Big Four area, no third party has any nickel-cobalt laterite mineral rights within Ardea's tenure.

Details of the tenements which together comprise the Bardoc Tectonic Zone, together with Ardea's interest, encumbrances and risk factors are set out in Schedule 5.

### *History*

Heron acquired its KNP nickel laterite tenure within the BTZ tenements from 1997, from which time gold exploration effectively ceased (resulting in a large strategic parcel of ground which simply has never been subject to the modern gold exploration "boom" which has discovered so many mines on the BTZ since the 2000s).

### *Geological Setting, Mineralization and Deposit Types*

Big Four-Goongarrie is a line of historic gold shafts occurring over a 300m strike length. Heron did limited drilling at Big Four in 2012, with drill hole BFRC028 intersecting 6m at 8.6g/t Au from 125m within a north plunging shoot in porphyry intruding ultramafic (BFRC0028 was the deepest lode hole of the program, 140m deep).

Goongarrie Hill adjoins the historic Goongarrie gold mines located to the immediate east. Recent sampling by Heron has identified target zones for follow up.

Ghost Rocks has several substantial historic underground gold mines which require drill appraisal. Of particular interest, the projected line of lode extends northwest beneath soil cover along the shores of Lake Ballard, with the recessive weathering of otherwise prominent ridge lines suggesting enhanced alteration.

### *Exploration*

Heron exploration has focused on geological review and limited field sampling (refer Heron 2015 Annual Report, 27 August 2015).

### *Drilling, Sampling, Analysis and Data Verification*

Database validation is current, and has defined several drill targets.

### *Mineral Processing and Metallurgical Testing*

These programs are planned following the listing of Ardea.

### *Mineral Resource and Mineral Reserve Estimates*

The historic drilling is not suited to gold resource estimation. These programs are planned following the listing of Ardea.

### *Program and Budget*

An A\$0.6 million two year program, including 800m of diamond drilling and 400m of RC drilling, is proposed assuming the Proposed Transaction completes. This program will facilitate initial prospect ranking.

## **4.5 Kalgoorlie Nickel Project, Eastern Goldfields of Western Australia**

### *Technical Report*

Refer Heron press release, 10 August 2016.

### *Description, Location and Access*

The Kalgoorlie Nickel Project (KNP) prospects are located from Bardoc to Ghost Rocks 60-150km north of Kalgoorlie, and 40-60km east of Kalgoorlie from Bulong to Kalpini, all in the Eastern Goldfields of WA.

The project has excellent mining infrastructure and resources are mainly within granted Mining Leases and Exploration Licences and is 100% Heron-owned.

The tenure covers the Walter Williams Formation komatiite which is host of the KNP nickel laterite.

There are two styles of Ardea tenure for the KNP Tenements:

- (a) Tenure where all mineral rights are owned 100% unencumbered by Ardea, being the BTZ and Kalgoorlie East projects.
- (b) Tenure where Ardea has nickel-cobalt and all other non-gold-silver rights, and Heron retains gold-silver rights by virtue of pre-existing agreements or undertakings:
  - (i) Heron is negotiating to sell the gold-silver rights on its Siberia and Black Range tenure, which negotiations commenced prior to the Proposed Transaction being announced and which Heron and Ardea will continue to pursue.
  - (ii) Heron has a 20% free-carried joint venture interest in the Southern Gold Bulong project. It is intended that Ardea will have a first right of refusal over this project;
  - (iii) Heron has agreed to divest its Yerilla tenure to a third party, but still retains certain rights, upon which it is intended that Ardea will have a first right of refusal; and

- (iv) Heron has provided an option for a third party to farm-in for precious metal rights on its Lake Rebecca tenure, upon which it is intended that Ardea will have a first right of refusal.

Certain tenements in the KNP consist of tenement applications or are currently held by either Heron or its various subsidiaries other than Ardea. Heron and Ardea have agreed that these tenements will under the Proposed Transaction be transferred to Ardea (either directly or through wholly owned subsidiaries). Apart from as stated above, no third party has any mineral rights within tenure currently registered under “Ardea Resources”

Details of the tenements which together comprise the KNP, together with Ardea’s interest, encumbrances and risk factors are set out in Schedule 5.

### *History*

Vale Inco farmed in to the KNP between 2005 and 2009, expending A\$34.5 million to deliver a Pre-Feasibility Study (PFS) that included some 95,000 metres of drill data, a JORC 2004-compliant Mineral Resource estimate, and detailed geo-metallurgy modelling.

Vale Inco concluded that a High Pressure Acid Leach (HPAL) was the preferred flowsheet for developing the KNP and modelled a 2.50 million tonnes per annum (Mtpa) leach feed flow sheet with pre-production capital costs of A\$2.1 billion for 22.2 thousand tonnes per annum (Ktpa) nickel production in a Mixed Hydroxide Product (MHP), operating costs of US\$4.54/lb of nickel (refer Heron ASX announcement dated 8 April 2014). The Vale Inco study was of a very high quality and has provided the key data for subsequent studies.

Heron (with consultants) in 2010 developed an optimised HPAL flow-sheet with 3.75Mtpa leach feed sourced from high grade beneficiable ore, pre-production capital costs of A\$2.8 billion for 36.7Ktpa nickel production in MHP and operating costs of US\$4.17/lb of nickel (refer Heron ASX announcement dated 8 April 2014).]

Both Vale Inco (2009) and Heron (2010) only accessed ore from four of the 15 separate KNP deposits, confirming the potential due to the extensive resource base for longer mine-lives and more aggressive screening to increase the nickel leach feed grades.



