



Heron Resources Limited

ASX/TSX Release

8 March 2017

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Heron Resources Ltd Demerger – Australian Taxation Information

Heron Resources Limited (ASX:HRR TSX:HER, “Heron”) is pleased to advise that the Australian Taxation Office has today issued Class Ruling 2017/11 (**Class Ruling**) with respect to the tax implications of the Heron Demerger for Australian resident shareholders of Heron.

The Class Ruling confirms that the receipt of Ardea Resources Ltd (**Ardea**) shares pursuant to the Demerger is not taxable for Australian resident shareholders of Heron (that held their Heron shares on capital account for tax purposes), if they so elect. Australian resident shareholders will be sent a letter providing further detail on the Class Ruling to assist in calculating the tax cost base allocation of Heron and Ardea shares. (A copy of the shareholder letter is **attached** to this announcement). The Class Ruling can be found at Heron’s website.

A guide to the general tax implications of the demerger is set out in Section 3.10 of the Notice of General Meeting dated 29th August 2016



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Dear Heron Shareholder

HERON RESOURCES LTD DEMERGER OF ARDEA RESOURCES LTD AUSTRALIAN TAXATION INFORMATION

As you are aware, Heron Resources Ltd (**Heron**) recently completed the demerger of Ardea Resources Ltd (**Ardea**).

A general outline of the Australian taxation implications of the demerger for Australian shareholders participating in the Demerger was set out in Section 3.10 of the Notice of Meeting dated 29th August 2016 and is available on Heron's website. In this regard, the Australian Taxation Office (**ATO**) recently released Class Ruling 2017/11 (which is available on Heron's website) confirming the availability of demerger tax relief in respect of the demerger of Ardea for Australian shareholders that held their Heron shares on capital account for tax purposes.

Australian tax legislation requires that, for Australian capital gains tax purposes, whether or not Australian shareholders choose demerger tax relief, they must apportion the cost base of their Heron shares between their Heron and Ardea shares held at the Record Date of 6 October 2016. In making the apportionment, regard must be had to the market values of those shares (or a reasonable approximation thereof) at the Record Date.

This letter provides information to enable Australian shareholders to allocate the cost base of their Heron shares between their Heron and Ardea shares.

In the class ruling, the ATO confirmed that the apportionment may be based on the volume weighted average price (**VWAP**) of the Heron shares as at the Record Date of \$0.14 cents per share and the value of the Assets transferred from Heron into Ardea (\$8.3M). Shareholders that apportion the cost base of their shares on this basis will adopt the methodology consistent with the approach accepted by the ATO.

The VWAP and relative market values for Heron's and Ardea shares were as follows:

	VWAP \$	Shares on Issue	Market value \$M	Relative market value (%)
Heron fully paid shares	0.14	415,009,381	49.8 ⁽¹⁾	85.71%
Ardea assets	N/A	N/A	8.3	14.29%
TOTAL			58.1	100%

(1) Market capitalisation less the value of Assets transferred to Ardea (\$58.1M less 8.3M = \$49.8M)



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The cost base of your Heron shares would therefore be allocated 85.71% to your Heron shares and 14.29% to your Ardea shares after the Demerger.

The following is an illustrative example of how to calculate your cost bases:

Mary held 40,000 Heron shares that had an aggregate cost base of \$5,600, just before the Demerger. She received 4,000 Ardea shares under the Demerger.

The cost bases of the shares held by Mary would be calculated as follows:

Heron

$$\$5,600 \times 85.71\% = \$4,799.76$$

$$\$4,799.20 / 40,000 \text{ shares} = 12 \text{ cents per share}$$

Ardea

$$\$5,600 \times 14.29\% = \$800.24$$

$$\$800.80 / 4,000 \text{ shares} = 20 \text{ cents per share}$$

As indicated in the Notice of Meeting dated 29th August 2016, it is recommended that all Heron shareholders consult with their own independent taxation advisers regarding the taxation implications of participating in the Demerger given the particular circumstances that apply to them.

Yours sincerely

Simon Smith
Company Secretary
Heron Resources Ltd