



ZINC MARKET – QUARTERLY UPDATE BY WAYNE TAYLOR

Zinc continues to be one of the best performing base metals, up more than 50% since the start of the year. A combination of market influences have led to zinc's rallying price including the shutdown of a number of key mines in China, Peru, Australia and Ireland.

A recent survey by Reuters showed the zinc market deficit this year at 221,000 tonnes and forecasts it increasing to 269,000 tonnes in 2017. It is within this deficit that the opportunity exists for Heron with the Company's flagship Woodlawn Project ideally positioned to meet the shortfall in supply.

The market dynamics are creating an attractive price outlook with Macquarie forecasting zinc to rise to a 2017 calendar year average of \$US2325 a tonne, ahead of a surge to \$US2593 a tonne in 2018 and \$US2825 a tonne the following year.

Following the successful completion of our Feasibility Study in June which confirmed robust project economics, Heron is currently evaluating the potential for an early start up through the immediate sourcing of long lead-time items and other alternative second hand equipment procurement options.

With fundamentals set to remain attractive and our project finance discussions progressing well, Heron's timing and position as one of very few near term production projects across the entire zinc market leave it in an enviable position.