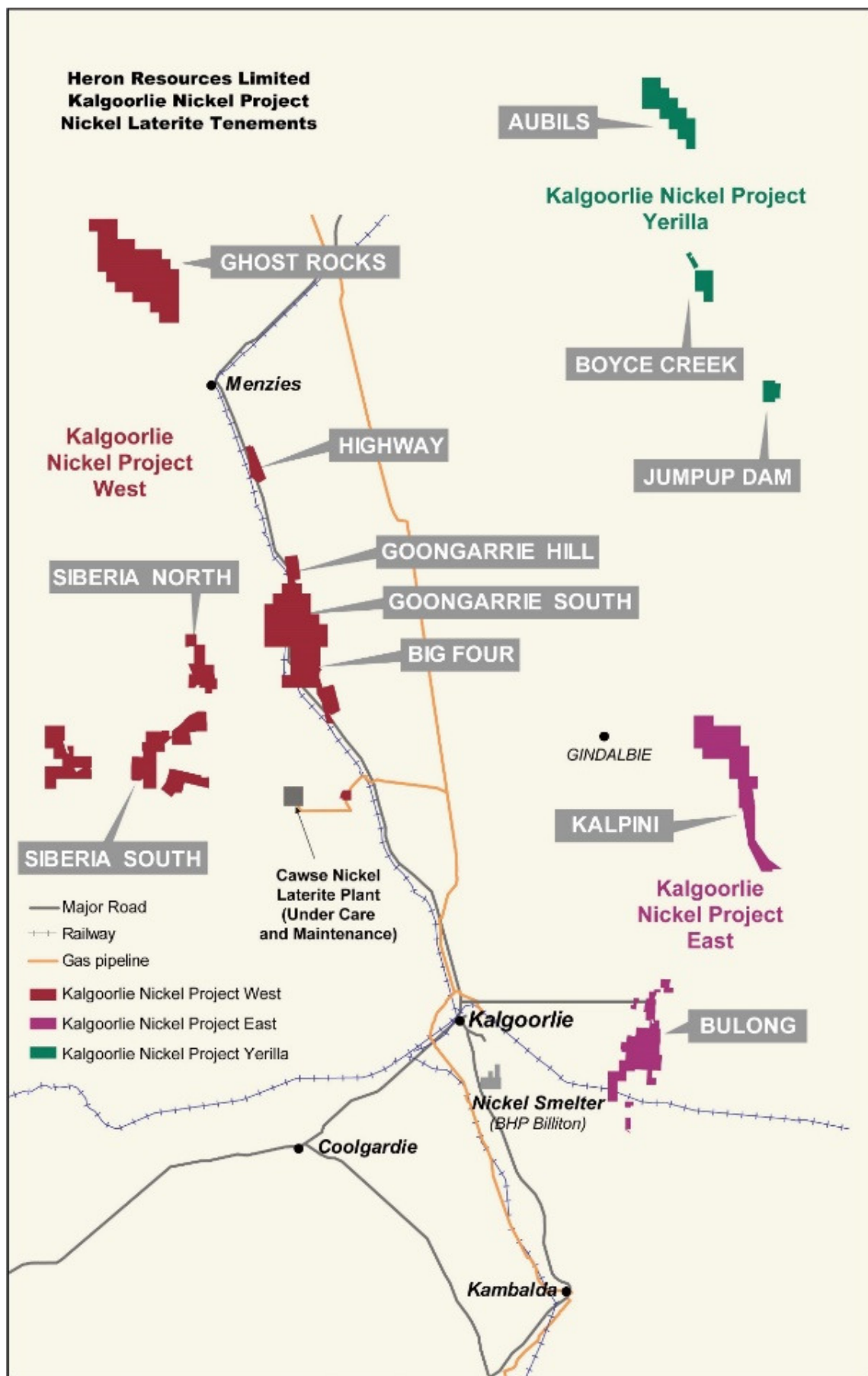


Figure 3 Ardea Resources Limited, Project Locations, Kalgoorlie Nickel Project

### *Geological Setting, Mineralization and Deposit Types*

The tenure covers olivine adcumulate lithologies in the BTZ and Siberia, and olivine mesocumulate lithologies and komatiite at Kalgoorlie East and Yerilla.

The total KNP Mineral Resource is approximately 805Mt at 0.70% Ni and 0.05% Co (JORC 2012).

### *Exploration*

Heron exploration has focused on metallurgical reviews (refer Heron 2015 Annual Report, 27 August 2015).

### *Drilling, Sampling, Analysis and Data Verification*

Database upgrade is current, ahead of completing mine schedule and metallurgical optimization studies to PFS level.

### *Mineral Processing and Metallurgical Testing*

#### *Simulus Scoping Study 2013-14*

Heron signed an agreement with Simulus in July 2013 and its related company CFNP to undertake sulphuric acid-based hydrometallurgical testwork on various KNP ore-types. The Simulus technology seeks to change the KNP economics through the recycling of a large component of the sulphuric acid, thereby vastly reducing the amount of neutralizing agents required in nickel hydrometallurgical processing.

Initial bench-scale testwork on three representative samples from KNP deposits showed nickel recoveries of between 94-97% for clay-rich and saprolite ore types and 85% for the iron-rich limonite ore types. Acid recoveries for initial bench-scale tests were up to 70%, combining membrane recovery, iron sulphate hydrolysis and magnesium sulphate calcining. The 2014 Scoping Study examined the flow-sheet characteristics for a 10Ktpa commercial scale nickel production plant, utilizing Atmospheric Leaching and acid recovery technology (refer Heron ASX announcement dated 8 April 2014).

Simulus in April 2014 estimated process plant capital from its “off-the-shelf” supplier responses. Heron generated non-plant costs by scaling down the 2010 capital estimates (from the Heron PFS Optimization, typically applying a factor of 0.45 based on a generally accepted industry scaling formula).

For the base case 10Ktpa of nickel production, the estimated capital intensity is US\$14.54/annual pound of nickel production, which is a “step-change” improvement in the overall KNP economics.

### *Mineral Resource and Mineral Reserve Estimates*

The historic drilling is not suited to gold resource estimation. These programs are planned following the listing of Ardea.

### *Program and Budget*

Ardea will undertake further feasibility work on the KNP as follows:

- Up-scaling of the 2014 study from 10Ktpa to 20Ktpa to assess the impact of economies of scale on both operating costs and capital costs, including a revised mining plan and estimates for mining capital and operating costs;
- Additional bench-scale acid leach tests will be carried out on the mining inventory identified in the up-scale study on the full range of KNP ore types, aiming to better characterize geo-metallurgical performance under atmospheric leaching conditions; and
- Ardea will commence partner studies, seeking a partner to commercialize the “KNP Optimized Flowsheet”.

An A\$1.0 million, two year Pre-feasibility Study is proposed by Ardea, testing beneficiation, leaching, acid and metal recovery, designing a mining schedule, updating engineering and studies on environment, tailings, hydrology and heritage. It is expected that the study, by virtue of the style of technologies being quantified, would qualify for Commonwealth government R&D reimbursement.

