



Heron Resources Limited

Heron recommends that
Golden Cross shareholders
support the EGM resolution 1
in favour of the Heron Offer

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24 January 2014

Reject the HQ Mining Competing Proposal



Reasons to support Heron Offer, which the majority of Golden Cross independent directors also support

1. Funds received immediately
2. Significant cash funding package in excess of November 2013 rights issue
3. Priced at a premium to prices immediately prior to Heron Offer announcement
4. Fewer conditions than HQ Mining, and largely within the influence of the Golden Cross board
5. Effectively zero cost to Golden Cross
6. Introduces strategic shareholder with significant experience and commitment to Copper Hill
7. Funds employed directly on major projects, notably flagship Copper Hill
8. Ensures HQ Mining cannot control the company
9. Increases the importance of the voices of minority shareholders
10. Re-balances the board, adds significant relevant skills
11. Heron has no present intention to bid for Golden Cross



Reasons to reject HQ Mining Competing Proposal

1. HQ Mining failed to support Golden Cross, ignoring the November 2013 rights issue
2. The HQ Mining proposal lacks clarity and certainty
3. Likely to result in effective control passing to HQ Mining
4. Regulatory impediments to HQ Mining underwriting a future rights issue
5. Will significantly delay receipt of funds, probably to April 2014
6. Shareholders should be concerned about HQ Mining's motives
7. HQ Mining have shown a disregard for minority shareholders' views
8. HQ Mining nominees are in a position of board conflict in respect of the Heron Offer

Turn over for the full Heron Announcement detailing reasons



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24 January 2014

HERON RECOMMENDS THAT GOLDEN CROSS SHAREHOLDERS SUPPORT THE EGM RESOLUTION 1 - IN FAVOUR OF THE HERON OFFER REJECT THE EGM RESOLUTION 2 - HQ MINING COMPETING PROPOSAL

On 16 December 2013, **Heron Resources Limited (ASX:HRR)** announced that it had provided a binding offer to Golden Cross Resources (ASX:GCR) (**Golden Cross** or the **Company**) to take a strategic equity interest in the Company. The Heron Offer was made in response to the current Shortfall Share placement facility and there was no impediment whatsoever to stop its acceptance by Golden Cross with immediate provision of funds.

Under the Heron Offer, Heron proposed that Golden Cross issue to Heron 375,970,579 new shares under the currently live Golden Cross Shortfall Offer at a share price of \$0.005, being the same price as the November 2013 Entitlement Offer (Rights Issue), for consideration of \$1.88 million (Heron Offer), giving Heron an interest of 19.9% in the enlarged share capital.

The Golden Cross directors associated with HQ Mining Resources Holdings Pty Ltd (**HQ Mining**) rejected the Heron Offer, and HQ Mining responded within two days with a competing proposal dated 18 December and amended on 23 December 2013 (**Competing Proposal**), with pricing identical to both the Rights Issue and Heron Offer. Given that HQ Mining neither underwrote nor subscribed to the Rights Issue, it is Heron's strong opinion that the Competing Proposal was activated solely in response to the Heron Offer in an attempt by HQ Mining to preserve its strong influence over Golden Cross.

This summary of the benefits of the Heron Offer is intended as a response to the Extraordinary General Meeting (EGM) notice dated 24 January 2014. The notice contains the 8 January 2014 Heron proposal (pages 11 to 14) to assist Golden Cross shareholders in making a decision about whether to support the Heron Offer or the HQ Mining Competing Proposal.

It is important that shareholders recognise that if they do not vote at the EGM, it is likely that the Heron Offer will not be accepted (because it appears that notwithstanding the proposals are competing, HQ Mining are eligible to vote against the Heron Offer), and that HQ Mining may subsequently gain effective or overall control over Golden Cross without a premium being paid.

REASONS TO SUPPORT THE HERON OFFER

Heron believes that the acceptance of funding from Heron is in the best interests of Golden Cross and in the best interests of shareholders as a whole, especially when compared to surrendering effective control of Golden Cross to HQ Mining through accepting further underwriting and funding from HQ Mining.