#### 4.6 Competent persons’ statements

A competent person’s statement for the purposes of Listing Rule 5.22 has previously been announced by the Company for:

- (a) Lewis Ponds on 28 August 2015, 2015 Heron Annual Report;
- (b) Kalgoorlie Nickel Project on 18 October 2013 and 31 July 2014, 28 August 2015, 2015 Heron Annual Report;
- (c) Big Four-Goongarrie on 13 March 2012, 26 June 2012 and 24 July 2012;
- (d) Mt Zephyr on 10 August 2016; and
- (e) Ardea exploration on 10 August 2016.

Copies of each of these announcements have been lodged with ASIC and are available from [www.heronresources.com.au](http://www.heronresources.com.au) or by contacting the Company on +61 2 9119 8111 or +61 8 6500 9200, or email to [heron@heronresources.com.au](mailto:heron@heronresources.com.au).

The Company confirms that it is not aware of any new information or data that materially affects information included in previous announcements, and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. All projects will be subject to new work programs following the listing of Ardea, notably drilling and metallurgy.

The Mineral Resource for Lewis Ponds was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The exploration results are based on information reviewed by Mr David von Perger, who is a Member of the Australian Institute of Mining and Metallurgy (Chartered Professional - Geology). Mr von Perger is a full time employee of Heron Resources Limited and has sufficient experience, which is relevant to the style of mineralisation

and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the “Australasian Code for Reporting of Exploration Results and “qualified person” as this term is defined in Canadian National Instrument 43-101 (“NI 43-101”). Mr von Perger has reviewed the Notice and consents to the inclusion of the information in the form and context in which it appears.

#### **4.7 Ardea’s board of directors and management**

Heron’s Board is currently considering suitably qualified directors to be appointed to Ardea’s Board and is yet to finalize the composition of Ardea’s Board following completion of the Proposed Transaction. In the meantime, Ardea’s Board consists of the following:

(a) Stephen Dennis (interim Chairperson)

Stephen Dennis has been actively involved in the mining industry for over 30 years. He has held senior management positions at MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited. Until recently, Mr Dennis was the chief executive officer and managing director of CBH Resources Limited, the Australian subsidiary of Toho Zinc Co Ltd of Japan. Mr Dennis is also currently the Chairman (Non-Executive) of Heron Resources Limited, Rox Resources Limited, Cott Oil & Gas Limited and Graphex Mining Limited.

(b) Ian Buchhorn (Non-executive Director)

Ian Buchhorn is a mineral economist and geologist with over 35 years’ experience. Prior to listing Heron in 1996 as founding Managing Director, Mr Buchhorn worked with Anglo American Corporation in southern Africa, and Comalco, Shell/Billiton and Elders Resources in Australia, as well as setting up and managing Australia’s first specialist mining grade control consultancy. 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. Mr Buchhorn is an executive director of Heron and non-executive director of RBR Group.

(c) Simon Smith (interim Non-executive Director and Company Secretary)

Simon Smith has been a chief financial officer of both private and public companies in Australia and the USA. He brings 20 years’ experience as a Chartered Accountant and holds a Bachelor’s Degree in Business from the University of Technology Sydney. Mr Smith is the General Manager - Finance and Administration and Company Secretary of Heron.

Ardea’s directors have retained an executive search consultant and are confident of appointing a managing director shortly. In the meantime, Ardea has nominated Ian Buchhorn to manage its exploration programs.

Ardea's current directors are either Directors or Officers of Heron, and are not entitled to receive any fees from Ardea as a result of their appointment. Ardea proposes to pay reasonable remuneration to any director appointed as part of the Proposed Transaction.

As at the date of this Explanatory Statement and other than as set out in this Explanatory Memorandum, no Ardea Director has, or has held at any time during the last 2 years, an interest in:

- (a) the formation or promotion of Ardea;
- (b) property acquired or proposed to be acquired by the body in connection with:
  - (i) its formation or promotion; or
  - (ii) the offer of the securities; or
- (c) the offer of securities.

#### **4.8 Risk factors in holding Ardea Shares**

Upon completion of the Proposed Transaction, Eligible Heron Shareholders will hold Ardea Shares, and as a result become exposed to certain risks as set out in Schedule 4.

#### **4.9 Financial information**

Set out in Schedule 3 is the unaudited Consolidated Statement of Financial Position of Ardea and the unaudited Consolidated Pro-Forma Statement of Financial Position, as at 30 June 2016 and on the basis of the following assumptions:

- (a) the Proposed Transaction was effective on 30 June 2016;
- (b) loans of up to A\$350,000 to Ardea for costs of the Proposed Transaction and A\$150,000 in budgeted tenement expenses prior to completion of the Proposed Transaction, which are repaid through the issue of 10 million Ardea Options (exercise price of A\$0.25 and three year term);
- (c) no further Shares are issued; and
- (d) the fees noted in section 4.10 (b) are paid to Azure and Euroz upon successful completion of the public offering.

#### **4.10 Material contracts**

Ardea is a party to the following contracts which are material to it:

- (a) Implementation agreement

Heron and Ardea have agreed to enter an implementation agreement under which they will agree as follows:

- (i) The parties will fully co-operate and take all reasonable steps to implement the Proposed Transaction, including by doing all things reasonably necessary so that the Non-Woodlawn Assets are held

(whether directly or through wholly owned subsidiaries, or deed of trust) by Ardea.

- (ii) Ardea will issue Heron 41,500,938 fully paid ordinary shares in Ardea in consideration for the transfer of the Non-Woodlawn Assets to Ardea.
- (iii) Heron has agreed to lend Ardea up to A\$500,000 on an unsecured and non-interest bearing basis with funds advanced to be used to implement the Proposed Transaction and meet tenement holding costs. Amounts advanced are repayable upon completion of the Proposed Transaction through the issue of 10 million Ardea Options (exercise price of A\$0.25 and three year term).
- (iv) For a period of 2 years following completion of the Proposed Transaction (and 4 years for Heron on the Lewis Ponds Project), each party have the first right to acquire any tenements dealt or relinquished by the other party.

(b) **Mandate**

Ardea has appointed Azure Capital Limited and Euroz Securities Limited as Ardea's Corporate Advisor and Lead Manager respectively to provide all assistance necessary to achieve a successful listing of Ardea on ASX, including the raising of capital (**Capital Raising**).

Azure will be paid a corporate advisory fee of A\$100,000 payable in cash or Ardea Shares at Azure's election. Euroz will be paid a 1% management fee payable on the total gross proceeds raised pursuant to the Capital Raising and a 4% equity raising fee payable on the total gross proceeds raised pursuant to the Capital Raising, excluding any funds invested by existing Heron Shareholders.

Azure and Euroz will each be entitled to options to be issued Ardea Shares equal to 1.50% of the fully diluted issue share capital of Ardea issued at the time of listing, exercisable at a 25% premium to the capital raising issue price with an expiry date three years from the listing date.

#### **4.11 Substantial Shareholders**

As at the date of this Prospectus, Ardea is a wholly owned subsidiary of the Company. Based on the information known as at the date of this Prospectus and assuming A\$6 million is raised under the Capital Raising, the following persons will have a voting power of 5% or more in Ardea as a result of the Distribution:

Name of Heron Shareholder	Voting power	
	Heron	Ardea
Ian Buchhorn and related parties	11.2%	6.5%

Greenstone Heron Holdings LP	13.0	7.5%
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#### 4.12 Rights and obligations attaching to Ardea Shares

Ardea Shares to be distributed under the Proposed Transaction will rank equally in all respects with existing Ardea Shares on issue.

Full details of the rights attaching to Ardea Shares are set out in Ardea's constitution, a copy of which can be inspected at the Company's registered office at Level 1/7 Havelock Street, West Perth WA 6005.

The following is a summary of the principal rights which are proposed to attach to Ardea Shares:

(a) Voting

Every holder of Ardea Shares present in person or by proxy, attorney or representative at a meeting of Ardea Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Ardea Shares who is present in person or by proxy, attorney or representative has one vote for every Ardea Share held by him or her. At any general meeting a resolution put to the vote of the meeting must be decided on a show of hands unless a poll is effectively demanded and the demand is not withdrawn.

(b) Dividends

Dividends are payable out of Ardea's profits and are declared by the Ardea Directors.

Ardea Shareholders are entitled to dividends as a result of ownership of their Ardea Shares in accordance with the Constitution.

(c) Transfer of Ardea Shares

An Ardea Shareholder may transfer Ardea Shares by a market transfer in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Corporations Act for the purpose of facilitating dealings in Ardea Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Ardea Directors.

The Ardea Directors may refuse to register any transfer of Ardea Shares, where Ardea is permitted or required to do so by the Listing Rules or the ASX Settlement Operating Rules or a Restriction Agreement.

(d) Meetings and notice

Each Ardea Shareholder is entitled to receive notice of and to attend general meetings for Ardea and to receive all notices, accounts and other documents required to be sent to Ardea Shareholders under the Constitution, the Corporations Act or the Listing Rules.

(e) Liquidation rights

Ardea has only issued one class of shares, which all rank equally in the event of liquidation. Once all the liabilities of Ardea are satisfied, a liquidator may, with the authority of a special resolution of Ardea Shareholders divide among the Ardea Shareholders the whole or any part of the remaining assets of Ardea. The liquidator can with the sanction of a special resolution of Ardea Shareholders vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of Ardea can be compelled to accept any shares or other securities in respect of which there is any liability.

(f) Ardea Shareholder liability

Ardea Shares are fully paid shares and are not subject to any calls for money by the Ardea Directors and will therefore not become liable for forfeiture.

(g) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days' written notice, specifying the intention to propose the resolution as a special resolution must be given.

(h) Listing Rules

If Ardea is admitted to the Official List of ASX, then despite anything in Ardea's constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision the constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

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**5 RESOLUTION 1 - DISPOSAL OF MAJOR ASSET**

Listing Rule 11.4 provides that an entity must not dispose of a major asset if at the time of the disposal it is aware that the person acquiring the asset intends to issue or offer securities with a view to becoming listed. This rule does not apply if, amongst other things, the holders of ordinary securities in the entity approve of the disposal.

Ardea is currently a wholly owned subsidiary of Heron. The Proposed Transaction is conditional upon Ardea being admitted to the Official List of ASX and, for that reason, Shareholder approval is sought for the purposes of Listing Rule 11.4.



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## **6 RESOLUTION 2 - REDUCTION OF CAPITAL**

### **6.1 Corporations Act requirements**

The proposed reduction of capital by way of the In-specie Distribution is an equal capital reduction.

Under Section 256B of the Corporations Act, a company may only reduce its capital if it:

- (a) is fair and reasonable to shareholders as a whole;
- (b) does not materially prejudice the company's ability to pay its creditors; and
- (c) is approved by shareholders in accordance with section 256C of the Corporations Act.

The Directors believe that the Proposed Transaction is fair and reasonable to Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors.

Under the proposed reduction of capital, each Heron Shareholder is treated equally and in the same manner since the terms of the reduction of capital are the same for each Shareholder. The In-specie Distribution is on a pro rata basis, and the proportionate ownership interest of each Shareholder remains the same before and after the Proposed Transaction. Further, the Directors consider that the Proposed Transaction will not result in the Company being insolvent at the time or after the In-specie Distribution.

In accordance with the Corporations Act:

- (a) The proposed reduction is an equal reduction and requires approval by an ordinary resolution passed at a general meeting of Heron Shareholders;
- (b) This Explanatory Memorandum and accompanying Prospectus and previous ASX announcements set out all information known to Heron that is material to the decision on how to vote on Resolution 2; and
- (c) Heron has lodged with ASIC a copy of this Notice of Meeting and accompanying Prospectus.

### **6.2 ASX Listing Rule requirements**

ASX Listing Rule 7.17 provides in part that a listed entity, in offering shareholders an entitlement to securities, must offer those securities pro rata or in such other way as, in the ASX's opinion, is fair in all the circumstances. In addition, there must be no restriction on the number of securities which a shareholder holds before this entitlement accrues. The Proposed Transaction satisfies the requirements of ASX Listing Rule 7.17, as the issue of Ardea Shares is being made to Shareholders on a pro rata basis, and there is no restriction on the number of Shares a Shareholder must hold before the entitlement to the Ardea Shares accrues.

The Company has sought waivers of Listing Rule 7.25 to effect the Proposed Transaction.