Funds from Heron can be received immediately

Following approval by the Golden Cross board and execution of standard procedural documentation, funds can be unconditionally received immediately, sourced from Heron's cash at bank.

This certainty of immediate timing contrasts with the extended timetable likely to extend to or beyond mid April 2014 associated with the receipt of proceeds from any underwriting of a further rights issue from HQ Mining which, because of HQ Mining's existing shareholding in Golden Cross, may require shareholder approval or may be delayed to meet other regulatory requirements.

 Provides significant additional funding to Golden Cross	Under the Heron Offer Golden Cross will raise \$1,879,853 to add to the \$753,730 raised from the Rights Issue for a total of \$2,633,583. The additional funds raised under the Heron Offer will allow Golden Cross to actively progress the exploration and development of the Company's flagship Copper Hill project, as well as their wider exploration portfolio as described in the Rights Issue. Copper Hill was last drilled in August 2011 – a situation that Heron is committed to redressing.
 Provides funds at a significant premium to Golden Cross trading prices immediately prior to announcement of the Heron Offer	The pricing of the Heron Offer, being the same price as the recent Rights Issue, is a 66.7% premium to the Golden Cross closing price of \$0.003 on 13 December 2013 immediately prior to the announcement of the Heron Offer, and a 29.5% premium to the 10 day volume weighted average price of \$0.00386 for Golden Cross shares between 2 and 13 December 2013. It is notable that at the \$0.005 price of the recent Rights Issue, only 10% of shareholders took up their entitlements. HQ Mining took no shares at all at this price. The 1.2 billion Golden Cross shares which remain available under the Shortfall Offer, together with the share price movement from the close of the Rights Issue up to 13 December 2013, show the lack of shareholder support for a share price of \$0.005 prior to the Heron Offer. Since first announcement of the Heron Offer on 16 December 2013, Golden Cross shares have traded up to (and on one day, above) the offer price. In Heron's opinion, this trading reflects the support by shareholders for the Heron Offer, and the expectation of shareholders that, one way or the other, the funding that Golden Cross needs will now be forthcoming, enabling the Company's projects to be systematically progressed. Given the influence of the Heron and HQ Mining offers on the market, any analysis of premium using information after 16 December 2013 is flawed. In the absence of the Heron Offer, Heron believes that it is probable that the Golden Cross share price would have remained weak until a viable funding solution was found.
 There are fewer conditions attached to the Heron Offer, and they are almost wholly within the control or influence of the Golden Cross board	The ten limited conditions provided in Heron's offer letter remain in place only until the Golden Cross board resolves to accept the offer and the standard documentation is executed. Four further market based conditions have now been waived by Heron and no longer apply to the Heron Offer. Of the ten conditions, six are directly under the control of Golden Cross: 1. No changes to capital structure; 2. No material asset disposals; 3. No changes to board and senior management; 4. Appointment of a Heron director; 5. No new issue of shares; and 6. No event of insolvency. The other four conditions are also largely under their influence: 1. No material adverse change to Golden Cross; 2. No suspension from trading; 3. No regulatory actions; and 4. No court orders, HQ Mining's Competing Proposal contains thirteen conditions.

 Effectively zero cost	There are no significant costs to Golden Cross in accepting the Heron Offer, which contrasts with the months of delays and costs likely under the HQ Mining Competing Proposal.
 Introduces an Aligned Strategic Shareholder with significant experience in exploration and development	Heron will become Golden Cross' second largest shareholder. Heron has a strong balance sheet and an extensive exploration portfolio of 3,500 km² within the Lachlan Fold Belt of New South Wales in proximity to Golden Cross projects. Heron believes that Copper Hill is highly prospective and is strongly supportive of increased drill exploration. Heron's exploration focus within the Lachlan Fold Belt is on early stage projects, contrasting with the Golden Cross projects which are long-held and generally at a much more advanced stage. Due to this clear difference in focus, Heron does not envisage any significant conflicts of interest arising from its representation on the Golden Cross board. In fact, it is far more likely that these differing focuses may lead to sharing of insight between the management teams to the benefit of both companies. Heron believes that our experience in exploration of porphyry copper systems and resource drill-outs has the potential to expand the JORC-compliant Mineral Resource at Copper Hill beyond its current 155 million tonne at 0.33% copper and 0.27g/t gold (hosting 493,000 tonnes of copper and 1.33 million ounces of gold). Heron completed site visits to Copper Hill in 2013, on the back of which it put a detailed drill exploration program to Golden Cross management, which at the time was strongly supported. Additionally, Heron has recent mine operating experience through the A1 underground gold mine in Victoria (decline, Heron 50,000 hours, no LTIs). Given Heron's strong balance sheet with \$38.6 million in cash and \$5 million in listed investments as at 30 September 2013, Heron has the capacity to continue to provide financial support to Golden Cross.
 Funds will be employed directly on the Golden Cross major projects in line with Golden Cross publicly stated priorities	Heron has proposed that \$1,800,000 of the funds received be employed directly in the exploration of Copper Hill (\$1,450,000), the Gawler Craton IOCG project in South Australia (\$150,000), and the Burra Copper Mine Project (\$100,000). This ensures that the funds will be directed towards Golden Cross' publicly stated project priorities, with the large majority directed towards the Company's flagship Copper Hill project.
 Ensures that HQ Mining does not have de facto control of the Company through its shareholding, and increases the importance of the voices of minority shareholders	Under the Heron Offer, Heron will acquire a 19.9% interest in Golden Cross, becoming the Company's second largest shareholder after HQ Mining, whose holding with associates will reduce from 30.3% to 24.3%. Immediately after the Heron Offer, Heron will not be in a position to control Golden Cross either through the share register or through board representation. However, Heron's presence on the share register will serve to significantly reduce the influence of HQ Mining over the Golden Cross board decision making process or through shareholder votes. In addition, the influence of minority shareholders will greatly increase for those shareholder votes where Heron and HQ Mining have differing voting intentions. The presence of Heron on the register will re-enfranchise Golden Cross minority shareholders, and rightly re-establish you as the key decision makers in Golden Cross.

 Re-balances the Golden Cross board and adds significant relevant skills	Under the Heron Offer, Heron will have the right to appoint one board member to the Golden Cross board as Heron's representative. Heron notes that upon this appointment, Golden Cross' board will comprise six members, of which at least three including the Chairman, Managing Director and Ian Buchhorn as proposed from Heron have exceptionally strong technical backgrounds. Ian Buchhorn will bring very strong exploration and mining skills to Golden Cross, with 40 years' experience as an exploration geologist, mineral economist and mine supervisor, and his history with Copper Hill dates back to 1982. He has familiarity with relevant porphyry copper-gold systems in Australia, the circum-Pacific, southern Africa and eastern Europe.
 Heron has no present intention to increase its shareholding in Golden Cross above 19.9% or to make a takeover offer for Golden Cross	Heron approached Golden Cross in March 2013 on a non-binding, indicative and confidential basis to consider a potential scrip-based merger between the companies. Feedback from Golden Cross was that the board under HQ Mining's influence was not supportive, and follow-up preliminary soundings on potential farm-ins to Golden Cross projects failed to proceed. Whilst Heron remains open to a later merger between the two companies, Heron recognises that the HQ Mining blocking stake currently provides a barrier to reaching an agreement on terms. Hence, Heron has no present intention to increase its shareholding in Golden Cross above 19.9% or to make a takeover offer for Golden Cross. Given Heron's view that Golden Cross' projects, in particular Copper Hill, have the potential to deliver value uplifts to all Golden Cross shareholders, Heron is comfortable remaining as a strategic holder on the register in support of delivering this value.

REASONS TO REJECT THE HQ MINING COMPETING PROPOSAL

Following the announcement of Heron's Offer and as an apparent response to it, HQ Mining provided a binding competing proposal to Golden Cross on 18 and then 23 December 2013 to underwrite a further rights issue. Heron believes there are very good reasons for Golden Cross shareholders to reject this Competing Proposal.