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## SCHEDULE 1 DEFINITIONS

In this Notice and Explanatory Memorandum:

<b>Ardea or Ardea Resources</b>	means Ardea Resources Limited.
<b>Ardea Board</b>	means the board of directors of Ardea.
<b>Ardea Director</b>	means a director of Ardea.
<b>Ardea Option, Option</b>	means an option to be issued an Ardea Share.
<b>Ardea Share</b>	means a fully paid ordinary share in the capital of Ardea.
<b>Ardea Shareholder</b>	means the holder of an Ardea Share.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.
<b>Chairman</b>	means the Chairman of the Company.
<b>Company</b>	means Heron Resources Limited.
<b>Constitution</b>	means the constitution of the Company as amended.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth) as amended.
<b>Demerger Relief</b>	has the meaning given in section 3.10.
<b>Director</b>	means a director of the Company.
<b>Effective Date</b>	means the date the distribution of Ardea Shares to Eligible Heron Shareholders is effected.
<b>Eligible Heron Shareholder</b>	means a Shareholder on the Record Date with a registered address in Australia.
<b>Explanatory Memorandum</b>	means this explanatory memorandum.
<b>Heron or Company</b>	means Heron Resources Limited.
<b>Heron Board</b>	means the board of Directors of Heron.
<b>Ineligible Shareholder</b>	Means a Heron Shareholder on the Record Date with a registered address other than in Australia.

<b>In-specie Distribution or Distribution</b>	means the distribution of Ardea Shares to Shareholders on the Record Date, to be effected through an equal capital reduction the subject of Resolution 2.
<b>Listing Rule</b>	means the listing rules of the ASX.
<b>Meeting</b>	means the meeting convened by this Notice (as adjourned from time to time).
<b>Non-Woodlawn Assets</b>	has the meaning given in section 3.1, and as detailed in the Heron ASX announcement dated 10 August 2016.
<b>Notice</b>	means this notice of meeting.
<b>Proposed Transaction</b>	has the meaning given in section 3.1.
<b>Prospectus</b>	means the prospectus prepared by the Company for the purposes of complying with ASIC Regulatory Guide RG 188, and which accompanies this Notice.
<b>Proxy Form</b>	means the proxy form attached to this Notice.
<b>Record Date</b>	has the meaning given in section 3.9, being 3 October 2016.
<b>Resolution</b>	means a resolution set out in the Notice.
<b>Securities</b>	means a Share or an Option in the capital of Heron.
<b>Share</b>	means a fully paid ordinary share in the capital of the Heron.
<b>Shareholder or Heron Shareholder</b>	means a holder of a Share.
<b>WST</b>	means Australian Western Standard Time.
<b>\$, A\$</b>	means Australian dollars.

**SCHEDULE 2 PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR  
HERON AS AT 30 JUNE 2016**

	<b>30 June 2016 (A\$'000)</b>	<b>Pro-Forma (A\$'000)</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	22,891	22,891
Trade and other receivables	522	522
<b>TOTAL CURRENT ASSETS</b>	<b>23,413</b>	<b>23,413</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	35	35
Investments	1,907	1,907
Property, plant and equipment	436	26
Exploration and evaluation costs carried forward	31,068	22,768
<b>TOTAL NON-CURRENT ASSETS</b>	<b>33,446</b>	<b>24,736</b>
<b>TOTAL ASSETS</b>	<b>56,859</b>	<b>48,149</b>
<b>LIABILITIES</b>		
Accounts Payable	893	893
Provisions	882	882
<b>TOTAL LIABILITIES</b>	<b>1,775</b>	<b>1,775</b>
<b>NET ASSETS</b>	<b>55,084</b>	<b>46,374</b>
<b>EQUITY</b>		
Contributed equity	- 138,409	129,699
Option reserve	- 935	935
Accumulated losses	- (84,260)	(84,260)
<b>TOTAL EQUITY</b>	<b>55,084</b>	<b>46,374</b>

**SCHEDULE 3 PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR  
ARDEA AS AT 30 JUNE 2016**

		Pro-forma Financial Information 30 June 2016	
	30 June 2016	Min Subscription	Max Subscription
	A\$'000	A\$'000	A\$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	-	3,500	6,000
<b>TOTAL CURRENT ASSETS</b>	-	3,500	6,000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	-	410	410
Exploration and evaluation costs carried forward	-	8,300	8,300
<b>TOTAL NON-CURRENT ASSETS</b>	-	8,700	8,700
<b>TOTAL ASSETS</b>	-	12,200	14,700
<b>CURRENT LIABILITIES</b>			
Accounts Payable		275	400
Loan from Heron	-	500	500
<b>TOTAL LIABILITIES</b>		775	900
<b>NET ASSETS</b>	-	11,425	13,800
<b>EQUITY</b>			
Contributed equity	-	11,700	14,200
Option reserve	-	-	-
Accumulated losses	-	(275)	(400)
<b>TOTAL EQUITY</b>	-	11,425	13,800

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## SCHEDULE 4 RISKS

The Ardea Shares to be distributed under the Proposed Transaction should be considered speculative because of the nature of the business activities of Ardea. Whilst the Directors commend the Proposed Transaction, potential investors should consider whether the Ardea Shares offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. This list is not exhaustive and potential investors should read the Notice and Prospectus in their entirety and if in any doubt consult their professional advisor before deciding whether to participate in the Proposed Transaction.

### 4.1 Risks Specific to Ardea and its Projects

Ardea's exploration projects represent the main business activity and focus of Ardea. Risks specific to these projects and Ardea's circumstances include the following:

(a) Non-renewal of title

Under both New South Wales and Western Australian law, exploration tenements are valid for set periods of time and renewal is subject to the approval of the respective State Minister. There is no guarantee that Ardea will be successful in the renewal of exploration tenements as they reach their expiry date.

If in future tenements are not extended, Ardea may suffer damage through loss of the opportunity to discover and/or develop any mineral resources.

(b) Management

Ardea's management presently consists of three non-executive Directors. The Directors have retained an executive search consultant and are confident of appointing a managing director shortly. Prior to appointing the full-time management team, Ian Buchhorn will manage Ardea's exploration programs.

(c) Limited exploration

Aside from Lewis Ponds and the KNP, the projects have been subjected to only limited drill testing. Whilst gold and/or nickel mineralisation as the case may be has been located in multiple drill intersections, there is a risk that the mineralisation in adjacent drill holes is not continuous between drill holes. There is also a risk that the presently completed drill holes may not be representative of the mineralisation present. Further drill tests are required to determine if mineralisation extends further beyond the geometry of the currently defined drill pattern.

There is no guarantee that if exploration extends the current resources that it will be capable of sustaining commercial development.