 HQ Mining ceased its support of Golden Cross through failing to underwrite the recent rights issue, and failing to support the issue through taking up their rights	On 21 October 2013, Golden Cross announced a 1 for 1 Rights Issue priced at \$0.005 to raise up to \$6.81 million for exploration and development. Despite being involved in the rights issue structuring through their board representation, HQ Mining declined to support the Company through taking up their rights, declined to provide a public statement of support, and declined to provide any form of underwriting to the Company at that time. Only the emergence of Heron's interest in Golden Cross appears to have changed HQ Mining's lack of support for Golden Cross and Copper Hill.
 HQ Mining has provided no financial support at all to Golden Cross since 2010	In fact, HQ Mining has provided no financial support to Golden Cross for more than three and a half years. The last financial support provided by a related party of HQ Mining to Golden Cross was the underwriting of the 2:1 rights issue announced on 17 March 2010. This lack of support by HQ Mining has seen Golden Cross' previously aggressive and successful exploration scaled right back.

 HQ Mining's Competing Proposal lacks clarity and certainty	HQ Mining is now offering a new rights issue of uncertain size to issue somewhere between 375.9 million and 680 million shares. The 24 January 2014 Notice of Meeting Resolution 2 specifically states a 672.6 million share raising, but HQ Mining-associated directors specifically state “up to”. The uncertainty in the potential outcomes of the Competing Offer do not allow Golden Cross shareholders to fully quantify their expenditure exposure, level of dilution, or even to understand HQ Mining's work program priorities. Heron also cautions shareholders that, in their 23 December 2013 offer letter, HQ Mining chose to omit the words “up to” whenever it casts Heron in an unfavourable light. In addition, they also presented a \$3.40 million “Use of Funds” table (section 5) when the amount raised could be \$1.88 million. Would this mean a continued disregard by HQ Mining for Copper Hill exploration and development?
 HQ Mining's Competing Proposal is likely to result in effective control of Golden Cross passing to HQ Mining without a premium being paid	To take control of their Company, Golden Cross shareholders should have a reasonable expectation that a significant premium should be payable above that offered for a strategic stake. If shareholders accept the HQ Mining offer, it is likely that you will cede control of your Company through HQ Mining's underwriting without receiving any premium at all for that control. Under the recent rights issue, only 10% of shareholders took up their rights. Despite this low take up from the rights issue, HQ Mining is now offering a new rights issue less than one month later, on the same price terms. If HQ Mining underwrites a further rights issue of \$1.88 million and similar levels of uptake are experienced, HQ Mining's shareholding through underwriting would rise to 42.2%. At this shareholding level it is highly likely that HQ Mining will be able to exert effective control over Golden Cross. Should HQ underwrite a larger raising their shareholding could rise even further. Under a 10% take-up scenario for their underwritten \$3.4 million rights issue at \$0.005, HQ Mining would emerge with a shareholding of 48.8% through underwriting, close to absolute control of the Company. Given the likely take-up by shareholders based on the recent rights issue, and that under both scenarios HQ Mining may well achieve effective or near overall majority control of the Company, shareholders should ask themselves why HQ Mining is not prepared to pay a proper market premium to obtain this stranglehold.
 There are likely regulatory impediments to HQ Mining underwriting any proposed rights issue	As noted in Golden Cross' announcement of 16 December 2013 in relation to the HQ Mining Competing Proposal, “<i>should the Company proceed to any new rights issue, the Corporations Act would preclude the Company from accepting an underwriting offer from HQ Mining unless management is unable to secure underwriting from other sources, including Heron</i>”. Hence there is significant uncertainty as to whether HQ Mining would be able to underwrite a rights issue in the manner contemplated by the Competing Proposal.
 HQ Mining's Competing Proposal will significantly delay receipt of funds by Golden Cross, and may well require a further shareholder vote to approve	HQ Mining has proposed to underwrite a further rights issue, and there will be a significant delay after any shareholder EGM support of HQ Mining – likely to be more than six weeks to mid April 2014 – in receiving the funds from that underwriting, particularly in light of the regulatory concerns described above, and the potential need for further shareholder approval to be sought for any such underwriting given that HQ Mining would likely achieve a position of effective or absolute control from the underwriting.