(d) Resource estimate

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made,

may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should Ardea encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could have either a positive or negative effect on Ardea's operations.

(e) Exploration and Operating Risks

The current and future operations of Ardea, including exploration, appraisal and possible production activities may be affected by a range of exploration and operating factors, including:

- (a) geological conditions;
- (b) limitations on activities due to seasonal weather patterns;
- (c) alterations to program and budgets;
- (d) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling, metallurgical laboratory work and production activities;
- (e) mechanical failure of operating plant and equipment; adverse weather conditions, industrial and environmental accidents, acts of terrorism or political or civil unrest and other force majeure events;
- (f) industrial action, disputation or disruptions;
- (g) unavailability of transport or drilling equipment to allow access and geological and geophysical investigations;
- (h) failure of metallurgical testing to determine a commercially viable product;
- (i) unavailability of suitable laboratory facilities to complete metallurgical testwork investigations;
- (j) shortages or unavailability of manpower or appropriately skilled manpower;
- (k) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment; and
- (l) prevention or restriction of access by reason of inability to obtain consents or approvals.

(f) Commodity Prices

Ardea expects to derive its future revenue from the sale of commodity products, or from the sale of either intermediate or fully-separated products. Consequently, any earnings will be closely related to the price of these



commodities together with the terms of any off-take agreement(s) under which Ardea's products may be sold.

Commodity prices fluctuate and are affected by numerous factors beyond the control of Ardea. These factors include worldwide and regional supply and demand for the specific commodity, prevailing commodity trading terms, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on Ardea's exploration, project development and production plans and activities, together with the ability to fund those plans and activities. Furthermore, some products are not traded upon terminal, liquid, commodity exchanges. There is a risk therefore that Ardea may not be able to secure an attractive price for its commodity products.

(g) Environment

The projects are subject to Western Australian, New South Wales and Federal laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, the projects would be expected to have a variety of environmental impacts should development proceed.

Ardea intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by Ardea's activities are rehabilitated as required by applicable laws and regulations.

(h) Mining Tax and Royalties

There is a risk that the Commonwealth, New South Wales or Western Australian Governments may seek to introduce further, or increase existing, taxes and royalties.

(i) Encumbrances on Title

Ardea may at a future date be required to encumber part or all of its tenure to expedite future commercial transactions.

(j) Funding

At the date of this Proposed Transaction, Ardea has no income producing assets and will generate losses for the foreseeable future. Until it is able to develop a project and generate appropriate cashflow, it is dependent upon being able to obtain future equity or debt funding to support long term exploration, after the expenditure of the net proceeds raised under the Proposed Transaction. Neither Ardea nor any of the Directors or any other party can provide any guarantee or assurance that if further funding is required, such funding can be raised on terms acceptable to Ardea.

Any additional equity funding will dilute existing Shareholders. Also, no guarantee or assurance can be given as to when a project can be developed to the stage where it will generate cashflow. As such, a project would be dependent on many factors, for example exploration success, subsequent mine development, commissioning and operational performance.

Ardea may not be able to earn or maintain proposed equity interests in its tenements if it fails to meet the ongoing expenditure commitments. Accordingly, Ardea may potentially lose entitlement or rights to interests in the tenements and projects.

(k) **Unforeseen Risks**

There may be other risks which the Directors are unaware of at the time of issuing this Notice and Prospectus which may impact on Ardea and its operations, and on the valuation and performance of Ardea's Shares.

## **4.2 General Economic Risks and Business Climate**

Share market conditions, may affect the listed securities regardless of operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) movements in or outlook on interest rates and inflation rates;
- (c) currency fluctuations;
- (d) commodity prices;
- (e) changes in investor sentiment towards particular market sectors; and
- (f) the demand and supply for capital.

Commodity prices are influenced by physical and investment demand for those commodities. Fluctuations in commodity prices may influence individual projects in which Ardea may have an interest.

## **4.3 Exploration, Development, Mining and Processing Risks**

The business of mineral exploration, project development and mining by its nature contains elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- (a) the discovery and/or acquisition of economically recoverable ore reserves;
- (b) successful conclusions to bankable feasibility studies;
- (c) access to adequate capital for project development;
- (d) design and construction of efficient mining and processing facilities within capital expenditure budgets;
- (e) securing and maintaining title to tenements and compliance with the terms of those tenements;

- (f) obtaining consents and approvals necessary for the conduct of exploration and mining; and
- (g) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Adverse weather conditions over a prolonged period can adversely affect exploration and mining operations and the timing of revenues.

Whether or not income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development and mining operations.

Mining is an industry which has become subject to increasing legislative regulation including but not limited to environmental responsibility and liability. The potential for liability is an ever present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. The introduction of new laws and regulations or changes to underlying policy may adversely impact on the operations of Ardea.

#### **4.4 Native Title**

The Native Title Act 1993 (Cth) recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with native title in Australia and this may impact on Ardea's operations and future plans.

Native title can be extinguished by valid grants of land or waters to people other than the native title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost their connection with the relevant land or waters. Native title is not extinguished by the grant of mining leases, as they are not considered to be grants of exclusive possession. A valid mining lease prevails over native title to the extent of any inconsistency for the duration of the title.

For tenements to be validly granted (or renewed) after 23 December 1996 the special "right to negotiate" regime established by the Native Title Act must be followed.

It is important to note that the existence of a native title claim is not an indication that native title in fact exists to the land covered by the claim, as this is a matter ultimately determined by the Federal Court.

Ardea must also comply with Aboriginal heritage legislation requirements which require heritage survey work to be undertaken ahead of the commencement of exploration and mining operations.

## SCHEDULE 5 TENEMENTS

### New South Wales Tenements

Tenement	Holder	Status	Area	Application Date	Grant Date	Expiry Date	Required Expenditure	Notes
<b>Lewis Ponds Project</b>								
EL 5583	TriAusMin	Live	146.0 sq km	4/12/1998	25/06/1999	24/06/2017	\$81,000 pa	Note 1.
EL 8323	Ochre	Live	172.4 sq km	6/06/2014	27/11/2014	27/11/2017	\$50,000 pa	-
ELA 5337	Ardea	Pending	286.0 sq km	10/08/2016	N/A	N/A	N/A	N/A
<b>Gundagai Project</b>								
EL 8061	Ochre	Live	278.1 sq km	14/09/2012	13/03/2013	13/03/2015	\$69,500 pa	Renewal, lodged on 12/03/2015, is pending. Note 2.
ELA 5323	Ardea Ltd	Pending	132.3 sq km	15/07/2016	N/A	N/A	N/A	Note 2.
<b>Calarie Project</b>								
ML 739	TriAusMin	Live	0.0053 sq km	-	23/05/1979	22/05/2021	\$35,000 pa	Notes 3, 4 and 5.
EL 7023	Tri Origin	Live	34.4 sq km	6/06/2007	20/01/2008	20/01/2017	\$42,000 pa	Note 5.
ELA 5338	Ardea	Pending	100.1 sq km	10/08/2016	N/A	N/A	N/A	
<b>Restdown Project</b>								

ELA 5335	Ardea	Pending	271.7 sq km	2/08/2016	N/A	N/A	N/A	-
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#### Western Australian tenements

Tenement	Holder	Status	Area	Application Date	Grant Date	Expiry Date	Required Expenditure	Notes
<b>Mt Zephyr Project</b>								
E39/1706	Heron	Live	20 blocks	4-Sep-2012	24-Sep-2013	23-Sep-2018	\$20,000	
E39/1757	Heron	Live	4 blocks	29-Jul-2013	26-Feb-2014	25-Feb-2019	\$15,000	Note 13
E39/1854	Heron	Pending	48 blocks	13-Jan-2015	N/A	N/A	N/A	
E39/1985	Ardea	Pending	32 blocks	14-Jul-2016	N/A	N/A	N/A	Note 5
E37/1271	Ardea	Pending	24 blocks	14-Jul-2016	N/A	N/A	N/A	Note 6
E37/1272	Ardea	Pending	62 blocks	15-Jul-2016	N/A	N/A	N/A	Note 6
E37/1273	Ardea	Pending	60 blocks	15-Jul-2016	N/A	N/A	N/A	
E37/1274	Ardea	Pending	64 blocks	15-Jul-2016	N/A	N/A	N/A	Note 6
<b>Bardoc Tectonic Zone - Ghost Rocks Project</b>								
E29/941	Heron	Live	20 blocks	04-Nov-14	10/06/2017	09/06/2020	\$20,000	
<b>Bardoc Tectonic Zone - Goongarrie Project</b>								
M24/541-I	Heron	Live	352.5 ha	21-Dec-1995	14-Feb-2002	13-Feb-2023	\$35,300	Notes 14, 15, 16, 17

M24/744-I	Heron	Live	6.68 ha	15-Apr-1998	1-May-2001	30-Apr-2022	\$10,000	Notes 15, 16
M29/167-I	Heron	Live	80.02 ha	19-Sep-1994	25-Jun-1999	24-Jun-2020	\$10,000	Notes 15, 16
M29/202-I	Heron	Live	593.6 ha	27-Sep-1996	11-Apr-2001	10-Apr-2022	\$59,400	Notes 15, 16, 18, 19, 20
M29/272-I	Heron	Live	602.6 ha	30-Sep-1999	1-May-2001	30-Apr-2022	\$60,300	Notes 15, 16, 21, 22
M29/278-I	Heron	Live	478 ha	24-Jan-2000	1-May-2001	30-Apr-2022	\$47,900	Notes 15, 16, 21, 22
M29/423	KNP	Live	822.1 ha	27-Aug-2013	1-Jul-2014	30-Jun-2035	\$82,300	
P29/2265	Heron	Live	200 ha	23-Aug-2012	9-Apr-2013	8-Apr-2017	\$8,000	
E29/934	KNP	Pending	43 blocks	28-Jul-2014	N/A	N/A	N/A	Note 7
M24/731-I	Heron	Live	116.9 ha	4-Mar-1998	21-Aug-2007	20-Aug-2028	\$11,700	Note 23
M24/732-I	Heron	Live	201.7 ha	4-Mar-1998	21-Aug-2007	20-Aug-2028	\$20,200	Note 23
M24/778-I	Heron	Live	890 ha	21-May-1999	21-Aug-2007	20-Aug-2028	\$89,000	Note 23
M29/214-I	Heron	Live	950 ha	13-Jan-1997	25-Jan-2008	24-Jan-2029	\$95,000	Note 17, 24, 25
<b>Kalgoorlie East - Taurus Project</b>								
M25/151	Heron	Live	366 ha	9-Sep-1994	18-Mar-2008	17-Mar-2029	\$36,600	
M25/187	Hampton	Live	50.03 ha	17-Nov-1995	29-Oct-2001	28-Oct-2022	\$10,000	Note 26
<b>Kalgoorlie East - Kalpini Project</b>								

E28/1224	Heron	Live	17 blocks	29-Aug-2001	20-Apr-2005	19-Apr-2016	\$70,000	Notes 8, 17
M28/199	Heron	Live	975.7 ha	25-Mar-1998	27-Sep-2001	26-Sep-2022	\$97,600	Notes 15, 19, 27
M28/201	Heron	Live	895.5 ha	25-Mar-1998	27-Sep-2001	26-Sep-2022	\$89,600	Notes 15, 19, 27
M28/205	Heron	Live	850.3 ha	1-May-1998	27-Sep-2001	26-Sep-2022	\$85,100	Note 15, 19
M27/395	Heron	Live	252.6 ha	9-Oct-2000	20-Sep-2006	19-Sep-2027	\$25,300	
E27/524	Heron	Live	6 blocks	9-Aug-2013	31-Jul-2014	30-Jul-2019	\$20,000	Note 9
<b>Bedonia Project</b>								
E63/1787	Atriplex	Pending	70 blocks	2-May-2016	N/A	N/A	N/A	
<b>Donnelly River Project</b>								
E70/4804	Atriplex	Pending	12 blocks	15-Jan-2016	N/A	N/A	N/A	
<b>Ardea Nickel-Cobalt Laterite Rights - Siberia Project</b>								
E24/203	Atriplex	Pending	4 blocks	12-Oct-2015	N/A	N/A	N/A	Note 10
E29/889	Heron	Live	1 block	29-Jul-2013	25-Feb-2014	24-Feb-2019	\$10,000	
M24/634-I	Heron	Live	185.2 ha	28-Feb-1997	25-Oct-2000	24-Oct-2021	\$18,600	Notes 17, 28
M24/660	Heron	Live	174 ha	23-May-1997	14-Jun-2007	13-Jun-2028	\$17,400	Note 11, 12, 29, 30, 31
M24/663	Heron	Live	306 ha	26-May-1997	28-Jan-2011	27-Jan-2032	\$30,600	Notes 29, 30
M24/664	Heron	Live	143 ha	26-May-1997	28-Jan-2011	27-Jan-2032	\$14,300	Note 29