 Golden Cross shareholders should be concerned about HQ Mining's motives in putting forward their counterproposal	HQ Mining only provided an alternative to Heron's offer when it became clear that it would otherwise lose influence within the Company. As a result, Golden Cross shareholders should consider whether HQ Mining has the best interests of all shareholders at heart in putting forward its Competing Proposal, or whether they just wish to tighten its existing stranglehold on Golden Cross.
 HQ Mining have shown a disregard for Golden Cross minority shareholders' views	Following the withdrawal of the re-election resolution for founding and outstanding Golden Cross director Mr David Timms immediately prior to the 2012 Annual General Meeting, Golden Cross has failed to appoint a replacement, with the consequence being that HQ Mining's influence on the board has increased. We are informed that Mr Timms' withdrawal was due to HQ Mining voting against his re-election with no prior discussion, which in Heron's view illustrates the preparedness of HQ Mining to exert influence over Golden Cross to the detriment of minority shareholders. At the recent 2013 Annual General Meeting, director Ms Jingmin Qian was re-elected to the board only through HQ Mining's shares being voted in support under a poll called for by HQ Mining after the initial proxy count of shareholders comprehensively rejected her re-election. This forcing through of her re-election by HQ Mining despite overwhelming shareholder opposition shows, in Heron's view, a further disregard for the views of minority shareholders. As a result, given her presence on the board is now at the behest of HQ Mining, Heron considers that Ms Qian's independence may now have been compromised. This concern is supported by Golden Cross' announcement of 18 December 2013 where the Golden Cross board felt it necessary to consider this issue, with the result that <i>"Mr Li Yan and Ms Qian stated that Ms Qian is independent of HQ Mining"</i>, and is also supported by the fact that Ms Qian was originally nominated by HQ Mining to the board (refer to the 2010 Annual Accounts released 28 September 2010). Whether Ms Qian is independent or not, the introduction of a new board member from Heron will definitively ensure that at least half of directors will be independent of HQ Mining.
 HQ Mining nominees are in a position of conflict in dealing with the Heron Offer	The HQ Mining nominees on the Golden Cross board are in a position of clear conflict when dealing with the Heron Offer because it is a directly opposed offer to the HQ Mining Competing Offer. It is a competing offer to the HQ Mining Competing Offer because: 1. The HQ Mining Competing Offer was issued in direct response to the Heron Offer two days following; 2. The HQ Mining Competing Offer is conditional on the Heron Offer not proceeding; and 3. The Heron Offer cannot proceed (for a failure of its conditions) if the HQ Mining Competing Offer proceeds. In the view of Heron, proper corporate governance should require the HQ Mining nominees on the Golden Cross board to conflict themselves out of voting on the Heron Offer. Consequently, the Heron Offer would have been passed by a 2 to 1 board majority and Golden Cross would be spared the mounting expense, management distraction, and totally unnecessary time delay associated with this EGM and its later rights issue.

The full text of the Heron Offer of 8 January 2014 is provided in the EGM Notice pages 11-14.

About Heron Resources

Listed in 1996, Heron is an exploration stage company headquartered in West Perth, Western Australia whose key assets are its cash reserves of A\$38.6 million as at 30 September 2013, and the Kalgoorlie Nickel Project ("KNP"), a world-class nickel laterite deposit. Heron has an active exploration programme for gold, copper and base metals including extensive tenement holdings in the Lachlan Fold Belt region of New South Wales, where Golden Cross is also active.



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ASX CODE: HRR

ABN: 30 068 263 098

Issued shares: 253M

Share Price: \$0.14

Market Cap: \$35.4M

**Cash (30 Sep 13):
\$38.6M and listed
investments of
\$5.0M**

Directors:

- Ian Buchhorn
- Craig Readhead
- Stephen Dennis

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