M24/686	Heron	Live	35.61 ha	26-Aug-1997	3-Feb-2011	2-Feb-2032	\$21,500	Notes 29, 30
M24/915-I	Heron	Live	70 ha	25-May-2005	1-Feb-2011	31-Jan-2032	\$10,000	
M24/916	Heron	Live	277.1 ha	25-May-2005	1-Feb-2011	31-Jan-2032	\$54,400	
M24/683-I	Heron	Live	56 ha	23-Jul-1997	1-Feb-2011	31-Jan-2032	\$10,000	Notes 17, 28
M24/772-I	Heron	Live	5568 ha	29-Jan-1999	1-Feb-2011	31-Jan-2032	\$19,800	Notes 17, 28
M24/797-I	Heron	Live	396.3 ha	31-Aug-1999	1-Feb-2011	31-Jan-2032	\$39,700	Notes 17, 28
<b>Ardea Nickel-Cobalt Laterite Rights - Black Range Project</b>								
M24/757	Heron	Live	591 ha	21-Oct-1998	5-Jul-2011	4-Jul-2032	\$59,100	Notes 17, 28
P24/4395	Heron	Live	192 ha	13-Aug-2008	11-Aug-2009	10-Aug-2017	\$7,680	
P24/4396	Heron	Live	164 ha	13-Aug-2008	11-Aug-2009	10-Aug-2017	\$6,560	
P24/4400	Heron	Live	200 ha	13-Aug-2008	11-Aug-2009	10-Aug-2017	\$8,000	
P24/4401	Heron	Live	190 ha	13-Aug-2008	11-Aug-2009	10-Aug-2017	\$7,600	
P24/4402	Heron	Live	172 ha	13-Aug-2008	11-Aug-2009	10-Aug-2017	\$6,880	
P24/4403	Heron	Live	192 ha	13-Aug-2008	11-Aug-2009	10-Aug-2017	\$7,680	

### Key

Ardea                      Ardea Resources Pty Ltd



Atriplex	Atriplex Pty Ltd
Hampton	Hampton Nickel Pty Ltd
Heron	Heron Resources Ltd
KNP	Kalgoorlie Nickel Project Pty Ltd
Ochre	Ochre Resources Pty Ltd
TriAusMin	TriAusMin Pty Ltd
Tri Origin	Tri Origin Mining Pty Ltd

#### **Notes for New South Wales tenements**

The notes below refer to particular conditions and endorsements of the Tenements. It is not an exhaustive list. For all conditions and endorsements attached to the Tenements, a search should be conducted of the register maintained by the NSW Department of Industry - Resources and Energy (DOIRE).

Each of the Tenements are subject to standard conditions that must be complied with including annual expenditure requirements, payment of government fees, and the requirement to lodge annual technical reports. Standard conditions also stipulate that a tenement holder obtain the consent of an officer of the DOIRE prior to conducting any ground disturbing work, basic environmental and rehabilitation conditions (such as the removal of all waste, capping of drill holes etc) and prohibitions or restrictions on disturbing existing infrastructure such as roads, powerlines, aerial landing ground, airstrips and geodetic survey stations. In addition to these standard conditions, the following applies:

1. EL 5583 is subject to a finder's fee, payable to geologist David Timms, following commencement of production, or sale of the EL, capped at A\$2 million. The fee is based on 1/3 of proceeds from sale of the EL, or 1/3 of net profits from production, or 30% of any royalties received from production.
2. The Gundagai tenements are subject to Indigenous Land Use Agreement (ILUA) number NIA1998/001, known as the Tumut Brungle Area Agreement.

3. Delta Gold Exploration Pty Ltd's recorded interest in ML 739 Calarie is to be transferred to TriAusMin Pty Ltd.
4. ML 739 Calarie is pending suspension regarding possible breach of mining operations, labour and expenditure conditions by a former joint venture partner.
5. Kimberley Diamonds Ltd has withdrawn from its farm-in to two Calarie tenements.

#### Notes for Western Australian tenements

6. Murrin Murrin Holdings Pty Ltd and Glenmurrin Pty Ltd have objected to this application.
7. Aphrodite Gold Ltd has objected to the grant of this application.
8. An application to extend the term of this tenement has been lodged but not yet determined.
9. Kalnorth Gold Mines Ltd holds a caveat over this tenement.
10. Siberia Mining Corporation Pty Ltd has objected to the grant of this application.
11. Lewis Lajos Kovacs holds a caveat over this tenement.
12. Alan Ernest Gallop holds a caveat over this tenement.
13. An application for exemption from expenditure conditions remains pending against this tenement.
14. The tenement holder must pay to Tarmoola Australia Pty Ltd a royalty equal to 1.5% of the gold produced from the tenement.
15. This tenement is subject to a native title agreement with Marjorie May Strickland and Anne Joyce Nudding on behalf of the Maduwongga People.
16. This tenement is subject to a native title agreement with the Central West Goldfields People.
17. Previously subject to the Vale Inco KNP farm-in, no retainer rights by Vale Inco.
18. The tenement holder must pay to Goongarrie Gold Pty Ltd a royalty equal to \$1.50 per dry metric tonne of ore mined from the tenement.
19. This tenement is subject to a native title agreement with the Central East Goldfields People.

20. Previously chrysoprase mining tribute, now terminated.
21. Previously subject to an education bursary payment, no longer active.
22. Previously subject to a health clinic payment, no longer active.
23. Placer Dome Asia Pacific Pty Ltd holds a clawback right over this tenement, as well as a right of first refusal and 2% NSR royalty on gold produced in excess of 300,000 ounces.
24. Previously encumbrance, no longer registered.
25. Previously encumbrance, no longer registered.
26. Previously encumbrance, no longer registered.
27. The tenement holder must pay a royalty on the first 400,000 tonnes of nickel bearing ore produced from the tenement.
28. Tenement holder has the rights to explore for and mine nickel and cobalt only.
29. Previous encumbrance, no longer registered.
30. The tenement holder must pay Lewis Lajos Kovacs a royalty of \$1.00 per tonne of ore mined.
31. Previously alluvial gold mining tribute, now terminated.